Stock Code: 2102

Federal Corporation
2021
Annual report

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(I) Name, title, phone number, and email address of the spokesperson and the acting spokesperson:

(1) Spokesperson:

Name: Lu, Hsin-I

Title: Head of Finance Department

Tel.: (03) 4738555 ext. 43000

(2) Acting spokesperson:

Name: Li, Hsin-Yu

Title: Manager, Finance Department

Tel.: (03) 4738555 ext. 43100

(II) Address and telephone numbers of Company's headquarters and plant:

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

Tel.: (03) 452-2156

Guanyin Plant: No. 369, Huanxi Road, Guanyin District, Taoyuan City

Tel.: (03) 4738555

(III) Name, address, and telephone number of stock transfer agency:

Name: Registrar and Transfer Agency Department, Yuanta Securities Co., Ltd.

Address: B1F, No. 210, Section 3, Chengde Road, Taipei City

Website: http://www.yuanta.com.tw

Tel.: 02-25863117

(IV) Most recent annual financial report:

Certified public accountants: Chou, Yin-Lai and Peng, Li-Chen

Accounting firm: Baker Tilly Clock & CO

Address: 14F (Top Floor), No. 111, Section 2, Nanjing East Road, Taipei City

Website: http://www.clockcpa.com.tw

Tel.: 02-25165255

(V) Name of any exchanges where the Company's securities are traded offshore and the method of inquiry of the information on the offshore securities: Not applicable.

(VI) Company website: http://www.federalcorporation.com

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One. Business Report to Shareholders

Dear shareholders,

The COVID-19 pandemic has ravaged the world for more than two years since 2020. It is still ongoing in 2022. To prevent the spread of the pandemic, countries have adopted strict control measures, including city lockdown, border control, and restriction on personnel movement, which have nearly brought global economic demand to a standstill, causing the prices of international crude oil and raw materials to plummet. Despite Taiwan's excellent anti-pandemic efforts, Taiwan's economy was still affected by the significant global economic decline.

In addition to the impact of the pandemic, the U.S. Department of Commerce (DOC), at the end of 2020, suddenly imposed anti-dumping duties on Taiwan’s tire manufacturers. The duties in the preliminary rule ranged from 52.42%–98.44%. On May 24, 2021, the Company would be imposed with a duty at a rate of 84.75% in the final rule by DOC. The implementation of anti-dumping duties by the U.S. has caused a huge impact on Taiwan's tire industry. In particular, the Company's sales to the U.S. accounted for more than 80% of the operating income. In addition, the global freight hike and shortage of containers have weakened the momentum of global economic growth and affected the Company's shipments. As a result, both our operating income and profit have been severely hit. The implementation of the anti-dumping duties in the U.S. is the main reason for the decline in our revenue and significant losses in 2021.

I. Operating Results in 2021

(I) Business overview:

The Company's consolidated net operating income in 2021 was NT$1,561,241 thousand, a decrease of 73% from NT$5,704,663 thousand on a year-on-year basis; the net loss after tax for 2021 was NT$2,349,964 thousand.

(II) Overview of production and sales:

Unit: Unit

Item / Year	2021	2020	Increase (decrease)	%
Production volume	920,762	3,382,085	(2,461,323)	-73%
Sales volume	1,093,387	3,301,696	(2,208,309)	-67%

(III) Financial Information and Profitability

Unit: NTD thousand

Item / Year	2021	2020	Increase (decrease) (%)
Net operating revenue	1,561,241	5,704,663	(73)%
Operation gross profit,	(734,834)	1,302,019	(156)%

net			
Operating income (loss)	(1,848,153)	247,218	(848)%
Net income (loss) after tax	(2,349,964)	111,477	(2,208)%

Item / Year	2021	2020
Return on assets (%)	(17.59)	1.16
Return on shareholders' equity (%)	(36.57)	1.50
Ratio of income before tax to paid-in capital (%)	(48.61)	3.02
Net profit margin (%)	(150.52)	1.95
Earnings per share (NTD)	(5.11)	0.24

II. 2022 Business Plan

Looking ahead to 2022, the most severe impact of the pandemic on the global economy will come to an end and gradually slow down. Although the increase in vaccination rate will help curb new confirmed cases in our country, the global economic recovery in the first half of last year was strong, leading to rising raw material costs and inflationary pressures, tightening the global supply chain, and pushing shipping rates to a high point. Once the freight remains high, it will lead to a surge in import costs and consumer prices, further pushing up global inflation. The tightening monetary policy ahead of schedule and the U.S. Federal Reserve's interest rate hikes will hinder economic growth and posing challenges to the global economy in 2022.

However, at the end of 2020, the U.S. Department of Commerce's sudden move to impose anti-dumping duties on Taiwan has had a material impact on Taiwan's tire industry. As such, the Company has also taken the measures below to cope prudently:

(I) Business

(I) Increase the proportion of sales in non-U.S. markets (Europe, Central and South America, Asia, etc.).

(II) Increase the proportion of sales of "non-passenger car radial (PCR) and light truck (LT) tires", such as racing tires. .

(III) Expand the global layout of channels, focus on product research and development (R&D), marketing, and services to enhance competitiveness.

(II) Production and management:

(I) Strengthen internal control and improve corporate governance capabilities.

(II) Streamline manpower and reduce costs to achieve a lean and efficient workforce.

(III) Revitalize land assets to create profit and income.

(III) R&D:

(IV) Diversify product lines and develop other tire products. (ATV, UTV, SSV, etc.)

(V) Develop high value-added tires and improve product performance.

(VI) Shorten new product development cycles and provide cost-effective products.
(VII) Develop new raw material suppliers to improve quality and reduce costs.

The Company, this year, will continue to develop new technologies and R&D high value-added products to improve quality, control production costs, reduce expenditures to enhance our product competitiveness, while continuing to integrate marketing, business, and other units to enhance our product positioning and strive for higher margins.

I wish you

Good health and all the best!

Chairman Chiang, Ching-Hsing

Two.　Company in General

I. Date of Incorporation:

November 23, 1955.

II. Brief account of the Company:

The Company was formerly known as Taifeng Rubber Industry Co., Ltd., founded by Mr. Ma, Chi-Shan in November 1955 with a registered capital of NT$3 million. Mr. Ma assisted with the establishment of a factory, which was located in Zhongli City, Taoyuan County, and mainly produced rubber belts for industrial use. Since the domestic economy gradually improved, various types of vehicles have continued to increase. To meet social and economic development and market needs, the Company has manufactured automobile tires since 1959 and was renamed Federal Corporation in October 1964.

To enhance the tire manufacturing techniques and improve the quality, the Company had engaged in technical cooperation with Bridgestone Corporation and Sumitomo Rubber Industries, Ltd. in 1950 and 1981, respectively. In recent years, we have been actively researching and developing various high-performance and high-value-added tires to expand product categories and gain market share.

To implement the professional division of labor and improve the operating efficiency of assets, we transferred the land and buildings held on October 31, 2003 to our wholly-owned Taixin Construction Co., Ltd., in accordance with Article 28 of the Business Mergers And Acquisitions Act. To rationalize the division of labor and adjust business operations, we, on December 31, 2004, transferred the land and buildings outside the industrial and commercial complex to our new wholly-owned Taicheng Development Co., Ltd., in accordance with the relevant provisions of the Business Mergers And Acquisitions Act.

We acquired a piece of land in the Taoyuan Science and Technology Industrial Park on March 8, 2012. we began the construction of a new plant on October 11, 2014 and successively obtained the license and factory registration certificate in 2017.

The board of directors of Taicheng Development Co., Ltd., an important subsidiary, resolved a decision, on March 26, 2021, to reduce capital and demerge its partial operations into Rongcheng Development Co., Ltd., and Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd. are Federal Corporation’s wholly-owned subsidiaries.

On June 15, 2021, 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. 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 to completely terminate the Zhongli Plant’s production first.

The major shareholder Nankang Rubber Tire Corp., Ltd., on October 15, 2021, called an extraordinary shareholders' meeting to obtain the management right.

Three. Corporate Governance Report

I. Organization of the Company:

(I) The Company's organization and staffing are based on the principles of business management, and we aim to streamline the organization and pay attention to the balance and coordination of various departments, with an emphasis on teamwork in the overall operations.

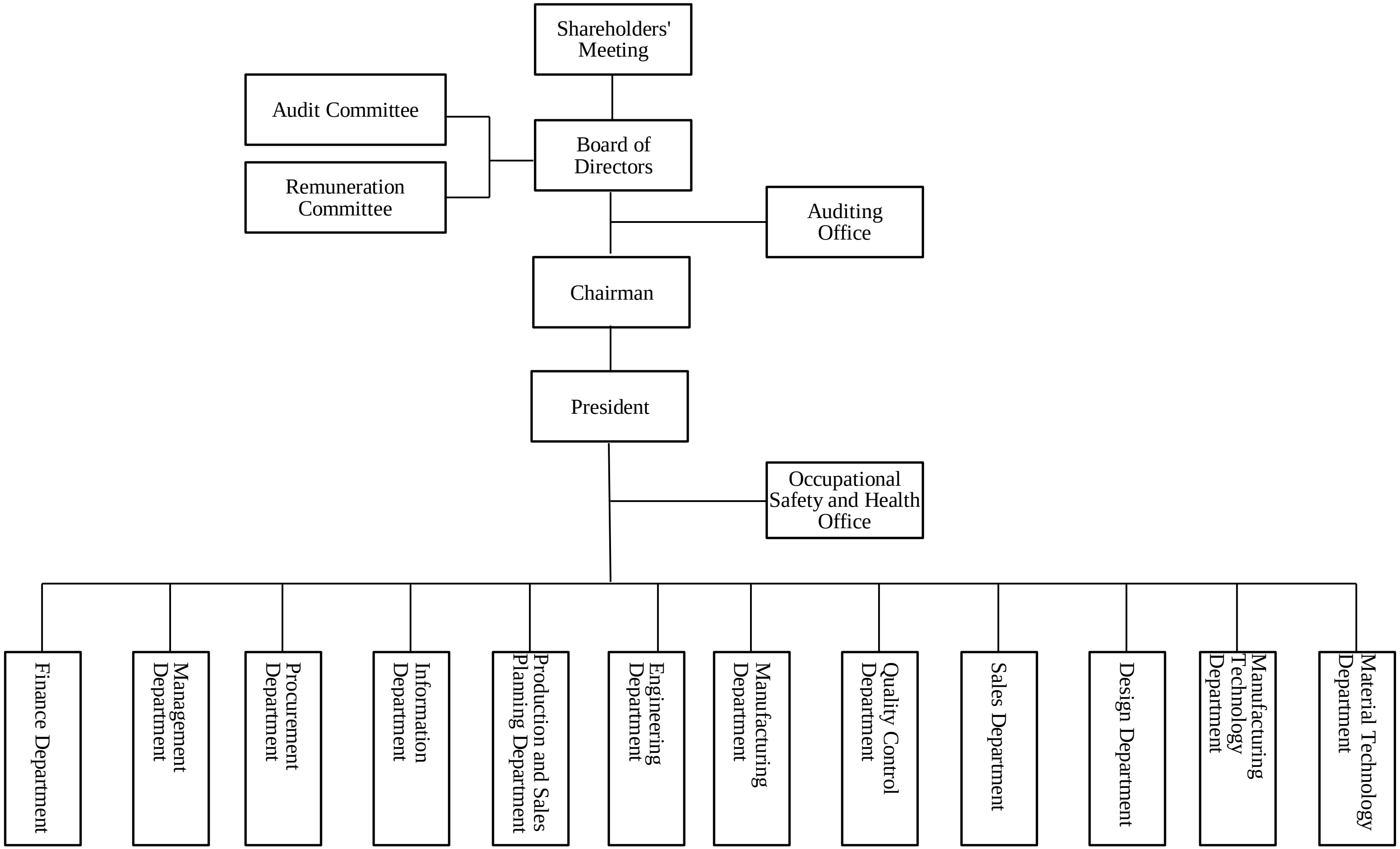
(II) The main departments' responsibilities are as follows:

1. Auditing Office:
   Is responsible for the supervision, implementation, and planning of the internal audit system.
2. Finance Department:
   Is responsible for fund dispatch, credit management, accounting system, cost and accounting, management report preparation, tax management, import and export declaration, and customs declaration.
3. Information Department:
   Is responsible for computerization and automation management as well as planning and implementation of computer-based business in various departments.
4. Production and Sales Planning Department:
   Is responsible for production and sales planning, raw material and tooling management, warehousing and transportation management, as well as shipping, storage, and transportation management.
5. Procurement Department:
   Procure and manage raw materials and daily supplies.
6. Management Department:
   Is responsible for the formulation, implementation, and management of personnel policies and employee benefits.
7. Sales Department:
   Is responsible for the operation and expansion of the export market.
8. Design Department:
   Is responsible for the design, development, verification, and practical application of new products.
9. Material Technology Department:
   Is responsible for the R&D of raw materials, specification settings, and cost reduction.
10. Manufacturing Department:
    Is responsible for raw material processing, molding, and shaping, production control, and tooling management.
11. Engineering Department:
    Is responsible for the development, improvement, installation, and maintenance of production equipment.
12. Manufacturing Technology Department:
    Is responsible for trial production of newly developed products as well as revision and publication of production process standards.
13. Quality Control Department:
    Is responsible for quality assurance, formulation and inspection of engineering operating standards, as well as planning and supervision of

international quality certification.

14. Security and Health Office: Is responsible for the management of a factory's environmental protection, safety, and health.

FEDERAL CORPORATION Chart of Organization Structure



II. Information Regarding Board of Directors and Key Managers

(I) Information on directors (1)

April 16, 2022

Unit: In thousand shares; %

Title	Nationality or Registration	Name	Gender/Age	Date elected	Term	Date first elected	Shares Held When Elected		Shares Held at Present		Shares Held by Spouse & Minors		Shares Held by the Other's		Education and Experience	Current Position(s) in Other Companies	Spouse or Immediate Family as a Managerial Officer or Director			Remark
							Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding			Title	Name	Relationship	
Chairman	ROC	Nankang Rubber Tire Corp., Ltd.		2021.10.15	3 years	2020.06.19	148,768	31.43	148,768	31.43	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Chiang, Ching-Hsing	Male 61–70 years old	2021.10.15	3 years	2020.06.19	0	0	0	0	0	0	0	0	Chairman of Nankang Rubber Tire Corp., Ltd.; President of Yico Group. Ph.D., Public Order, University of Leicester, U.K.	Chairman of Federex Marketing Co., Ltd., Chairman of Taixin Construction Co., Ltd., Chairman of Taicheng Development Co., Ltd., Director of Federal International Holding Inc., Director of Amberg Investments Pte., Director of Karroy Development Ltd., Director of Federal Tire North America LLC, and Director of Nankang Rubber Tire Corp., Ltd.	N/A	N/A	N/A	(I) The Company's Chairman and President are the same person, which not only facilitates communication and coordination within the board of directors to reduce conflicts but also improves the Company's decision-making efficiency. (II) More than half of the Company's directors are not employees or managers concurrently.
Director	ROC	Nankang Rubber Tire Corp., Ltd.		2021.10.15	3 years	2020.06.19	148,768	31.43	148,768	31.43	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Chen, Hsueh-Sheng	Male 61–70 years old	2022.02.16	3 years	2022.02.16	0	0	0	0	0	0	0	0	President of Business Division of Continental Engineering Corporation Department of Civil Engineering Chung Yuan Christian University	Chairman of Shih Her Technologies Inc.	N/A	N/A	N/A	
Director	ROC	Nankang Rubber Tire Corp., Ltd.		2021.10.15	3 years	2020.06.19	148,768	31.43	148,768	31.43	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Huang, Tai-Feng	Male 61–70 years old	2022.02.16	3 years	2022.02.16	0	0	0	0	0	0	0	0	School of Law, Soochow University; passed the 1990 Attorney Qualification Examination	Attorney-in-charge, Huang, Tai-Feng Law Firm	N/A	N/A	N/A	
Director	ROC	Taiwan Insulation Applied Technology Co.		2021.10.15	3 years	2021.10.15	20	0	20	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Ko, Tso-Liang	Male 61–70 years old	2021.10.15	3 years	2021.10.15	0	0	0	0	0	0	0	0	Director of China Airlines Department of Architectural Drafting, Nanya Institute of Technology	N/A	N/A	N/A	N/A	
Director	ROC	Huan-Xiang Investment Co., Ltd.		2021.10.15	3 years	2021.10.15	15,606	3.30	15,606	3.30	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Fang, Hsiang-Chi	Male 41–50 years old	2021.10.15	3 years	2021.10.15	0	0	0	0	0	0	0	0	Supervisor of Chen Li Co., Ltd. and Director of China Fineblanking Technology Co., Ltd. Department of Accounting of Feng Chia University	Chairman of Sulde International Consulting Corp., Director of Keystones IP Management Co., Ltd., Director of Success Prime Corporation, Independent Director of Newretail Co., Ltd.	N/A	N/A	N/A	
Director	ROC	Huan-Xiang Investment Co., Ltd.		2021.10.15	3 years	2021.10.15	15,606	3.30	15,606	3.30	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
	ROC	Representative: Yu, Chih-Ching	Male 41–50 years old	2021.10.15	3 years	2021.10.15	0	0	0	0	0	0	0	0	Director of CIW International Co., Ltd. and Director of Taiwan Life Insurance Co., Ltd. EMBA, Accounting, National Taiwan University; Master of Laws of National Taipei University	Senior Partner, Hengsheng Lawfirm	N/A	N/A	N/A	
Independent Director	ROC	Cheng, Fu-Yueh	Female 51–60 years old	2021.10.15	3 years	2021.10.15	0	0	0	0	0	0	0	0	Director of 3DFAMILY; Chief Executive Officer, International Business Department, Dafeng TV Ltd. Ph.D student, Department of Banking and Finance, Tamkang University	Teacher at China University of Technology and Tamkang University	N/A	N/A	N/A	
Independent Director	ROC	Yao, Wen-Liang	Male 51–60 years old	2021.10.15	3 years	2021.10.15	0	0	0	0	0	0	0	0	Financial Manager of ChonYo CPAs and Kung Sing Engineering Corporation; Supervisor of Orient Recreation and Development Corp. Department of Accounting of National Chung Hsing University	Controller of Weiyuan CPAs	N/A	N/A	N/A	
Independent Director	ROC	Chao, Shih-I	Male 41–50 years old	2021.10.15	3 years	2021.10.15	100	0.02	100	0.02	0	0	0	0	President of Polaris Securities, Hong Kong Branch Master of Real Estate Development, MIT	Chairman of Huachuan Asset Management Co. Ltd. and Chairman of Social Entertainment Enterprise Co., Ltd.	N/A	N/A	N/A	

Table 1: Major Institutional Shareholders

April 16, 2022

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Nankang Rubber Tire Corp., Ltd.	Nanguan Tire Co., Ltd. (18.52%) Yuanhong Development Industry Co., Ltd. (7.04%) Zhikai Development Co., Ltd. (6.16%) Yuanrui Development Industry Co., Ltd. (4.79%) Hanzhong Global Investment Co., Ltd. (4.20%) Hanshen Investment Co., Ltd. (4.20%) Quanye Investment Co., Ltd. (4.07%) Youshin Development Co., Ltd. (3.60%) Lin, Chun-Ying (2.27%) Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.23%)
Taiwan Insulation Applied Technology Co.	Taiwan United Medical Inc. (100%)
Huan-Xiang Investment Co., Ltd.	Ma Chi-Shan Foundation (100%)

Table 2: Major Shareholders of Institutional Shareholders in Table 1 with Corporations as Their Major Shareholders

April 16, 2022

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Nanguan Tire Co., Ltd.	Nankang Rubber Tire Corp., Ltd. (20.37%)
Yuanhong Development Industry Co., Ltd.	Hengtai Holdings Co., Ltd. (99.34%)
Zhikai Development Co., Ltd.	Hengtai Holdings Co., Ltd. (90.70%)
Yuanrui Development Industry Co., Ltd.	Hengtai Holdings Co., Ltd. (72.268%)
Hanzhong Global Investment Co., Ltd.	Weijun International Development Co., Ltd. (39.50%) Lianzhong International Asset Management Co., Ltd. (19%)
Hanshen Investment Co., Ltd.	Hanshen Asset Management Co., Ltd. (100%)
Quanye Investment Co., Ltd.	Hengtai Holdings Co., Ltd. (99.90%)
Youshin Development Co., Ltd.	Hanshin Department Store Co., Ltd. (100%)
Taiwan United Medical Inc.	Chaoyang Biomedical Co., Ltd. (26.94%)
Ma Chi-Shan Foundation	Federal Corporation donated NT$30 million and Mr. Ma, Shao-Chin donated NT$1 million

(II) **Information on directors (2)**

I. Disclosure of information on the professional qualifications of directors and the independence of independent directors:

Criteria / Name	Professional qualifications and experience	Independence criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Chiang, Ching-Hsing	Professional background and extensive experience in industry, business, and management. Once as Chairman of Nankang Rubber Tire Corp., Ltd.; President of Yico Group.; Director of Nankang Rubber Tire Not under any conditions defined in Article 30 of the Company Act.	Not applicable	N/A
Director Chen, Hsueh-Sheng	Professional background and extensive experience in business and management. Currently as Chairman of Shih Her Technologies Inc. Not under any conditions defined in Article 30 of the Company Act.	Not applicable	N/A
Director Huang, Tai-Feng	Passed the Attorney Qualification Examination; professional background and extensive experience in management and law. Currently as Attorney-in-charge, Huang, Tai-Feng Law Firm. Not under any conditions defined in Article 30 of the Company Act.	Not applicable	N/A
Director Ko, Tso-Liang	Professional background and extensive experience in business and management. Once as Director of China Airlines; Director of China Fineblanking Technology Co., Ltd. Not under any conditions defined in Article 30 of the Company Act.	Not applicable	N/A

Director Fang, Hsiang-Chi	Professional background and extensive experience in accounting, business, and management. Once as Supervisor of Chen Li Co., Ltd. and Director of China Fineblanking Technology Co., Ltd.; currently as Chairman of Sulde International Consulting Corp., Director of Keystones IP Management Co., Ltd., Director of Success Prime Corporation, Independent Director of Newretail Co., Ltd. Not under any conditions defined in Article 30 of the Company Act.	Not applicable	1
Director Yu, Chih-Ching	Professional background and extensive experience in law. Once as Director of CJW International Co., Ltd., Director of Taiwan Life Insurance Co., Ltd., and prosecutors of Taiwan Taipei District Prosecutors Office; currently as Senior Partner, Hengsheng Lawfirm. Not under any conditions defined in Article 30 of the Company Act.	Not applicable	N/A
Independent Director Cheng, Fu-Yueh	Professional background and extensive experience in finance, business, and management. Once as Director of 3DFAMILY and Chief Executive Officer, International Business Department, Dafeng TV Ltd.; currently as a teacher at China University of Technology and Tamkang University Not under any conditions defined in Article 30 of the Company Act.	Is an independent director and meets the independence criteria; Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A
Independent Director Yao, Wen-Liang	Professional background and extensive experience in accounting, business, and management. Once as Financial Manager of ChonYo CPAs and Kung Sing Engineering Corporation; Supervisor of Orient Recreation and Development Corp.; currently as Controller of Weiyuan CPAs. Not under any conditions defined in Article 30 of the Company Act.	Is an independent director and meets the independence criteria; Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A

Independent Director Chao, Shih-I	Professional background and extensive experience in industry, business, and management. Once as President of Polaris Securities, Hong Kong Branch; currently as Chairman of Huachuan Asset Management Co. Ltd. and Chairman of Social Entertainment Enterprise Co., Ltd. Not under any conditions defined in Article 30 of the Company Act.	Is an independent director and meets the independence criteria; Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A

II. Diversity and independence of the Board of Directors:

(I) Board diversity:

To strengthen corporate governance and facilitate the sound development of the composition and structure of the board of directors, the Company stated in Article 20, paragraph 3 of the "Corporate Governance Best Practice Principles" formulated in 2019 that the composition of the board of directors shall be based on the principle of diversity. Directors who also serve as the Company's managers shall not exceed one-third of the total number of directors, and an appropriate diversity policy shall be formulated based on its operation, operation model, and development needs, including but not limited to the two indicators below:

1. Basic conditions and values: Gender, age, nationality, and cultural background.
2. Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The current term of the Company's board of directors consists of 9 directors, including 3 independent directors. The members have extensive experience and expertise in the fields of finance, business, and management. At present, there are 9 directors on the Board, including 1 female director and 1 director who is also the Company's manager.

(II) Independence of the board of directors:

The current term of the Board of Directors consists of 9 directors, including 3 independent directors (33%). The three independent directors are in compliance with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission on independent directors and are not involved in circumstances under Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. There are no spouses or relatives within the second degree of kinship among directors, supervisors, or between directors and supervisors.

(III) President, Vice Presidents, Associate Managers, and Supervisors of All the Company's Divisions and Branches

April 16, 2022

Unit: In thousand shares; %

Title	Nationality	Name	Gender	Date of taking office	Shares Held Directly		Shares Held by Spouse or Minors		Shares Held by the Other's		Education and Experience	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President			Remark
					Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding			Title	Name	Relationship	
President	ROC	Chiang, Ching-Hsing	Male	2021.11.01	0	0	0	0	0	0	Ph.D., Public Order, University of Leicester, U.K.	Director of Nankang Rubber Tire Corp., Ltd.	N/A	N/A	N/A	(I) The Company's Chairman and President are the same person, which not only facilitates communication and coordination within the board of directors to reduce conflicts but also improves the Company's decision-making efficiency. (II) More than half of the Company's directors are not employees or managers concurrently.
Vice President and Chief Financial Officer	ROC	Chiu, Fu-Chih	Male	2022.02.14	0	0	0	0	0	0	MBA, University of Houston	N/A	N/A	N/A	N/A	
Head of Finance Department	ROC	Lu, Hsin-I	Male	2019.11.01	15	0	0	0	0	0	Department of Accounting of Chung Yuan Christian University.	N/A	N/A	N/A	N/A	
Head of Production and Sales Department	ROC	Liu, Chia-Shen	Male	2017.06.01	0	0	0	0	0	0	Department of Industrial Design, National United University	N/A	N/A	N/A	N/A	
Deputy Head of Production and Sales Department	ROC	Hu, Po-Chien	Male	2022.02.07	0	0	0	0	0	0	International Business And Trade, International College, Ming Chuan University	N/A	N/A	N/A	N/A	
Head of Research and Development Department and Manufacturing Department	ROC	Wu, Hung-Cheng	Male	2017.12.01	0	0	0	0	0	0	Department of Chemical Engineering, Lunghwa University of Science and Technology	N/A	N/A	N/A	N/A	
Deputy Head of Management Department	ROC	Wang, Li-Hua	Male	2021.10.01	0	0	0	0	0	0	Master's, School of Management, Ming Chuan University	N/A	N/A	N/A	N/A	
Deputy Factory Manager of Manufacturing Department	ROC	Yuan, Kuo-Chung	Male	2021.11.10	0	0	0	0	0	0	Department of Mechanical Engineering, National Taipei Institute of Technology	N/A	N/A	N/A	N/A	

(IV) Remuneration to Directors and the President

(1) Remuneration to Directors

Unit: NTD thousand; %

Title	Name	Remuneration to directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of total remuneration (A + B + C + D + E + F +G) to net income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Reward of Directors (C)		Business execution expenses (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Share	Cash	Share			
Chairman	Nankang Rubber Tire Corp., Ltd. Representative: Chiang, Ching-Hsing (took office on October 15, 2021)	60	60	-	-	-	-	20	20	80 -	80 -	900	900	-	-	-	-	-	-	980 -	980 -	N/A
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Heng-Kuan (took office on October 15, 2021 while dismissed on February 16, 2022)	60	60	-	-	-	-	20	20	80 -	80 -	-	-	-	-	-	-	-	-	80 -	80 -	N/A
Director	Taiwan Insulation Applied Technology Co. Representative: Ko, Tso-Liang (took office on October 15, 2021)	60	60	-	-	-	-	20	20	80 -	80 -	-	-	-	-	-	-	-	-	80 -	80 -	N/A
Director	Huan-Xiang Investment Co., Ltd. Representative: Fang, Hsiang-Chi (took office on October 15, 2021)	60	60	-	-	-	-	20	20	80 -	80 -	-	-	-	-	-	-	-	-	80 -	80 -	N/A
Director	Ma Chi-Shan Foundation Representative: Yu, Chih-Ching dismissed on October 15, 2021)	80	80	-	-	-	-	20	20	100 -	100 -	-	-	-	-	-	-	-	-	100 -	100 -	N/A
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching (took office on October 15, 2021)	60	60	-	-	-	-	20	20	80 -	80 -	-	-	-	-	-	-	-	-	80 -	80 -	N/A

Title	Name	Remuneration to directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of total remuneration (A + B + C + D + E + F +G) to net income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Reward of Directors (C)		Business execution expenses (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Share	Cash	Share			
Director	Nankang Rubber Tire Corp., Ltd. Representative: Lu, Heng-Chih (took office on October 27, 2021 while dismissed on February 16, 2022)	40	40	-	-	-	-	15	15	55 -	55 -	-	-	-	-	-	-	-	-	55 -	55 -	N/A
Independent Director	Cheng, Fu-Yueh (took office on October 15, 2021)	150	150	-	-	-	-	25	25	175 -	175 -	-	-	-	-	-	-	-	-	175 -	175 -	N/A
Independent Director	Yao, Wen-Liang (took office on October 15, 2021)	150	150	-	-	-	-	25	25	175 -	175 -	-	-	-	-	-	-	-	-	175 -	175 -	N/A
Independent Director	Chao, Shih-I (took office on October 15, 2021)	150	150	-	-	-	-	20	20	170 -	170 -	-	-	-	-	-	-	-	-	170 -	170 -	N/A
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chao, Kuo-Shuai (dismissed on October 27, 2021)	200	200	-	-	-	-	45	45	245 -	245 -	-	-	-	-	-	-	-	-	245 -	245 -	N/A
Chairman	Ma, Shu-Chien (dismissed on October 15, 2021)	200	200	-	-	-	-	40	40	240 -	240 -	3,215	5,131	-	-	-	-	-	-	3,455 -	5,371 -	N/A
Director	Maxon Corporation Representative: Ma, Shu-Chuang (dismissed on May 19, 2021)	100	100	-	-	-	-	15	15	115 -	115 -	-	-	-	-	-	-	-	-	115 -	115 -	N/A
Director	Ma Chi-Shan Foundation Representative: Chen, Chung-I (dismissed on June 15, 2021)	120	120	-	-	-	-	20	20	140 -	140 -	1,462	1,462	50	50	-	-	-	-	1,652 -	1,652 -	N/A
Director	Datian Investment Co., Ltd. Representative: Ma, Pei-Chun (dismissed on October 15, 2021)	200	200	-	-	-	-	40	40	240 -	240 -	-	-	-	-	-	-	-	-	240 -	240 -	N/A

Title	Name	Remuneration to directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of total remuneration (A + B + C + D + E + F +G) to net income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Reward of Directors (C)		Business execution expenses (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Share	Cash	Share			
Director	Ma Chi-Shan Foundation Representative: Wu, Te-Feng (dismissed on October 15, 2021)	200	200	-	-	-	-	40	40	240 -	240 -	-	-	-	-	-	-	-	-	240 -	240 -	N/A
Independent Director	Li, Tien-Hsiang (dismissed on October 15, 2021)	500	500	-	-	-	-	35	35	535 -	535 -	-	-	-	-	-	-	-	-	535 -	535 -	N/A
Independent Director	Tso, Wei-Li (dismissed on October 15, 2021)	500	500	-	-	-	-	55	55	555 -	555 -	-	-	-	-	-	-	-	-	555 -	555 -	N/A
Independent Director	Chou, Hsing-Ju (dismissed on October 15, 2021)	500	500	-	-	-	-	55	55	555 -	555 -	-	-	-	-	-	-	-	-	555 -	555 -	N/A

1. Please describe the independent directors' remuneration policy, system, standards, and structure, and explain the factors, including the independent directors' duties, risks, and invested time connecting to the remuneration amount:
   (I) The board of directors, in accordance with the regulations of the Company's Articles of Incorporation, shall determine their remuneration based on the degree of their participation in the Company's operations and the value of individuals' contribution, while with reference to the general standards in the industry.
   (II) The Company's Articles of Incorporation also stipulates that no more than 3% of the annual profit shall be set aside as the director's remuneration.
2. In addition to those disclosed in the above table, the remuneration received by the directors in the most recent year for providing services (such as serving as a non-employee consultant of the parent company/all companies listed in the financial statements/investeee(s): None.

Note: The Company suffered net loss after tax in 2021, so there is no information on the ratio to net income.

Bracket of Remuneration to Directors	Name of Directors			
	Sum of (A + B + C + D)		Sum of (A + B + C + D + E + F + G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NTD 1,000,000	Chiang, Ching-Hsing; Chen, Heng-Kuan; Ko, Tso-Liang; Fang, Hsiang-Chi; Yu, Chih-Ching; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I; Chao, Kuo-Shuai; Ma, Shu-Chien; Ma, Shu-Chuang; Chen, Chung-I; Ma, Pei-Chun; Wu, Te-Feng; Li, Tien-Hsiang; Tso, Wei-Li; Chou, Hsing-Ju; Maxon Corporation; Datian Investment Co., Ltd.	Chiang, Ching-Hsing; Chen, Heng-Kuan; Ko, Tso-Liang; Fang, Hsiang-Chi; Yu, Chih-Ching; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I; Chao, Kuo-Shuai; Ma, Shu-Chien; Ma, Shu-Chuang; Chen, Chung-I; Ma, Pei-Chun; Wu, Te-Feng; Li, Tien-Hsiang; Tso, Wei-Li; Chou, Hsing-Ju; Maxon Corporation; Datian Investment Co., Ltd.	Chiang, Ching-Hsing; Chen, Heng-Kuan; Ko, Tso-Liang; Fang, Hsiang-Chi; Yu, Chih-Ching; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I; Chao, Kuo-Shuai; Ma, Shu-Chuang; Ma, Pei-Chun; Wu, Te-Feng; Li, Tien-Hsiang; Tso, Wei-Li; Chou, Hsing-Ju; Maxon Corporation; Datian Investment Co., Ltd.	Chiang, Ching-Hsing; Chen, Heng-Kuan; Ko, Tso-Liang; Fang, Hsiang-Chi; Yu, Chih-Ching; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I; Chao, Kuo-Shuai; Ma, Shu-Chuang; Ma, Pei-Chun; Wu, Te-Feng; Li, Tien-Hsiang; Tso, Wei-Li; Chou, Hsing-Ju; Maxon Corporation; Datian Investment Co., Ltd.
NT$1,000,000 (inclusive) – NT$2,000,000 (non-inclusive)			Chen, Chung-I	Chen, Chung-I
NT$2,000,000 (inclusive) – NT$3,500,000 (exclusive)			Ma, Shu-Chien	
NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) – NT$10,000,000 (exclusive)				Ma, Shu-Chien
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)				
Over NTD 100,000,000				

(2) Remuneration to the President and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company		Companies in the consolidated financial statements (Note 5)		The Company	Companies in the consolidated financial statements	
								Cash	Share	Cash	Share			
President	Chen, Chung-I	2,501	2,501	90	90	157	157	-	-	-	-	2,748 -	2,748 -	N/A
Vice president	Wu,Ling-Yun	1,715	1,715	75	75	125	125	-	-	-	-	1,915 -	1,915 -	N/A

Note: The Company suffered net loss after tax in 2021, so there is no information on the ratio to net income.

Bracket of Remuneration to President and Vice President	Name	
	The Company	Companies in the consolidated financial statements
Under NTD 1,000,000		
NTD 1,000,000 (incl.) ~ NTD 2,000,000 (excl.)	Wu,Ling-Yun	Wu,Ling-Yun
NTD 2,000,000 (incl.) ~ NTD 3,500,000 (excl.)	Chen, Chung-I	Chen, Chung-I
NTD 3,500,000 (incl.) ~ NTD 5,000,000 (excl.)		
NTD 5,000,000 (incl.) ~ NTD 10,000,000 (excl.)		
NTD 10,000,000 (incl.) ~ NTD 15,000,000 (excl.)		
NTD 15,000,000 (incl.) ~ NTD 30,000,000 (excl.)		
NTD 30,000,000 (incl.) ~ NTD 50,000,000 (excl.)		
NTD 50,000,000 (incl.) ~ NTD 100,000,000 (excl.)		
Over NTD 100,000,000		

(3) Name of the managers who received employee compensation and the distribution:

Unit: NTD

	Title	Name	Share	Cash	Total	Total amount as a percentage of net income after tax (%)
Managerial officers	N/A	N/A	N/A	N/A	N/A	N/A

(4) Remuneration of the top five managers with the highest remuneration

Unit: NTD thousand

Title	Name	Salary and wages (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Share	Cash	Share			
Chairman	Ma, Shu-Chien	2,851	4,767	-	-	364	364	-	-	-	-	3,215 -	5,131 -	-
General Factory Manager	Peng, Hsien-Shun	1,261	1,261	2,413	2,413	-	-	-	-	-	-	3,674 -	3,674 -	-
Department Head	Lu, Hsin-I	1,204	1,204	2,225	2,225	110	110	-	-	-	-	3,539 -	3,539 -	-
Department Head	Chang, Chia-Yuan	1,010	1,010	2,578	2,578	-	-	-	-	-	-	3,588 -	3,588 -	-
Deputy Factory Manager	Tai, Pang-Ming	868	868	2,161	2,161	-	-	-	-	-	-	3,029 -	3,029 -	-

*The Company suffered net loss after tax in 2021, so there is no information on the ratio to net income.

(V) Compare and explain the Company's and all companies in the consolidated statement in the past two years of the total amount of remuneration of the Company's directors, President, and Vice Presidents as the percentage of the net income after tax; analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance:

a. The total remuneration paid by the Company and all companies in the consolidated statement to the directors, President, and Vice Presidents as a percentage of the net income after tax is as follows:

Item	The Company		All companies in the consolidated statement	
	2021	2020	2021	2020
Total remuneration to director as a percentage of net income after tax	-	12.36	-	15.18
Total remuneration to President and Vice Presidents as a percentage of net income after tax	-	4.08	-	4.08

Note: The Company suffered a loss after tax in 2021, so there is no information on the percentage of net income after tax; the data for 2020 was calculated based on NT$111,477 thousand of parent company's net income after tax for 2020.

b. Policy, standard and combination of the remuneration, remuneration setting procedures, and the relevance of the business performance and the future risks:

i. As for the remuneration to directors and managerial officers as a percentage of net income after tax, as per Article 22 of 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 (including adjusted undistributed earnings), if applicable.

ii. In accordance with Article 7 of the Remuneration Committee Charter, the directors' and managerial officers' salary and remuneration shall be determined by the Remuneration Committee with reference to the general payment standards in the industry, individual performance, degree of participation, value of contribution, and the reasonableness of the connection between the Company's business performance and future risk. The committee shall regularly evaluate directors' and managerial officers' remuneration and submit its suggestions to the board of directors for discussion.

iii. The board of directors, in accordance with Article 19 of the Company's Articles of Incorporation, shall be authorized to determine the Chairman's and directors' remuneration based on the degree of their participation in the Company's operations and the value of individuals' contribution, while with reference to the general standards in the industry.

iv. As per Article 20 of the Articles of Incorporation, the Company may appoint a number of managerial officers, whose appointment, dismissal, and remuneration shall be decided by the board of directors.

There are three types of remuneration payables to directors:

(1) The honorarium for each director at each board meeting is NT$5,000.

(2) The fixed monthly remuneration to directors is $20,000 per person, and the remuneration to independent directors is $50,000 per person.

(3) In accordance with the dividend policy of the Company's Articles of Incorporation, no more than 3% of earnings shall be set aside as directors' remuneration. As for individual directors, after the shareholders' meeting has passed an earnings distribution proposal, appropriate adjustments will be made depending on individual directors' contribution.

III. Corporate Governance Status

(I) Operation of the board of directors:

The board of directors had held (A) 13 meetings in 2021, and the attendance of directors is as follows:

Title	Name	Attendance in person (B)	No. of Meetings Attended by Proxy	Actual attendance (%) [B/A]	Remark
Chairman	Chiang, Ching-Hsing	5	0	100	Took office on October 15, 2021
Chairman	Ma, Shu-Chien	8	0	100	Dismissed on October 15, 2021
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Heng-Kuan	5	0	100	Took office on October 15, 2021 (Dismissed on February 16, 2022)
Director	Nankang Rubber Tire Corp., Ltd. Representative: Lu, Heng-Chih	3	0	100	Took office on October 27, 2021 (dismissed on February 16, 2022)
Director	Taiwan Insulation Applied Technology Co. Representative: Ko, Tso-Liang	5	0	100	Newly elected on October 15, 2021
Director	Datian Investment Co., Ltd. Representative: Ma, Pei-Chun	8	0	100	Dismissed on October 15, 2021
Director	Huan-Xiang Investment Co., Ltd. Representative: Fang, Hsiang-Chi	5	0	100	Took office on October 15, 2021
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching	5	0	100	Took office on October 15, 2021
Director	Ma Chi-Shan Foundation Representative: Wu, Te-Feng	8	0	100	Dismissed on October 15, 2021
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chao, Kuo-Shuai	10	0	100	Dismissed on October 27, 2021
Director	Ma Chi-Shan Foundation Representative: Yu, Chih-Ching	4	0	100	Dismissed on October 15, 2021
Director	Maxon Corporation Representative: Ma, Shu-Chuang	3	1	75	Dismissed on May 19, 2021
Director	Ma Chi-Shan Foundation Representative: Chen, Chung-I	4	0	100	Dismissed on June 15, 2021
Independent Director	Cheng, Fu-Yueh	5	0	100	Newly elected on October 15, 2021
Independent Director	Yao, Wen-Liang	5	0	100	Newly elected on October 15, 2021
Independent Director	Chao, Shih-I	4	1	80	Newly elected on October 15, 2021
Independent Director	Li, Tien-Hsiang	5	3	62.5	Dismissed on October 15, 2021
Independent Director	Chou, Hsing-Ju	8	0	100	Dismissed on October 15, 2021

Title	Name	Attendance in person (B)	No. of Meetings Attended by Proxy	Actual attendance (%) [B/A]	Remark
Independent Director	Tso, Wei-Li	8	0	100	Dismissed on October 15, 2021

Other matters that are required to be disclosed:

I. If any of below listed-circumstances of operations of Board Meetings occur, it is necessary to be disclosed, including dates of board meetings, sessions, the contents of motions, all independent opinions from Independent Directors and the Company's response to such Independent Directors' opinions:

(I) Matters listed under Article 14-3 of the Securities and Exchange Act: The content of the resolutions is shown on pages 62-65 of this annual report. All independent directors did not express objection to the matters listed in Article 14-3 of the Securities and Exchange Act.

(II) In addition to above matters, the resolutions adopted by the board of directors to which independent directors have objections or reservations on record or in a written statement: None.

II. Disclosure regarding recusal for interest-conflicting proposals, including the names of directors concerned, the content of proposals, reason for recusal, and the voting process: None.

III. A publicly listed company shall disclose the cycle and period, scope, method, and content of the self-evaluation (or peer evaluation) of the performance of the board of directors and disclose the implementation status of board evaluation: Table 1.

IV. Evaluation of the objective of strengthening the functions of the board of directors and the implementation in the current year and the last year:

To enable the board members to perform their duties effectively, we encourage our directors to continue to learn to keep abreast of the latest knowledge and improve their ability to respond. In 2021, our directors also took continuing education courses according to their individual needs. The total number of directors is 9, and the total number of training courses is 48 hours.

Table 1 Implementation status of board evaluation

Frequency	Period	Scope	Method	Content
Once a year	From October 15, 2021 to December 31, 2021 (election of directors)	The board of directors as a whole	Internal self-evaluation	A. The degree of participation in the Company's operations B. Improvement to the decision-making quality of the Board C. Board composition and structure D. Directors' election of and continuing education E. Internal control
Once a year	From October 15, 2021 to December 31, 2021 (election of directors)	Individual board members	Directors' self-evaluation	A. Understanding of the Company's goals and tasks B. Awareness of directors' responsibilities C. The degree of participation in the Company's operations D. Internal relations management and communication E. Directors' professionalism and continuing education F. Internal control
Once a year	From October 15, 2021 to December 31, 2021 (election of directors)	All functional committees	Internal self-evaluation	A. The degree of participation in the Company's operations B. Understanding of functional committees' responsibilities C. Improvement to the decision-making quality of functional committees D. Composition of functional committees and appointment of members E. Internal control

The board of directors, on August 12, 2020, passed the Rules of the Performance Evaluation of the Board of Directors, and we have evaluated the overall performance of the board of directors every year since 2020. Please refer to the above table for details of the evaluation. The above performance evaluation is conducted through internal questionnaires. Such performance evaluation results have been provided to directors as a reference for decision-making by directors and the Remuneration Committee, to further improve the decision-making quality of the board of directors, while as a reference for nomination for directors or selection of members of the Remuneration Committee. The performance evaluation results have been reported to the board of directors on March 15, 2022.

(II) Operations of the Audit Committee

In 2021, the Audit Committee had held 9 (A) meetings in the last year, and the attendance of independent directors is as follows:

Title	Name	Attendance in person (B)	No. of Meetings Attended by Proxy	Actual attendance (%) (B/A)	Remark
Independent Director	Cheng, Fu-Yueh	3	0	100	Newly elected on October 15, 2021
Independent Director	Yao, Wen-Liang	3	0	100	Newly elected on October 15, 2021
Independent Director	Chao, Shih-I	3	0	100	Newly elected on October 15, 2021
Independent Director	Tso, Wei-Li	6	0	100	Dismissed on October 15, 2021

Independent Director	Chou, Hsing-Ju	6	0	100	Dismissed on October 15, 2021
Independent Director	Li, Tien-Hsiang	4	1	66.67	Dismissed on October 15, 2021

The Company's Audit Committee consists of 3 independent directors and aims to assist the board of directors in overseeing of the quality and integrity of the board's supervision of accounting, auditing, financial reporting processes, and financial controls.

Matters reviewed by the Audit Committee mainly include:

I. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

II. Assessment of the effectiveness of the internal control system.

III. Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.

IV. A matter bearing on the personal interest of a director.

V. A material asset or derivatives transaction.

VI. A material monetary loan, endorsement or provision of guarantee.

VII. The offering, issuance or private placement of any equity-type securities.

VIII. The hiring or dismissal of an attesting CPA or the compensation given thereto.

IX. The appointment or discharge of a financial, accounting, or internal auditing officer.

X. The annual financial report signed or stamped by the Chairman, managerial officers, and the chief of accounting officer and the financial report that should be audited and certified by a CPA.

XI. Business report and statement of earnings distribution or deficit compensation

XII. Any other material matter so required by the company or the Competent Authority.

Annual major tasks are summarized as follows:

(III) Reviewed financial reports

The board of directors prepared the Company's 2021 business report, financial statements, and statement of earnings distribution, among which the financial statements have been audited by Baker Tilly Clock & CO, by whom an audit report has been issued. The above business report, financial statements, and statement of earnings distribution have been reviewed by the Audit Committee without any inconsistency identified.

(IV) Assessed the effectiveness of the internal control system

The Audit Committee evaluated the effectiveness of the Company's internal control system policies and procedures (including financial, operational, risk management, information security, outsourcing, compliance, and other control measures) and reviewed the Company's Auditing Office and CPAs, while reporting to the management regularly, including risk management and compliance. With reference to Internal Control - Integrated Framework issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believed that the Company's risk management and internal control systems were effective and that the Company has adopted necessary control measures to monitor and rectify violations.

(V) Appointed CPAs

The Audit Committee was entrusted to oversee the independence of the CPAs to ensure the impartiality of the financial statements. Generally speaking, except for tax-related services or items approved, the CPA firm shall not provide other services to the Company. All services provided by CPAs shall be approved by the Audit Committee.

To ensure the independence and suitability of the CPAs at Baker Tilly Clock & CO , the 7th meeting of the 24th board of directors on March 15, 2022 reviewed Chou, Yin-Lai and Peng, Li-Chen, CPAs at Baker Tilly Clock & CO, as per the “Company’s Regulations on the Assessment of CPAs' Independence and Suitability” and approved that they both met the independence criteria and were qualified to serve as the CPAs for the Company's financial statements and taxes.

Other matters that are required to be disclosed:

I. If the operations of the Audit Committee falls under any of the circumstances below, please specify the date of the meeting, the term of the Audit Committee, the content of the proposal, independent directors’ dissenting opinion or qualified opinion or major suggestions, the results of the Audit Committee’s resolutions, and the Company’s response to the Audit Committee’s opinions.

   A. Matters listed under Article 14-5 of the Securities and Exchange Act: See Note 1. The Audit Committee passed the proposals as proposed regarding the matters listed in Article 14-5 of the Securities and Exchange Act without objection.

B. In addition to above mentioned matters, any resolution made by over two-third of the board of directors but not approved by Audit Committee: None.

II. Disclosure regarding recusal from interest-conflicting proposals, including the names of independent directors concerned, the content of proposals, reason for recusal, and the voting process: None.

III. Communications between the independent directors and the Company's chief internal auditor/CPAs (shall include the material issues, methods, and results of audits of corporate finance or operations):

(I) The chief internal auditor attends the Audit Committee meeting on a quarterly basis to report on audit business and communicates with independent directors at the Audit Committee meetings.

(II) The Company's CPAs reported on the results of audits on the financial statements of the year and other matters that need to be communicated as required by relevant laws and regulations at the annual Audit Committee meeting. The communication between the members of the Audit Committee and the CPAs is smooth.

(III) In 2021 and up to the publication date of this annual report, the communication situations are summarized in Note 2 and Note 3.

Note 1: Important resolutions by the Audit Committee in 2021 and up to the publication date of this annual report:

Audit Committee	Motion	Independent directors' objections, reservations, or major suggestions	Resolution results	The Company's response to the Audit Committee's opinions:
2021/03/26 3rd meeting of the 2nd term	(I) 2020 consolidated and standalone financial statements and business report. (II) 2020 Earnings Distribution Statement. (III) 2020 Statement on Internal Control System. (IV) Termination of the private placement of ordinary shares/preference shares approved by the Company's 2020 general shareholder' meeting. (V) Demerger of wholly-owned subsidiary, Taicheng Development Co., Ltd., to reduce capital and establish a new company.	None.	Passed unanimously by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2021/05/07 4th meeting of 2nd term	(I) Replacement of CPAs. (II) Cash capital increase by way of issuance of ordinary shares through bookbuilding. (III) Private placement of ordinary shares.	None.	Passed unanimously by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2021/06/15 5th meeting of 2nd term	(I) Complete termination of production of the Company's Zhongli Plant. (II) Disposal of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.) and the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd.	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2021/07/22 6th meeting of 2nd term	(I) Determination of the reserve price for the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd. (II) Determination of the reserve price for the public bidding for the	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.

Audit Committee	Motion	Independent directors' objections, reservations, or major suggestions	Resolution results	The Company's response to the Audit Committee's opinions:
	disposal of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.).			
2021/10/15 1st meeting of 3rd term	(I) Replacement of CPAs.	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2021/10/28 2nd meeting of 3rd term	(I) A decision on the adoption of attorney as the private prosecution agent for the criminal private prosecution case, referenced 2021 Chong-Zi No. 1, of the Taiwan Taipei District Court. Submitted for discussion.	None.	After all the attending members passed a resolution without objection, believing that there was no need to adopt the attorney as the private prosecution agent.	
2021/11/12 3rd meeting of 3rd term	(I) Annual audit plan for 2022.	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2022/03/15 4th meeting of 3rd term	(I) Financial statements and business report for 2021. (II) Statement of deficit compensation for 2021. (III) 2021 "Statement on Internal Control System". (IV) Provision of loans to wholly-owned U.S. subsidiary, Federal Tire North America LLC. (V) Provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company. (VI) Provision of loans from wholly-owned subsidiary, Federal International Holding Inc., to the Company. (VII) Appointment of the Chief Financial Officer. (VIII) Amendments to the Procedures for Asset Acquisition and Disposal.	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2022/05/11 5th meeting of 3rd term	(I) 2022 Q1 financial report.	None.	Passed by all present members as proposed	Submitted to and approved by the board of directors.

Audit Committee	Motion	Independent directors' objections, reservations, or major suggestions	Resolution results	The Company's response to the Audit Committee's opinions:
			without objection.	

Note 2: Communication between independent directors and the Internal Audit Officer

Date	Communication meeting	Matters communicated	Communication results
2021/03/26	Audit Committee	Report on the implementation of the audit work in the fourth quarter of 2020. Report on the 2020 Statement on Internal Control System.	No objection
2021/05/07	Audit Committee	Report on the implementation of the audit work in the first quarter of 2021.	No objection
2021/08/09	Audit Committee	Report on the implementation of the audit work in the second quarter of 2021.	No objection
2021/11/12	Audit Committee	Report on the implementation of the audit work in the third quarter of 2021.	No objection
2022/03/15	Audit Committee	Report on the implementation of the audit work in the fourth quarter of 2021. Report on the 2021 Statement on Internal Control System.	No objection
2022/05/11	Audit Committee	Report on the implementation of the audit work in the first quarter of 2022.	No objection

Note 3: Communication between independent directors and CPAs

Date	Communication meeting	Matters communicated	Communication results
2021/03/26	Audit Committee	1. CPAs reported to the Audit Committee on the 2020 consolidated and standalone financial statements. 2. CPAs discussed and communicated the issues raised by the Audit Committee members and attendees.	No objection
2022/03/15	Audit Committee	1. CPAs reported to the Audit Committee on the 2021 consolidated and standalone financial statements. 2. CPAs discussed and communicated the issues raised by the Audit Committee members and attendees.	No objection

(III) Status of corporate governance, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons for such deviations:

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	V		The 10th meeting of the 22nd the board of directors, on August 12, 2019, approved to formulate the "Corporate Governance Best Practice Principles" as per the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and disclosed it on the Market Observation Post System (MOPS) and the Company's website.	N/A
II. Shareholding structure and shareholders' rights				N/A
(I) Did the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(I) As per the "Corporate Governance Best Practice Principles", the Finance Department is designated to properly handle shareholders' suggestions, questions, and disputes, and relevant matters are handled in accordance with internal operating procedures.	
(II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company keeps abreast of the major shareholders and their ultimate controllers through the stock affairs agency's shareholder register and regularly declares the changes in the insiders' shareholdings on a monthly basis.	
(III) Does the Company establish and execute the	V		(III) The Company has formulated measures to manage related	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
risk management and firewall system within its conglomerate structure?			party transactions, endorsement and guarantee, and loans between the Company and affiliates, regularly reviews the accounts and internal control systems of affiliates, and has established appropriate risk control and firewall mechanisms.	
(IV) Did the Company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established the “Procedures for Handling Material Inside Information”, which prohibits the insiders from using undisclosed information on the market to buy and sell securities.	
III. Composition and Responsibilities of the Board of Directors (I) Has the Board formulated a diversity policy and specific management objectives and duly implemented them?	V		(I) The “Company’s Corporate Governance Best Practice Principles” stipulate that the composition of the board of directors shall be based on the principle of diversity. Directors who also serve as the Company’s managers shall not exceed one-third of the total number of directors, and an appropriate diversity policy shall be formulated based on its operation, operation model, and development needs, including but not limited to the two indicators below: 1. Basic conditions and values: Gender, age, nationality, and cultural background. 2. Professional knowledge and	N/A

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The Board members shall generally possess the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goals of corporate governance, the Board as a whole should possess the capabilities below: 1. Operational judgment. 2. Accounting and financial analysis skills. 3. Business management skills. 4. Crisis management capabilities. 5. Industry knowledge. 6. International market perspective. 7. Leadership. 8. Decision-making ability. At present, the Company’s board members have experience in various professional fields (their educational degrees include a doctorate in public order, a bachelor's degree in civil engineering, a bachelor's degree in law, a bachelor's degree in accounting, a master's degree in law, a doctoral student in finance, and a master's degree in the real estate) and possess business judgment, accounting and financial analysis, business management, and crisis management capabilities, industry	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			knowledge, as well as an international perspective. Directors who are also employees account for 11% of all directors; independent directors account for 33%. There is 1 female director on the board, and 3 independent directors have held the position for less than 1 year. The board diversity policy is disclosed on the Company's website	
(II) Does the Company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?		V	(II) The Company has not yet established other functional committees other than the Remuneration Committee and the Audit Committee.	
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meetings and used as reference for remuneration and the nomination for re-election?	V		(III) The Company formulated the “Rules of the Performance Evaluation of the Board of Directors” on August 12, 2020. We shall conduct an internal performance evaluation of the board of directors every year based on various evaluation indicators and have an external professional organization or an external team of experts and scholars conduct the evaluation at least once every three years. The latest annual evaluation results were submitted to the board of directors on March 15, 2022 and used as a reference for individual directors' remuneration and nomination for re-election.	
(IV) Does the Company regularly evaluate the	V		(IV) The Finance Department evaluates the independence and	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
independence of CPAs?			suitability of CPAs every year in accordance with the standards specified in Note 1. The latest year's evaluation results were reviewed and approved by the board of directors on March 15, 2022.	
IV. Does a TWSE/TPEx listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders' meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders' meetings?	V		The Company appointed Mr. Lu, Hsin-I, the head of Finance Department, as the Company's corporate governance officer on October 25, 2021, which was approved by the board of directors through a resolution on November 12, 2021. Mr. Lu, Hsin-I has more than three years of experience as a supervisor in financial and accounting business at a publicly listed company. The corporate governance officer's responsibilities include handling matters related to the board meetings and shareholders' meetings in accordance with the law, preparing the minutes of the board meetings and shareholders' meeting, assisting directors with their appointment and continuing education, providing them with materials needed for performing duties, assisting directors and supervisors with compliance, protecting shareholders' rights and interests, and strengthening the functions of the board of directors.	N/A
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to	V		The Company maintains smooth communication with employees, suppliers, investors, consumers, and distributors through a labor union and the procurement, finance, and other	N/A

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			units and has set up a section dedicated to stakeholders on the Company's website to appropriately respond to important corporate social responsibility issues about which stakeholders are concerned.	
VI. Has the company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed the Registrar and Transfer Agency Department, Yuanta Securities Co., Ltd., to handle the affairs of the shareholders' meeting.	N/A
VII. Information Disclosure				N/A
(I) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(I) The Company has set up a website (https://www.federalcorporation.com/tc/Stakeholder.php) to disclose the Company's financial business and corporate governance information in Investor Relations under the Stakeholders section.	
(II) Does the Company have other information disclosure channels (*e.g.*, building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(II) a. Our English website: https://www.federaltire.com/en/. b. We have designated personnel, as per the nature of their jobs, to collect and disclose company information. c. We have established a spokesperson system with one spokesperson and one acting spokesperson. d. We have disclosed the information on investor conference on the	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			Company's website.	
(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year and announce and report the first, second and third quarter financial reports and operating performance of each month before the prescribed deadline?		V	(III) The Company has announced and reported the financial reports and monthly financial performance prior to a deadline.	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (*e.g.*, including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(I) Employees' rights and interests: To ensure their retirement rights and interests under the old system, the Company makes a monthly contribution a pension fund account in the name of the Supervisory Committee of Labor Retirement Reserve with the Bank of Taiwan in accordance with the law. For our employees under the new system, we make a contribution to their individual accounts at the Bureau of Labor Insurance. (II) Employee care: We contribute to the welfare fund according to law and have set up an employee welfare committees to implement various benefit policies. We provide additional allowances for employees' marriage and birthday, as well as various insurance policies, condolence money, scholarships, and other benefit	N/A

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			measures. (III) Investor relations: The Company continues to maintain positive interaction with investors, including financial information disclosure, regular communication with investors through various events (such as investor conference), and provides investors' feedback to the Company's senior management and relevant units as a reference for improvement and adjustments. In the future, the Company will continue to strengthen investor relations and maintain positive communication and exchanges with them. (IV) Stakeholders' rights: We provide diverse communication channels and disclose information, maintain positive communication with stakeholders, and collect their issues of concern. Please refer to the Company's CSR report for our response to stakeholders' issues of concern. (V) Directors' (including independent directors') continuing education: Please refer to the table for details. (VI) Implementation of risk management policies and risk measurement standards: Our major operational policies,	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			investment projects, endorsement/guarantees, loans to others, banks' financing, and other major proposals have been evaluated and analyzed by responsible departments and implemented in accordance with the resolutions adopted by the board of directors. The Auditing Office also formulates an annual audit plan according to the risk assessment results and implements it accordingly; thereby duly implementing our supervision mechanism and managing various risks. (VII) We provide directors with the information to which they pay attention at any time and report on our business at board meetings from time to time. (VIII) The Company's purchase of liability insurance for directors: The Articles of Incorporation clearly stipulate that liability insurance for directors shall be purchased from 2018.	
IX. Please indicate the improvement that has been done for the results of the corporate governance evaluation issued by the Center for Corporate Governance of TWSE in the most recent year and provide priority measures for those items that have not yet been improved: The Company has prepared and uploaded the CSR report on the MOPS and the company's website before the end of September 2021 in accordance with the internationally accepted reporting standards or guidelines.				

Note 1: The criteria for the assessment of the independence of the CPAs

Item
1. As of the last audit, there is no such a situation where the CPA has not been replaced for seven years.
2. The CPA is not involved in financial interests with the client.

Item
3. Any inappropriate relations with the client are avoided.
4. The CPA ensures the honesty, impartiality, and independence of their assistants.
5.The CPA avoids auditing the financial statements of the organization(s) where they served in the last two years.
6. The CPA avoids their name being used by others.
7. The CPA does not hold the shares of the Company and its affiliates.
8. The CPA is not involved in loans with the Company and its affiliates.
9. The CPA is not involved in joint investment or sharing interests with the Company and its affiliates.
10. The CPA does not hold a full-time job with a fixed regular payment at the Company and its affiliates.
11. The CPA is not involved in management at the Company and its affiliates.
12. The CPA is not concurrently operating other businesses that may cause them to lose the independence.
13. The CPA is not a spouse, lineal relative, direct relative by marriage, or relative within second degree of kinship of any management personnel person at the Company.
14. The CPA does not charge any business-related commissions.
15. As of today, the CPA has not been punished nor their independence has been undermined.

Directors' continuing education in 2021:

Title	Name	Date of continuing education course		Organizer	Course title	Hours of continuing education
		From	to			
Representative of institutional director	Ko, Tso-Liang	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Independent Director	Chao, Shih-I	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Representative of institutional director	Yu, Chih-Ching	2021/12/24	2021/12/24	Securities and Futures Institute	Discussion on the Practice of Anti-Money Laundering and Combating the Financing of Terrorism	3
		2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Representative of institutional director	Fang, Hsiang-Chi	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
		2021/11/03	2021/11/03	Securities and Futures Institute	2021 Insider Trading Prevention Seminar	3
		2021/10/28	2021/10/28	Securities and Futures Institute	2021 Insider Equity Transaction Compliance Seminar	3
Representative of institutional director	Chen, Heng-Kuan	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Independent Director	Yao, Wen-Liang	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Representative of institutional director	Lu, Heng-Chih	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Independent Director	Cheng, Fu-Yueh	2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
Representative of institutional director	Chiang, Ching-Hsing	2021/12/22	2021/12/22	Taiwan Corporate Governance Association	The 17th (2021) Corporate Governance Forum - Implementation of ESG for Governance and Sustainable Development	6
		2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3
		2021/11/02	2021/11/02	Taiwan Corporate Governance Association	How Enterprises Innovate and Make a Breakthrough in Profitability in the Digital Economy Era	3

Title	Name	Date of continuing education course		Organizer	Course title	Hours of continuing education
		From	to			
		2021/11/02	2021/11/02	Taiwan Corporate Governance Association	Insider Trading Prevention and Countermeasures	3

(IV) The composition, duties, and operation of the Remuneration Committee shall be disclosed:

The company established the "Remuneration Committee Charter" on December 27, 2011 and set up the Remuneration Committee. Ms. Cheng, Fu-Yueh, Mr. Yao, Wen-Liang, and Mr. Chao, Shih-I are appointed as members of the Remuneration Committee. They are responsible for formulating and regularly reviewing the director and managerial officer performance evaluation policy and the remuneration policy, while evaluating their remuneration.

(1) Information on the members of the Remuneration Committee

April 16, 2022

Title \ Criteria	Name	Professional qualifications and experience	Independence criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Cheng, Fu-Yueh	Professional background and extensive experience in finance, business, and management. Once as Director of 3DFAMILY and Chief Executive Officer, International Business Department, Dafeng TV Ltd.; currently as a teacher at China University of Technology and Tamkang University Not under any conditions defined in Article 30 of the Company Act.	Is an independent director who meets the independence criteria; is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A

Title / Name / Criteria		Professional qualifications and experience	Independence criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent director (convener)	Yao, Wen-Liang	Professional background and extensive experience in accounting, business, and management. Once as Financial Manager of ChonYo CPAs and Kung Sing Engineering Corporation; Supervisor of Orient Recreation and Development Corp.; currently as Controller of Weiyuan CPAs. Not under any conditions defined in Article 30 of the Company Act.	Is an independent director who meets the independence criteria; is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A

Title / Name / Criteria		Professional qualifications and experience	Independence criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Chao, Shih-I	Professional background and extensive experience in industry, business, and management. Once as President of Polaris Securities, Hong Kong Branch; currently as Chairman of Huachuan Asset Management Co. Ltd. and Chairman of Social Entertainment Enterprise Co., Ltd. Not under any conditions defined in Article 30 of the Company Act.	Is an independent director who meets the independence criteria; is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates; does not hold the company's shares; is not serving as a director, supervisor, or employee of a company with specific relations with the Company; did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last 2 years.	N/A

(2) Information on the operation of the Remuneration Committee

(I) The Company has three Remuneration Committee members.

II. The term of office of the current committee members: From October 15, 2021 to October 14, 2024. The Remuneration Committee held 3 meetings (A) in 2021. The qualifications and attendance of the members are as follows:

Title	**Name**	**Attendance in person (B)**	**No. of Meetings Attended by Proxy**	**Actual attendance (%) (B/A) (Note)**	**Remark**
Convener	Yao, Wen-Liang	1	0	100	Newly elected on October 15, 2021
Member	Cheng, Fu-Yueh	1	0	100	Newly elected on October 15, 2021
Member	Chao, Shih-I	1	0	100	Newly elected on October 15, 2021
Convener	Tso, Wei-Li	2	0	100	Dismissed on October 15, 2021
Member	Chou, Hsing-Ju	2	0	100	Dismissed on October 15, 2021
Member	Li, Tien-Hsiang	1	1	50	Dismissed on October 15, 2021

Scope of the Remuneration Committee’s powers and responsibilities: (I) The committee members shall carry out the following duties with the duty of care as a good manager and due diligence and submit proposed suggestions to the board for discussion: a. Periodically reviewing this Charter of Remuneration Committee and making recommendations for amendments. b. Establishing and periodically reviewing the performance assessment standards, goals and the policies, systems, standards and structure for the remuneration to the directors and managerial officers. c. Regularly evaluating the remuneration to the directors and managerial officers. (II) When performing the duties in the preceding paragraph, the committee shall comply with the following principles: (I) Ensure that the Company's salary and remuneration comply with relevant laws and regulations and are attractive to outstanding talents. (II) The performance evaluation and remuneration of directors and managerial officers shall be based on the general standards in the industry, individual performance, degree of participation, value of contribution, and the reasonableness of the connection between the Company's business performance and future risk. (III) Directors and managers shall not be led to engage in behavior in pursuit of remuneration that is outside the Company's risk appetite. (IV) The percentages for remuneration to directors and senior managers based on their short-term performance and the time of payment of part of the variable remuneration shall be determined based on industry characteristics and the nature of the Company's business. (V) Members of the committee shall not participate in discussions or voting on their personal salary and remuneration proposals. Other matters that are required to be disclosed: The Remuneration Committee shall evaluate directors’ and managerial officers’ remuneration policies and systems in a professional and objective manner. It shall hold meetings at least three times a year and may hold meetings at any time as necessary to make suggestions to the board of directors as a reference for its decision-making. (I) If the board of directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the Remuneration Committee's opinion (*e.g.*, the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None (II) Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: See Note 1.

Note 1: Important resolutions by the Remuneration Committee in 2021 and up to the publication date of this annual report:

Remuneration Committee:	Motion	Resolution results	The Company’s response to the Remuneration Committee’s opinions:
2021/01/26	The 2020 year-end bonus payment standard for	Approved by all committee members	Submitted to and approved by the

Remuneration Committee:	Motion	Resolution results	The Company's response to the Remuneration Committee's opinions:
	managerial officers.	without objection.	board of directors.
2021/03/17	Distribution of the Company's 2020 employees' and directors' remuneration.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2021/11/12	(I) Review of remuneration to directors (including independent directors) and managerial officers. (II) Formulation of "the Directors' and Managerial Officers' Remuneration Regulations". (III) The employees' remuneration for directors and managerial officers in the 2020 earnings distribution proposal.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2022/01/20	(I) The 2021 year-end bonus payment standard for managerial officers.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2022/03/15	(I) Review of Vice Presidents' remuneration. (II) Distribution of 2021 employees' and directors' remuneration.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.

(V) Discrepancies between the promotion of sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

Item	**Status of implementation**			**Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor**
	Yes	**No**	**Summary**	
(I) Has the Company established	V		We established the CSR Committee in 2020	N/A

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
a governance structure to promote sustainable development, set up a dedicated (concurrent) unit to promote sustainable development, and authorized the senior management by the board of directors to handle and supervise the situation on behalf of the board of directors?			based on the vision and mission of the Company's ESG policy as the highest-level sustainable development decision-making center within the Company. The President serves as the chair and reviews the Company's core operating capabilities and formulates a medium- to long-term sustainable development plan with a number of senior management personnel in different fields. The CSR Committee serves as an interdepartmental communication platform that features vertical integration and horizontal connection. The members of the CSR Committee, on behalf of major stakeholders, conduct questionnaire surveys and collect stakeholders' issues of concern, formulate response strategies and work policies, prepare budgets for each organization and sustainable development, plan and execute annual plans, and track the implementation effectiveness to ensure that the sustainable development strategy is fully implemented in the Company's daily operations.	
(II) Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		Facing the ever-changing business environment, our internal risk management team set up under the President is responsible for launching business plans and activities related to risk management. The scope of risk management covers the governance, environmental and social aspects, and the team formulates relevant risk management policies or strategies (see page 26 of the Company's 2020 CSR report).	N/A
(III) Environmental issues (I) Has the Company established an appropriate environmental management system based on its	V		(I) In addition to complying with domestic environmental safety and health regulations, the Company follows international standards and has obtained	N/A

Item		Status of implementation				Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
		Yes	No		Summary	
	industrial characteristics?				ISO 14001 environmental management system certification (valid from June 1, 2019 through May 31, 2022).	
(II)	Is the Company committed to improving energy efficiency and using recycled materials with less negative effects on the environment?	V		(II)	The Company is committed to improving the sources of resources and improving the use efficiency of various resources to reduce the amount of raw materials and waste, thereby reducing the impact on the environment.	
(III)	Does the Company assess the potential risks and possibilities of climate change to the company now and in the future and take relevant countermeasures?		V	(III)	We have not yet assessed our potential risks and possibilities of climate change for now and in the future and taken measures to respond to climate-related issues. We will make improvement gradually in the future.	
(IV)	Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		(IV)	The Company does not belong to the sources of the greenhouse gas emissions that should be inspected and registered as in the public announcement, so we conduct greenhouse gas inventory on our own. According to the inventory results, our total greenhouse gas emissions in 2020 and 2021 are 17,224.9140 CO_2e and 11,634.5066 CO_2e, respectively. Our water consumption in 2020 and 2021 is 121,007 tons and 98,268 tons, respectively. Our total weight of waste in 2020 and 2021 is 1,226.36 tons and 858.51 tons, respectively. In response to government policies and the trend of energy consumption and carbon reduction in the business circle, the Company selects energy-saving equipment and machines and effectively manages various energy-consuming systems to conserve energy, while	

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			aiming to reduce carbon emissions by 1% in 2022. We recycle and reuse 100% of process cooling water and about 40% of the reclaimed water from the pure water system through a recycling mechanism. We promote water conservation and classify and recycle waste according to the waste management regulations, while promoting resource recycling and reuse regularly to increase employees' awareness of resource recycling.	
IV. Social issues (I) Does the Company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		(I) The Company supports and follows internationally recognized human rights conventions and principles, including the "United Nations Universal Declaration of Human Rights", "the United Nations Global Compact", "the International Covenants on Human Rights" and "the International Labor Organization Declaration on Fundamental Principles and Rights" at Work, and complies with the labor laws and regulations where the Company is located, while preventing any human rights violations. Implementation of the human rights policy and specific projects: 1. New employee training The content includes prohibition of forced labor and child labor, anti-discrimination, and anti-harassment to ensure humanitarian treatment and provide a healthy and safe work environment. 2. Workplace violence prevention We work to create a friendly work	N/A

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			environment through awareness-raising events and announcements and disclosure of a grievance hotline. 3. Occupational safety training The content includes health promotion, labor safety and health and fire safety training, and first aid personnel training. 4. Provision of an environment that ensures the balance between physical and psychological health and work We hold sports competitions and other activities from time to time, have set up a breastfeeding room, employed nurses, and appointed physicals who engage in labor health services to provide on-site services and provide all employees with general health checkups.	
(II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance or results in employee compensation?	V		(II) Employee benefits: The Company provides an employee restaurant and parking spaces, and all employees are entitled to labor insurance, health insurance, and group insurance, as well as marriage allowances, children's education allowances, birthday cash gifts, cash gifts for three major holidays, employee discounts on the Company’s products, and employee health checkups. We have also established an Employee Welfare Committee to handle various benefits. Pension system: To ensure employees’ retirement rights and interests under the old system, the Company and its subsidiaries make a monthly contribution equal to 10% and	

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
			4% of total salaries, respectively, to a pension fund account in the name of the Supervisory Committee of Labor Retirement Reserve with the Bank of Taiwan. For our employees under the new system, we make a contribution equal to 6% of individual salaries, to their individual accounts at the Bureau of Labor Insurance. For those who voluntarily contribute to the pension fund, we deduct an amount at the voluntary contribution rate from their monthly salary and contribute the amount to their individual pension accounts at the Bureau of Labor Insurance. The Company has also formulated relevant personnel management regulations, and our minimum wages, working hours, leave, pension contribution, labor and health insurance, as well as occupational accident compensation are all incompliance with the Labor Standards Act. According to Article 22 of the Articles of Incorporation, if the Company makes a profit, it shall set aside no less than 1% as employees' remuneration, but when the Company still has a cumulative deficit (including adjusted undistributed earnings), it shall reserve an amount for compensation in advance. The Company's remuneration policy is based on individuals' abilities, and individuals' remuneration is positively correlated with their contribution to the Company, performance, and business performance.	
(III) Does the Company provide	V		(III) In addition to regular maintenance of	

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
a safe and healthy work environment for employees and regularly implement safety and health education for employees?			firefighting facilities and optimization of safety and health equipment, the Company has appointed on-site nurses and installed automated external defibrillators (AEDs). We provide on-the-job health examinations for in-service workers regularly and invite occupational specialists to provide on-site services as well. We offer labor safety and health education and training regularly and from time to time every year to increase employees' awareness of hazard prevention.	
(IV) Does the Company establish effective career development training programs for its employees?	V		(IV) To be aligned with the Company's overall goals, we work to enhance employees' knowledge and skills to improve performance and quality. We have included the Education and Training Implementation Regulations in the Company's personnel regulations. Our employees need to undergo a series of complete training programs from the first day at work, and they will be given professional training and guidance related to their work regularly and from time to time.	
(V) Does the Company comply with the relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services and develop relevant policies and complaint procedures to protect consumers' or clients rights and interests?	V		(V) The Company has set up a section dedicated to stakeholders on the website, and stakeholders can file a complaint to the department head in writing or by e-mail or fax so that we can respond to complaints related to consumer rights.	

Item	Status of implementation			Discrepancy between the implementation and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor rights and their implementation?	V		(VI) The Company has formulated a supplier management policy to manage suppliers in terms of quality, delivery, service, and environmental safety and health. Those who have passed the ISO9001 quality management system certification and ISO14001 environmental certification will be reviewed and adopted first. We evaluate suppliers in accordance with the Supplier Evaluation Regulations regularly and from time to time and send a quality notification for any supplier's defects to track its improvement, while regularly implementing safety and health management of suppliers.	
V. Does the Company prepare its non-financial reports, such as the sustainability report, in accordance with the internationally accepted reporting standards or guidelines? Have such reports been assured, verified or certified by a third party?	V		The Company released the CSR report for the first time in 2021. The Company prepares the report with reference to the internationally accepted reporting standards or guidelines. In addition to disclosing the Company's financial information, it discloses the Company's non-financial information. The Company has not yet obtained assurance or assurance opinion from a third-party verification agency about the CSR report.	N/A
VI. If the Company has established corporate social responsibility principles based on "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: No significant discrepancy.				
VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: Based on the business philosophy that "giving what you have taken from society back to society", the Company has been actively participating in various social charity activities for a long time. For example, we co-organized folk activities with the local government, donated land to build parks and community centers, employed people with disabilities in a number that is more than required, and organized various social charity activities to give back to the local community through the Ma Chi-Shan Foundation, while sparing no effort to improve environmental protection and investing in new equipment or renovations to create a green factory.				

(VII) The Company's implementation of ethical management and the measures taken: In accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the relevant regulations on TWSE/TPEx listed companies, and other laws and regulations related to business conduct, the Company regards integrity, transparency, and responsibility as the highest guiding principle in business. At present, we have incorporated the relevant ethical management regulations into the internal control system and require managerial officers to set an example and comply with the principle of good faith, to establish a sound corporate governance and risk control mechanism and create a sustainable business environment.

Implementation the ethical management

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Yes	No	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				N/A
(I) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?	V		(I) The board of directors, on August 12, 2019, passed the Ethical Corporate Management Best Practice Principles, and the relevant internal regulations, including the Ethical Corporate Management Best Practice Principles, have clearly specified the Company's policy and practice of ethical management and a commitment that the board of directors and the management shall actively implement the ethical management policy. In addition, the Company discloses the Ethical Corporate Management Best Practice Principles on the MOPS and the Company's website.	
(II) Has the Company established an evaluation mechanism for the risk of	V		(II) The prevention plan stipulated in the Company's Ethical Corporate Management Best Practice	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Yes	No	Summary	
dishonesty behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?			Principles covers the preventive measures for the conduct below: I. Giving and receiving bribes. II. Providing illegal political donations. III. Improper charitable donation or sponsorship. IV. Offering or accepting unreasonable gifts, entertainment, or other improper benefits. V. Infringing business secrets, trademarks, patents, copyrights, and other intellectual property rights. VI. Engaging in unfair competition. VII. Products and services that directly or indirectly damage the rights or health and safety of consumers or other stakeholders during research and development, procurement, manufacture, provision, or sale.	
(III) Has the Company established relevant policies for preventing any unethical conduct? Are the implementation and reviews of the relevant procedures, guidelines and training mechanism provided in the policies?	V		(III) The Company's prevention plan for unethical conduct clearly defines the operating procedures, guidelines for behavior, and punishment and grievance system for violations, and we have duly implemented it. The HR Department is responsible for formulating and supervising the implementation of the ethical management policy and prevention plan, while regularly reporting to the board of directors.	
II. Corporate Conduct and Ethics				N/A

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Yes	No	Summary	
Compliance Practice (I) Has the Company conducted investigation regarding unethical records with whomever the Company doing business with, and included business conduct and ethics-related clauses in the business contracts? (II) Has the Company set up a dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics and report to the Board about any operating policies and plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)?	V V		(I) The Company performs contract obligations in a fair and ethical manner while strictly abiding by the relevant laws, regulations, and contract terms, and we evaluate the counterparty of a contract based on the same principle. (II) Article 17 of the Company's Ethical Corporate Management Best Practice Principles stipulate that to improve the ethical management, the HR Department is responsible for formulating and supervising the implementation of the ethical management policy and prevention plan, while regularly reporting to the board of directors (at least once a year). Implementation: 1. The ethical management policy is clearly stated on the Company's website and annual report, and the board of directors and the management are committed to active implementation, and we duly implement the policy in internal management and external business activities. 2. Employees can provide deed back to management at different levels and human resources units through multiple smooth channels. 3. We offer courses and training to new recruits and raise employees' awareness many times. 4. The HR Department reported	

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Yes	No	Summary	
			on the implementation status to the board of directors on March 15, 2022.	
(III) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	V		(III) If there is a conflict of interest in the ordinary course of business, the auditors will coordinate with the department heads. Those who have conflicts of interest with the resolutions by the board of directors shall be recused from participating in discussions or resolutions. Where a violation of integrity regulations is discovered, a complaint or report can be filed in accordance with the Company's Regulations on Reporting on Illegal and Unethical Conduct.	
(IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance or hired external auditors to audit such execution and compliance?	V		(IV) To ensure the implementation of ethical management, the Company has established an effective accounting system and internal control system, and auditors regularly audit the compliance therewith, and CPAs perform routine audits on the Company in each of the four quarters per year.	
(V) Does the Company provide training regarding ethic compliance practice regularly?	V		(V) The Company held internal and external education and training on ethical management issues in 2021 (including relevant courses on compliance with ethical management regulations, food safety and health management and inspection, accounting system, and internal control) with a total of 18 participants for a total of 54 hours.	
III. Channels for reporting any ethical irregularities				N/A

Evaluation Items	Operational Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Yes	No	Summary	
(I) Does the Company provide employees with external professional training incentives and internal education training courses every year to improve their awareness of integrity? (II) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed and related confidentiality mechanisms? (III) Has the Company established measures to protect the identity of the informer?	V V V		(I) The Company has formulated the Regulations on Reporting on Illegal and Unethical Conduct and the unit responsible for accepting reports is the Auditing Office. (II) The Company has formulated the Regulations on Reporting on Illegal and Unethical Conduct to regulate investigation standard operating procedures and relevant confidentiality mechanisms for handling reported matters. (III) The Company's Auditing Office is responsible for handling relevant affairs, and it strives to protect whistleblowers from being punished for whistleblowing.	
IV. Information Disclosure Has the Company published information relating to the Company's "Code of Business Conduct" on its website or MOPS?	V		The Company has set up a website to disclose our corporate culture and business policies and other information, and has designated a responsible department for the collection and release of information.	N/A
V. If the Company has established ethical management best practice principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation:				
VI. Other important information that facilitates the understanding of the Company's ethical management operation: We release important information in accordance with the Company Act, the Securities and Exchange Act, and relevant regulations on TWSE/TPEx listed companies to facilitate the understanding of the Company's ethical management operation.				

(IV) Disclosure to the Company's Corporate Governance Principles:

The Company has formulated the Corporate Governance Best Practice Principles, and the implementation of relevant projects is available on the MOPS and the Company's website(http://www.federalcorporation.com).

(V) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance may also be disclosed:
The implementation of relevant projects is available on the MOPS and the Company's website(http://www.federalcorporation.com).

(IX) Internal Control System Execution Status

i. Statement of Internal Control System:

Federal Corporation

Statement on Internal Control System

Date: March 15, 2022

Based on the findings of a self-assessment, CH Biotech Co., Ltd. states the following with regard to the internal control system during the year 2021:

(I) CH Biotech's Board of Directors and management are responsible for establishing, implementing and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings laws and regulations.

(II) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, an internal control system's effectiveness may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms and CH Biotech takes immediate remedial actions in response to any identified deficiencies.

(III) CH Biotech evaluates its internal control systems' design and operating effectiveness based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of internal managerial control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each key components consist of several items. For the aforementioned items, please refer to the Regulations.

(IV) CH Biotech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

(V) Based on the findings of such evaluation, CH Biotech believes that, on December 31, 2021, it maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

(VI) This Statement is an integral part of CH Biotech's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

(VII) This Statement was passed by the Board of Directors in the meeting held on March 15, 2022, with none of the 9 attending directors expressing dissenting opinions. They all affirmed the content of this Statement.

Federal Corporation

Chairman: Chiang, Ching-Hsing (signature/seal)

President: Chiang, Ching-Hsing (signature/seal)

ii. If a CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

(X) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions are taken in the most recent years up to the date of the annual report: None.

(XI) Resolutions by the shareholders' meetings and board meetings and the implementation thereof:

Resolutions by the shareholders' meetings and the implementation thereof:

No.	Major Resolution	Status of implementation
1	Passed the financial statements and business report for 2020.	Submitted the relevant documents to the competent authority for reference and made a public announcement in accordance with the Company Act and other relevant laws and regulations.
2	Passed the 2020 earnings distribution proposal.	Set November 15, 2021 as the ex-dividend record date and November 30, 2021 as the payout date. (Cash dividend of NT$0.02 per share)
3	Passed the partial amendments to “the Articles of Incorporation”.	Made an announcement on the Company's website on August 31, 2021.
4	Passed the amendments to the “Company’s Rules of Procedure for Shareholders’ Meetings”.	Made an announcement on the MOPS and the Company's website on August 31, 2021 and proceeded as per the amended procedures.
5	Passed a shareholder's proposal for dismissal of independent director Li, Tien-Hsiang and the board of directors' proposal for appointing external professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed”.	Took effect after the resolution was adopted by the shareholders' meeting.
6	Passed a shareholder's proposal for dismissal of independent director Tso, Wei-Li and the board of directors' proposal for appointing external professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed”.	Took effect after the resolution was adopted by the shareholders' meeting.
7	Passed a shareholder's proposal for dismissal of independent director Chou, Hsing-Ju and the board of directors' proposal for appointing external professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed”.	Took effect after the resolution was adopted by the shareholders' meeting.

Important resolutions by extraordinary shareholders' meetings and the implementation:

No.	Major Resolution	Status of implementation
1	Election of nine directors.	The registration was approved by the Ministry of Economic Affairs on October 27, 2021 and announced on the Company's website.
2	Passed the removal of the non-compete clause for the Company's newly elected directors and the juridical persons they represented.	Took effect after the resolution was adopted by the shareholders' meeting.

3	The resolution was adopted according to the proposal submitted by the shareholder (account number: 249228) to revise it to "It is agreed to dispose of subsidiary Taicheng Development Co., Ltd.'s and Taixin Construction Co., Ltd.'s land through public bidding and authorize the Board of Directors of Federal Corporation to handle all relevant matters at its own discretion ."	Board meeting on October 15, 2021: Passed the public bidding for the Zhongli Plant's land of the Company's subsidiaries, Taixin Construction Co., Ltd. and Taixin Construction Co., Ltd. as per the resolution by the shareholders' meeting. Board meeting on December 27, 2021: Selected Cushman & Wakefield Limited, Taiwan Branch, a professional real estate company, to handle public bidding to dispose of the land and buildings under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd. Board meeting on March 15, 2022: Resolved a decision about the reserve price for the public bidding for the land and buildings of the Zhongli Plant under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd. And passed the authorization for matters related to the disposal of the land and buildings of the Zhongli Plant under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd., the main contents of the bidding documents, and the signing of the sale and purchase contracts.

Important resolutions by the board of directors:

Date	Resolutions
2021/02/04	(I) Passed the 2020 year-end bonus payment standard for managerial officers.
2021/03/26	(I) Passed the 2020 consolidated and standalone financial statements and business report. (II) Passed the 2020 earnings distribution proposal. (III) Passed the distribution of 2020 employees' and directors' remuneration. (IV) Passed the date, place, reason for convening the 2021 General Shareholders' Meeting, the period for accepting written proposals from shareholders holding more than 1% of the shares, and the place for accepting such proposals. (V) Passed the application to various financial institutions for renewal of contracts or increase of financing facilities. (VI) Passed the provision of loans to wholly-owned U.S. subsidiary, Federal Tire North America LLC. (VII) Passed the 2020 Statement on "Internal Control System". (VIII) Passed the assessment of the independence and suitability of CPAs. (IX) Passed the appointment of the corporate governance officer. (X) Passed the termination of the private placement of ordinary shares/preference shares approved by the Company's 2020 general shareholder' meeting. (XI) Passed the partial amendments to the "Articles of Incorporation". (XII) Passed the amendments to the "Company's Rules of Procedure for Shareholders' Meetings". (XIII) Passed the authorization of the Chairman to select a professional company to implement the matters related to land rezoning initiated by the Company. (XIV) Passed the demerger of wholly-owned subsidiary, Taicheng Development Co., Ltd., to reduce capital and establish a new company.
2021/04/26	(I) Passed a shareholder's proposal for "dismissal of independent director Li, Tien-Hsiang" and the board of directors' proposal for "appointing external professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed". (II) Passed a shareholder's proposal for dismissal of independent director Tso, Wei-Li and the board of directors' proposal for appointing external

Date	Resolutions
	professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed”. (III) Passed a shareholder's proposal for “dismissal of independent director Chou”, Hsing-Ju and the board of directors' proposal for “appointing external professionals to carry out an forensic accounting project to prove that said independent director is not as alleged by said shareholder and did not need to be dismissed”. (IV) Passed a shareholder's proposal for dismissal of Nankang Rubber Tire Corp., Ltd. (hereinafter referred to as “Nankang Rubber Tire”) as a director and its appointed representatives (including the currently appointed representative Chao, Kuo-Shua and the representatives appointed thereafter)”. (V) Passed a shareholder’s proposal for exercising right of disgorgement for the institutional shareholder Nankang Rubber Tire. (VI) Passed the revision of the venue and reasons for convening the 2021 General Shareholders’ Meeting.
2021/05/07	(I) Passed the replacement of CPAs. (II) Passed the cash capital increase by way of issuance of ordinary shares through bookbuilding. (III) Passed the private placement of ordinary shares. (IV) Passed the revision of the time and reasons for convening the 2021 General Shareholders’ Meeting.
2021/06/15	(I) Passed the complete termination of production of the Company's Zhongli Plant. (II) Passed the disposal of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.) and the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd. (III) Passed the selection of a professional real estate company for public bidding to dispose of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.) and the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd. (IV) Passed the appointment of a professional consulting company to draw up a written work plan for the rezoning the Zhongli Plant’s land.
2021/07/22	(I) Passed the reserve price for the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd. (II) Passed the reserve price for the public bidding for the disposal of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.). (III) Passed the bidding method and main contents of the bidding documents, public bidding procedures, and relevant matters for the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd., and the land of the Company's Zhongli Plant (or the entire equity of subsidiary, Taicheng Development Co., Ltd.).
2021/08/09	(I) Passed the setting of the date, place, and method for the postponement of the 2021 General Shareholders’ Meeting.
2021/09/09	(I) Passed the appointment of external professionals to conduct a forensic accounting project in accordance with the resolution by the general shareholders' meeting. (II) Passed the election of all directors. (III) Passed the removal of the non-compete clause for the newly elected directors and the juridical persons they represented. (IV) Passed the date, place, reason for convening the 2021 extraordinary shareholders’ meeting, the period for accepting written nominations from

Date	Resolutions
	shareholders holding more than 1% of the shares, and the place for accepting such nominations.
2021/10/15	(I) Passed the election of the Company's Chairman of the 24th board. (II) Passed the appointment of members of the 5th Remuneration Committee.
2021/10/15	(I) Passed the invitation of Mr. Lin, Hsueh-Pu to be the Company's unpaid top consultant. (II) Passed the replacement of CPAs. (III) Passed the cancellation of the second extraordinary shareholders' meeting in 2021. (IV) Passed the public bidding for the Zhongli Plant's land of the Company's subsidiaries, Taixin Construction Co., Ltd. and Taixin Construction Co., Ltd. as per the resolution by the shareholders' meeting.
2021/11/12	(I) Passed the annual audit plan for 2022. (II) Passed the review of remuneration to directors (including independent directors) and managerial officers. (III) Passed the formulation of the Directors' and Managerial Officers' Remuneration Regulations. (IV) Passed the employees' remuneration for directors and managerial officers in the 2020 earnings distribution proposal. (V) Passed the appointment of the corporate governance officer. (VI) Passed the candidate for the President.
2021/12/27	(I) Passed the selection of a professional real estate company for public bidding to dispose of the land and buildings under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd.
2022/01/20	(I) Passed the 2021 year-end bonus payment standard for managerial officers.
2022/03/15	(I) Passed the financial statements and business report for 2021. (II) Passed the statement of deficit compensation for 2021. (III) Passed the distribution of 2021 employees' and directors' remuneration. (IV) Passed the 2021 Statement on Internal Control System. (V) Passed the date, place, reason for convening the 2022 General Shareholders' Meeting, the period for accepting written proposals from shareholders holding more than 1% of the shares, and the place for accepting such proposals. (VI) Passed the reserve price for the public bidding for the land and buildings of the Zhongli Plant under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd. (VII) Passed the authorization for matters related to the disposal of the land and buildings of the Zhongli Plant under subsidiaries, Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd., the main contents of the bidding documents, and the signing of the sale and purchase contracts. (VIII) Passed the application to various financial institutions for renewal of contracts or increase of financing facilities. (IX) Passed the provision of loans to wholly-owned U.S. subsidiary, Federal Tire North America LLC. (X) Passed the provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company. (XI) Passed the provision from wholly-owned subsidiary, Federal International Holding Inc., to the Company. (XII) Passed the assessment of the independence and suitability of CPAs. (XIII) Passed the appointment of the Chief Financial Officer. (XIV) Passed the review of Vice Presidents' remuneration. (XV) Passed the partial amendments to the Articles of Incorporation. (XVI) Passed the amendments to the Company's Rules of Procedure for Shareholders' Meetings. (XVII) Passed the amendments to the Procedures for Asset Acquisition and

Date	Resolutions
	Disposal.
2022/04/27	(I) Passed a decision to include the public auction of land or equity or independent development for the disposal of subsidiary Taixin Construction Co., Ltd.'s land in addition to public bidding, and the Board of Directors of Federal Corporation is authorized to handle all relevant matters at its own discretion at the appropriate time based on the market conditions. This proposal will be submitted to the 2022 General Shareholders' Meeting for discussion. (II) Passed subsidiary Taixin Construction Co., Ltd.'s application for the change of an urban plan for an industrial and commercial zone and authorized the Chairman of Federal Corporation to handle all matters related to the change of the urban plan at his own discretion. (III) Passed the revision of the reasons for convening the 2022 General Shareholders' Meeting.
2022/05/11	(I) Passed the revision of the partial contents of the Real Estate Sale and Purchase Agreement on the sale of land of Taicheng Development Co., Ltd. and Rongcheng Development Co., Ltd. through a public bidding and the bidding documents. (II) Passed the 2022 Q1 financial report.

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

Date	Resolutions	Summary of comment
2021/03/26	The application to various financial institutions for renewal of contracts or increase of financing facilities.	Director Chao, Kuo-Shua: It is suggested to vote on a case-by-case basis.
2021/03/26	The provision of loans to wholly-owned U.S. subsidiary, Federal Tire North America LLC.	Director Chao, Kuo-Shua: As anti-dumping has a great impact on the future business of this company, I express my objection to this proposal.
2021/05/07	Cash capital increase by way of issuance of ordinary shares through bookbuilding	Director Chao, Kuo-Shua: It is proposed that all shareholders "give up" the preemptive right to which shareholders are entitled in accordance with Article 267 of the Company Act. I express my objection to this proposal.
2021/05/07	Private placement of ordinary shares	Director Chao, Kuo-Shua: The issue amount, plus the amount in the bookbuilding proposal, account for 32% of the Federal Corporation's total outstanding shares. I express my objection to this proposal.
2021/05/07	The revision of the time and reasons for convening the 2021 General Shareholders' Meeting.	Director Chao, Kuo-Shua: According to Article 172-1 of the Company Act, the board of directors can only examine its formality and cannot examine its content when examining the proposals submitted by shareholders.
2021/06/15	Disposal of the land of the Company's Zhongli Plant (or the entire equity of the subsidiary Taicheng Development Co., Ltd.) and the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd.	Director Chao, Kuo-Shua: At this time, it is in the state of the caretaker cabinet, so it is not appropriate to make decisions or make important business decisions. Director Ma, Pei-Chun I disagree with the disposal at this stage.

(XIII) Summary of resignations and dismissals, during the last fiscal year and as of the printing date of the annual report, of the Company's Chairman, President, Chief of Accounting Officer, Chief Financial Officer, Chief of Internal Audit, and R&D supervisors.

Summary of resignation and dismissal of the Company’s relevant persons

Title	Name	On-board Date	Date of Resignation or Dismissal	Summary of Resignation or Dismissal
Chairman	Ma, Shu-Chien	2014/06/12	2021/10/15	Election of all directors.
President	Chen, Chung-I	2020/05/08	2021/11/01	Retirement
Chief Financial Officer/Corporate Governance Officer	Wu,Ling-Yun	2020/08/12	2021/09/01	Transfer

IV. Information Regarding the Company's Audit Fee

Unit: NTD thousand

<table>
<tr><th>Accounting Firm</th><th>Name of CPAs</th><th>Period Covered by CPA's Audit</th><th>Audit Fee</th><th>Non-Audit Fee (Note1)</th><th>Total</th><th>Remarks</th></tr>
<tr><td rowspan="3">PwC Taiwan</td><td>Liao, Fu-Ming</td><td>2021/04/12~2021/10/14</td><td rowspan="3">2,150</td><td rowspan="3">2,734</td><td rowspan="3">4,884</td><td rowspan="2">Replaced the accounting firm in alignment with the Company's operation and group management.</td></tr>
<tr><td>Lin, Chun-Yao</td><td>2021/01/01~2021/10/14</td></tr>
<tr><td>Tu, Pei-Ling</td><td>2021/01/01~2021/04/11</td><td>Replaced CPAs due to the accounting firm’s organizational restructuring.</td></tr>
<tr><td rowspan="2">Baker Tilly Clock & CO</td><td>Chou, Yin-Lai</td><td>2021/10/15~2021/12/31</td><td rowspan="2">2,338</td><td rowspan="2">1,201</td><td rowspan="2">3,539</td><td rowspan="2"></td></tr>
<tr><td>Peng, Li-Chen</td><td>2021/10/15~2021/12/31</td></tr>
</table>

Non-audit fees:

1. NT$26 thousand for review of full-time non-managerial employees salary information checklist
2. NT$628 thousand for audit and online filing of profit-seeking enterprise income tax returns
3. NT$127 thousand for the direct deduction method
4. NT$300 thousand for Federal Corporation’s transfer pricing
5. NT$120 thousand for Federex Marketing Co., Ltd.’s transfer pricing
6. NT$2,000 thousand for tax consulting and change registration service projects related to the transfer of the land development department
7. NT$100 thousand for tax consulting projects related to real estate transfer
8. NT$200 thousand for analysis of fund use and recovery of Federal Tire (Jiangxi)
9. RMB100 thousand (about NT$434 thousand) for Federal Tire (Jiangxi)’s tax consulting service

(I) When the securities firm changes its accounting firm and audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of audit fees before and after the change and the reason shall be disclosed:

The audit fees were reduced by around NT$152 thousand (3.27%) compared with the prior year. The change in the audit fees is the result of price negotiation according to the procedures.

(II) When audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: Not applicable.

V. Information on replacement of CPAs:

(I) About the former CPAs

<table>
<tr><td>Date of Change</td><td colspan="4">October 15, 2021</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="4">In alignment with the Company's operation and group management.</td></tr>
<tr><td rowspan="3">State whether the Appointment is Terminated or Rejected by the Consignor or CPAs</td><td colspan="2">Client
Situation</td><td>Certified Public Accountant</td><td>Consignor</td></tr>
<tr><td colspan="2">Appointment terminated automatically</td><td></td><td>V</td></tr>
<tr><td colspan="2">Appointment rejected (discontinued)</td><td></td><td></td></tr>
<tr><td>The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)</td><td colspan="4">None.</td></tr>
<tr><td rowspan="7">Is there any disagreement in opinion with the issuer?</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Auditing scope or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>N/A</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Supplementary Disclosure</td><td colspan="4">None.</td></tr>
</table>

(II) Successor CPAs

Accounting Firm	Baker Tilly Clock & CO
Name of CPA	Chou, Yin-Lai and Peng, Li-Chen
Date of Engagement	From October 15, 2021 [from the third quarter of 2021 (inclusive)]
Consultation and results regarding opinions that may be issued on the accounting treatment or accounting principles for specific transactions and on financial reports before appointment	None.
Written different opinions from the new CPAs on old CPAs' opinions	None.

(III) Old CPAs' response: Not applicable.

VI. The Company's Chairman, Directors, Chief Executive Officer, Chief Financial Officer and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within the Company's Independent Audit Firm or Its Affiliates in the Most Recent Year: None.

VII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer or shareholder with a stake of more than 10% during the most recent fiscal year up to the date of publication of the annual report

(I) Changes in shareholdings of directors, managerial officers, or major shareholders:

Unit: In thousand shares

Title	Name	2021		Current year up to March 31, 2022	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman (President)	Nankang Rubber Tire Corp., Ltd. Representative: Chiang, Ching-Hsing	-	-	-	-
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Hsueh-Sheng	-	-	- -	- -
Director	Nankang Rubber Tire Corp., Ltd. Representative: Huang, Tai-Feng	-	-	- -	- -
Director	Representative of Taiwan Insulation Applied Technology Co.: Ko, Tso-Liang	-	-	- -	- -
Director	Huan-Xiang Investment Co., Ltd. Representative: Fang, Hsiang-Chi	-	-	- -	- -
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching	-	-	- -	- -
Independent Director	Cheng, Fu-Yueh	-	-	-	-
Independent Director	Yao, Wen-Liang	-	-	-	-
Independent Director	Chao, Shih-I	-	-	-	-
Vice President and Chief Financial Officer	Chiu, Fu-Chih	-	-	-	-
Head of Finance Department	Lu, Hsin-I	15	-	-	-
Head of Production and Sales Department	Liu, Chia-Shen	-	-	-	-
Head of Research and Development Department and Manufacturing Department	Wu, Hung-Cheng	-	-	-	-
Deputy Head of Management Department	Wang, Li-Hua	-	-	-	-
Deputy Factory Manager of Manufacturing Department	Yuan, Kuo-Chung	-	-	-	-
Chief of Accounting Officer	Li, Hsin-Yu	-	-	-	-
Major shareholder	Nankang Rubber Tire Corp., Ltd.	55,080	-	-	-

(II) Transfer of equity: None.

(III) Shares pledged: None.

VIII. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.

Information on the relationship among top ten shareholders

April 16, 2022

Unit: Share; %

Name	Shares Held Directly		Shares Held by Spouse or Minors		Total Shares Held by Others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship.		Remark
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Company name (or Name)	Relationship	
Nankang Rubber Tire Corp., Ltd.	148,768,000	31.43	0	0	0	0	Zhikai Development Co., Ltd.	Zhikai Development Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
							Yuanhong Development Industry Co., Ltd.	Yuanhong Development Industrial Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
							Yuanrui Development Industry Co., Ltd.	Yuanrui Development Industry Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
							Chiang, Ching-Hsing	Chiang, Ching-Hsing is a director of Nankang Rubber Tire Corp., Ltd.	
Nankang Rubber Tire Corp., Ltd. Representative: Kuo, Lin-Liang	0	0	0	0	0	0	N/A	N/A	
Zhikai Development Co., Ltd.	28,200,000	5.96	0	0	0	0	Nankang Rubber Tire Corp., Ltd.	Zhikai Development Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
Zhikai Development Co., Ltd. Representative: Wang, Chung-Cheng	0	0	0	0	0	0	Yuanrui Development Industry Co., Ltd.	Chairman Wang, Chung-Cheng is the Chairman of Yuanrui Development Industry Co., Ltd.	

Name	Shares Held Directly		Shares Held by Spouse or Minors		Total Shares Held by Others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship.		Remark
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Company name (or Name)	Relationship	
Taifu Investment Co., Ltd.	25,590,991	5.41	0	0	0	0	Ma, Shao-Chin	Ma, Shao-Chin is the director of Taifu Investment Co., Ltd.	
Taifu Investment Co., Ltd. Representative: Ma, Wu-Lu	0	0	0	0	0	0	Ma, Shao-Chin	Couple	
Huan-Xiang Investment Co., Ltd.	15,605,882	3.30	0	0	0	0	N/A	N/A	
Huan-Xiang Investment Co., Ltd. Representative: Ma, Shao-Chin	0	0	0	0	0	0	Ma, Wu-Lu	Couple	
Jiasheng Co., Ltd.	10,112,000	2.14	0	0	0	0	N/A	N/A	
Jiasheng Co., Ltd. Representative: Hsu, Wan-Hsing	50,000	0.01	0	0	0	0	N/A	N/A	
Yuanhong Development Industrial Co., Ltd.	9,885,000	2.09	0	0	0	0	Nankang Rubber Tire Corp., Ltd.	Yuanhong Development Industrial Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
Yuanhong Development Industrial Co., Ltd. Representative: Cheng, Chin-Mu	0	0	0	0	0	0	N/A	N/A	
Federex Marketing Co., Ltd.	7,842,462	1.66	0	0	0	0	N/A	N/A	
Federex Marketing Co., Ltd. Representative: Chiang, Ching-Hsing	0	0	0	0	0	0	Nankang Rubber Tire Corp., Ltd.	Chairman Chiang, Ching-Hsing is a director of Nankang Rubber Tire Corp., Ltd.	
Yuanrui Development Industry Co., Ltd.	7,067,000	1.49	0	0	0	0	Nankang Rubber Tire Corp., Ltd.	Yuanrui Development Industry Co., Ltd. is one of the major shareholders of Nankang Rubber Tire Corp., Ltd.	

Name	Shares Held Directly		Shares Held by Spouse or Minors		Total Shares Held by Others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship.		Remark
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Company name (or Name)	Relationship	
Yuanrui Development Industry Co., Ltd. Representative: Wang, Chung-Cheng	0	0	0	0	0	0	Zhikai Development Co., Ltd.	Chairman Wang, Chung-Cheng is the Chairman of Zhikai Development Co., Ltd.	
Wonderland Enterprise Co., Ltd.	6,460,000	1.36	0	0	0	0	N/A	N/A	
Wonderland Enterprise Co., Ltd. Representative: Hsiao, Chin-Chang	0	0	0	0	0	0	N/A	N/A	
Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch	5,954,040	1.26	0	0	0	0	N/A	N/A	

IX. **The shareholdings of the Company and the Company's Directors, Managers, and the enterprises directly or indirectly controlled by the Company in the same invested company and the consolidated shareholding ratio**

Percentage of Total Shares Held

Unit: Share; %

Investee	Investment by the Company		Investments by directors, managerial officers, and directly or indirectly controlled businesses		Consolidated investment	
	Number	Percentage of Shares Held	Number	Percentage of Shares Held	Number	Percentage of Shares Held
Federex Marketing Co., Ltd.	19,000,000	100	0	0	19,000,000	100
Taixin Construction Co., Ltd.	33,000,000	100	0	0	33,000,000	100
Taicheng Development Co., Ltd.	15,000,000	100	0	0	15,000,000	100
Rongcheng Development Co., Ltd.	1,000,000	100	0	0	1,000,000	100
Federal International Holding Inc.	65,331,062	100	0	0	65,331,062	100

Four. Status of Fund Raising

I. Capital and Shares

(I) Source of Capital

<u>Source of Capital</u>

As of the publication date of this annual report

Unit: NTD/Share

Year/ Month	Par value Price	Authorized Capital		Paid-in Capital		Remark		
		Number	Amount	Number	Amount	Source of Capital		License No.
1955	100	30,000	3,000,000	30,000	3,000,000	Founding capital of NT$3,000,000	No assets other than cash were used to contribute to the capital	Jing-She No. 3530
1960.03	100	60,000	6,000,000	60,000	6,000,000	Capital increase in cash by NT$3,000,000		Jing-Shang-Xin No. 065
1964.11	100	300,000	30,000,000	3,00,000	30,000,000	Capital increase in cash by NT$24,000,000		Jing-Shang-Xin No. 3846
1965.11	100	600,000	60,000,000	600,000	60,000,000	Capitalization of earnings of NT$1,473,000 Capital increase in cash by NT$28,527,000		Jing-Xin No. 0414
1967.06	100	800,000	80,000,000	800,000	80,000,000	Capital increase in cash by NT$20,000,000		Jing-Xin No. 2018
1969.04	100	960,000	96,000,000	960,000	96,000,000	Capitalization of earnings of NT$718,400 and capital increase in cash by NT$15,281,600		Jian-Shang-Xin No. 10108
1970.09	100	1,200,000	120,000,000	1,200,000	120,000,000	Capital increase in cash by NT$24,000,000		Jian-Shang-Xin No. 12874
1976.01	100	1,500,000	150,000,000	1,500,000	150,000,000	Capitalization of earnings of NT$30,000,000		Jing-Xin No. 11108
1978.04	10	30,000,000	300,000,000	30,000,000	300,000,000	Capitalization of earnings of NT$15,000,000 Capitalization of capital surplus of NT$135,000,000		Jing-Xin No. 13449
1979.04	10	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NT$50,000,000		Jing-Xin No. 14764
1980.10	10	43,500,000	435,000,000	43,500,000	435,000,000	Capitalization of earnings of NT$35,000,000 Capital increase in cash by NT$50,000,000		Jing-Xin No. 17801
1982.01	10	60,000,000	600,000,000	47,850,000	478,500,000	Capitalization of earnings of NT$43,500,000		Jing-Xin No. 10258

Year/ Month	Par value Price	Authorized Capital		Paid-in Capital		Remark		
		Number	Amount	Number	Amount	Source of Capital		License No.
1982.09	10	60,000,000	600,000,000	53,592,000	535,920,000	Capitalization of capital surplus of NT$57,420,000		Jing-Xin No. 21975
1984.04	10	61,592,000	615,920,000	61,592,000	615,920,000	Capital increase in cash by NT$80,000,000		Jing-Xin No. 1005
1987.12	10	67,751,200	677,512,000	67,751,200	677,512,000	Capital increase in cash by NT$61,592,000		Jing-Tou-Shen-(1988)-Gong-Shang No. 0353
1990.06	10	84,689,440	846,894,400	84,689,440	846,894,400	Capital increase in cash by NT$169,382,400		Tai-Cai-Zheng-(I) No. 00621
1991.07	10	97,392,856	973,928,560	97,392,856	973,928,560	Capitalization of capital surplus of NT$84,689,440 Capitalization of earnings of NT$42,344,720		Tai-Cai-Zheng-(I) No. 01452
1992.07	10	107,132,140	1,071,321,400	107,132,140	1,071,321,400	Capitalization of capital surplus of NT$48,696,420 Capitalization of earnings of NT$48,696,420		Jing-Tou-Shen-(1988)-Gong-Shang No. 7053
1993.07	10	117,845,354	1,178,453,540	117,845,354	1,178,453,540	Capitalization of capital surplus of NT$53,566,070 Capitalization of earnings of NT$53,566,070		Jing-Tou-Shen-(1988)-Gong-Shang No. 06338
1994.06	10	129,629,889	1,296,298,890	129,629,889	1,296,298,890	Capitalization of capital surplus of NT$58,922,675 Capitalization of earnings of NT$58,922,675		Tai-Cai-Zheng-(I) No. 27769
1995	10	142,592,877	1,425,928,770	142,592,877	1,425,928,770	Capitalization of capital surplus of NT$64,814,940 Capitalization of earnings of NT$64,814,940		Tai-Cai-Zheng-(I) No. 38908
1996	10	199,000,000	1,990,000,000	156,852,163	1,568,521,630	Capitalization of capital surplus of NT$71,296,430 Capitalization of earnings of NT$71,296,430		Tai-Cai-Zheng-(I) No. 53682
1997.06	10	345,000,000	3,450,000,000	203,907,812	2,039,078,120	Capitalization of capital surplus of NT$141,166,950 Capitalization of earnings of NT$329,389,540		Tai-Cai-Zheng-(I) No. 49420

Year/ Month	Par value Price	Authorized Capital		Paid-in Capital		Remark		
		Number	Amount	Number	Amount	Source of Capital		License No.
1998	10	345,000,000	3,450,000,000	224,298,593	2,242,985,930	Capitalization of earnings of NT$203,907,810		Tai-Cai-Zheng-(I) No. 53725
1999	10	345,000,000	3,450,000,000	269,158,311	2,691,583,110	Capitalization of capital surplus of NT$448,597,180		Tai-Cai-Zheng-(I) No. 61054
2003.11.19	10	345,000,000	3,450,000,000	273,158,311	2,731,583,110	Capital increase in cash by NT$40,000,000		Tai-Cai-Zheng-(I) No. 0920138728
2004.07.06	10	385,000,000	3,850,000,000	286,816,211	2,868,162,110	Capitalization of earnings of NT$136,579,000		Zeng-Qi-I No. 0930129617
2005.07.01	10	409,600,000	4,096,000,000	301,157,011	3,011,570,110	Capitalization of earnings of NT$143,408,000		Jin-Guan-Zheng-I No. 0940126559
2006.08.23	10	409,600,000	4,096,000,000	313,203,291	3,132,032,910	Capitalization of earnings of NT$120,462,800		Jin-Guan-Zheng-I No. 09501187030
2007.07.12	10	409,600,000	4,096,000,000	324,165,406	3,241,654,060	Capitalization of earnings of NT$109,621,150		Jin-Guan-Zheng-I No. 0960035930
2008.07.01	10	520,000,000	5,200,000,000	335,511,195	3,355,111,950	Capitalization of earnings of NT$113,457,890		Jin-Guan-Zheng-I No. 0970032779
2009.04.09	10	520,000,000	5,200,000,000	335,424,195	3,354,241,950	Cancellation of treasury shares for capital reduction by NT$870,000		Jin-Guan-Zheng-III No. 0970064763 Jing-Shou-Shang No. 09801068360
2010.7.22	10	520,000,000	5,200,000,000	362,258,130	3,622,581,300	Capitalization of earnings of NT$268,339,350		Jin-Guan-Zheng-Fa No. 0990038168
2011.8.8	10	520,000,000	5,200,000,000	378,559,745	3,785,597,450	Capitalization of earnings of NT$163,016,150		Jin-Guan-Zheng-Fa No. 1000036420
2012.7.11	10	520,000,000	5,200,000,000	403,166,128	4,031,661,280	Capitalization of earnings of NT$246,063,830		Jin-Guan-Zheng-Fa No. 1010030740
2013.6.6	10	520,000,000	5,200,000,000	423,324,434	4,233,244,340	Capitalization of earnings of NT$201,583,060		Jin-Guan-Zheng-Fa No. 1020024674
2014.7.3	10	520,000,000	5,200,000,000	457,190,388	4,571,903,880	Capitalization of earnings of NT$338,659,540		Jin-Guan-Zheng-Fa No. 1030025250
2015.7.9	10	520,000,000	5,200,000,000	464,048,243	4,640,482,430	Capitalization of earnings of NT$68,578,550		Jin-Guan-Zheng-Fa No. 1040025770
2016.7.1	10	520,000,000	5,200,000,000	473,329,207	4,733,292,070	Capitalization of earnings of NT$92,809,640		Not applicable
2020.8.12	10	1,000,000,000	10,000,000,000	473,329,207	4,733,292,070	Not applicable		Jing-Shou-Shang No. 10901125210

Unit: NTD/Share

Type of Shares	Authorized Capital			Remark
	Outstanding	Unissued	Total	
Common shares	473,329,207 shares NT$4,733,292,070	526,670,793 shares NT$5,266,707,930	1,000,000,000 shares NT$10,000,000,000	The Company's shares are listed on TWSE

(II) Structure of Shareholders

April 16, 2022
Unit: Share; %

Structure of Shareholders / Quantity	Governmental Institution	Financial institution	Other legal persons	Individual	Foreign institutions and foreign individuals	Total
Number of persons	2	-	287	54,177	112	54,578
Number of shares held	333	-	281,893,226	163,750,940	27,684,708	473,329,207
Percentage of Shares Held	-	-	59.55	34.60	5.85	100

(III) Status of Ownership Dispersion

April 16, 2022
NT$10 per share

Shareholding range	No. of shareholders	Number of shares held	Shareholding (%)
1–999	42,141	4,422,323	0.93
1,000–5,000	8,560	18,486,844	3.91
5,001–10,000	1,785	13,510,705	2.85
10,001–15,000	650	8,098,209	1.71
15,001–20,000	389	7,032,860	1.49
20,001–30,000	338	8,458,066	1.79
30,001–40,000	151	5,450,644	1.15
40,001–50,000	102	4,676,419	0.99
50,001–100,000	191	14,192,337	3
100,001–200,000	128	18,368,655	3.88
200,001–400,000	72	20,023,072	4.23
400,001–600,000	16	8,075,536	1.71
600,001–800,000	9	6,080,000	1.28
800,001–1,000,000	5	4,742,707	1
1,000,001 or more	41	331,710,830	70.08
Total	54,578	473,329,207	100

(IV) List of major shareholders

April 16, 2022
Unit: Share; %

List of major shareholders \ Shares	Number of shares held	Shareholding (%)
Nankang Rubber Tire Corp., Ltd.	148,768,000	31.43
Zhikai Development Co., Ltd.	28,200,000	5.96
Taifu Investment Co., Ltd.	25,590,991	5.41
Huan-Xiang Investment Co., Ltd.	15,605,882	3.30
Jiasheng Co., Ltd.	10,112,000	2.14
Yuanhong Development Industrial Co., Ltd.	9,885,000	2.09
Federex Marketing Co., Ltd.	7,842,462	1.66
Yuanrui Development Industry Co., Ltd.	7,067,000	1.49
Wonderland Enterprise Co., Ltd.	6,460,000	1.36
Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch	5,954,040	1.26

(V) Data on Market Price, Net Value, Earnings and Dividends per Share in the last two years

Unit: NTD/In thousand shares

Item \ Year		2021	2020	Current year up to March 31, 2022
Market price per share	Highest	35.35	24.5	29.9
	Lowest	16.5	9.2	25.55
	Average	25.26	17.62	27.85
Net value per share	Before dividends distribution	11.55	16.41	11.27
	After dividends distribution	11.55	16.39	-
Earnings per Share	Weighted average	459,574	459,574	459,574
	Earnings per Share	(5.11)	0.24	(0.37)
Dividends per share	Cash dividends	-	0.02	-
	Share dividends -	-	-	-
	Share dividends -	-	-	-
	Cumulative un-paid dividends	-	-	-
Analysis on ROI	Price-earnings ratio	Not applicable	73.42	-
	Price-dividends ratio	Not applicable	881	-
	Dividend yield	0.00%	0.11%	-

(VI) Dividend Policy and Execution Status:

(1) Dividend Policy:

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

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.

(2) Status of implementation:

The Company's net loss after tax in 2021 was NT$2,349,963,706, plus the retained earnings at the beginning of the period of NT$16,578,818 and the adjustment to retained earnings for 2021 (actuarial gains or losses on pensions and gains on securities sold) of NT$510,001,642, so the deficit to be compensated at the end of the period is in the amount of NT$1,823,383,246. This proposal will be submitted to the 2022 general shareholders' meeting or ratification.

(VII) Effect upon business performance and earnings per share of any stock dividends distribution: Not applicable.

(VIII) Distribution of Remuneration approved by the Board of Directors:

(1) Remuneration of Directors and Employee Bonuses Stipulated in the Company's Articles of Incorporation:

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 (including adjusted undistributed earnings), if applicable.

Said 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 estimated basis for the estimated employee dividends and directors' remuneration in this period, the basis for calculating the number of shares for stock dividends, and the accounting treatment if the actual amount distributed is different from the estimated amount: If there is a discrepancy between the estimated amount and the actual amount distributed based on the resolution by the board of directors, it shall be as a change in accounting estimates and will be adjusted and accounted for in the following year.

(3) The distribution of 2021 remuneration to employees and directors approved by the board of directors:

a. Amount of remuneration to employees and directors:

As the Company's net loss before tax for 2021 was NT$2,343,004,479, no employees’ remuneration and directors’ remuneration were distributed according to the Articles of Incorporation.

b. The amount of stock dividends proposed to be distributed to employees and its percentage of the total amount of net income after tax and total employee dividends for this period: None

c. Imputed earnings per share after taking into account the proposed distribution of employee dividends and directors' remuneration: Not applicable.

(4) Distribution of remuneration to employees and directors in 2020:

Employee remuneration: NT$665 thousand

Director's remuneration: NT$665 thousand

There is no difference between the actual amount of said remuneration distributed and the amount recognized in the 2020 financial statements.

(IX) Buyback of Treasury Stock: None

II. Corporate Bonds: None.

III. Preference Shares: None.

IV. Global Depository Shares: None.

V. Employee Stock Warrants: None.

VI. Restricted Stock Awards: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions: None.

VIII. Implementation of the Company’s Capital Allocation Plans

(I) Details: The Company has no uncompleted public offering or private placement of securities.
(II) Implementation: Not applicable.

Five. Operational Highlights

I. Business Activities:

(I) Business Scope

(1) Principal business

a. Tyres Manufacturing.
b. Industrial Rubber Products Manufacturing.
c. Other Rubber Products Manufacturing.
d. Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
e. Wholesale of Tires.
f. Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
g. Retail Sale of Tires.
h. International Trade.
i. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) At present, the Company's main business products and percentage: 100% of automobile outer cover tires.

(3) At present, the Company's products (services) and new products (services) planned to develop:

a. Energy-saving and eco-friendly tires.
b. Winter tires for commercial vehicles.
c. Asymmetric tires.
d. New patterns for high-performance sports car tires.

(II) Industry overview

(1) Status and development of the industry:

The COVID-19 pandemic has ravaged the world for more than two years since 2020. It is still ongoing in 2022. To prevent the spread of the pandemic, countries have adopted strict control measures, including city lockdown, border control, and restriction on personnel movement, which have nearly brought global economic demand to a standstill, causing the prices of international crude oil and raw materials to plummet.

The U.S. Department of Commerce (DOC), at the end of 2020, suddenly imposed anti-dumping duties on Taiwan's tire manufacturers. The duties in the preliminary rule ranged from 52.42%–98.44%. On May 24, 2021, the Company would be imposed with a duty at a rate of 84.75% in the final rule by DOC. The implementation of anti-dumping duties by the U.S. has caused a huge impact on Taiwan's tire industry. In particular, the Company's sales to the U.S. accounted for more than 80% of the operating income. In addition, the global freight hike and shortage of containers have weakened the momentum of global economic growth and affected the Company's shipments. As a result, both our operating income and profit have been severely hit.

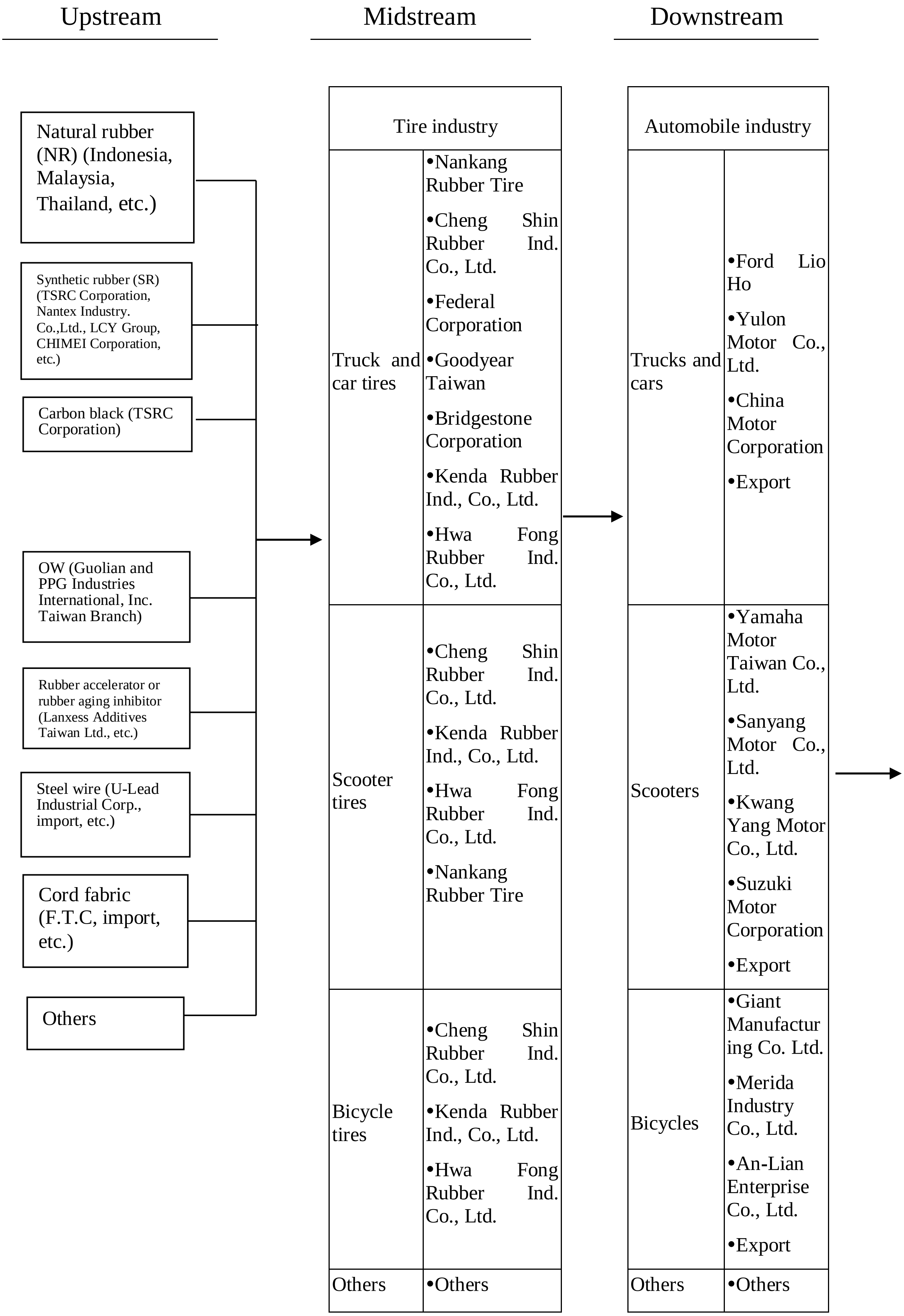
(2) Market analysis:

Looking ahead to 2022, the most severe impact of the pandemic on the global economy will come to an end and gradually slow down. Although the increase in vaccination rate will help curb new confirmed cases in our country, the global economic recovery in the first half of last year was strong, leading to rising raw material costs and inflationary pressures, tightening the global supply chain, and pushing shipping rates to a high point. Once the freight remains high, it will lead to a surge in import costs and consumer prices, further pushing up global inflation. The tightening monetary policy ahead of schedule and the U.S. Federal Reserve’s interest rate hikes will hinder economic growth and posing challenges to the global economy in 2022.

(3) Relations among upstream, midstream, and downstream sections of the industry:

The products produced by the Company are automobile tires. The upstream raw material suppliers are in the rubber, carbon black, and steel wire industries, and the downstream clients are new car factories and distributors. The relations among the upstream, midstream and downstream sections of the industry are as follows:

Domestic tire industry association map



(4) Development and trends of products and competition:

a. Development trend:

i. The tire industry will develop energy-saving, eco-friendly, high-quality, and high-profit products:

With people's increasing awareness of environmental protection, while trying to reduce rolling resistance, this industry has begun to pay attention to materials that do not pollute the environment while manufacturing tires and strive to extend the mileage of tires to reduce the number of waste tires. A large number of cars with green tires adopted has a huge effect on fuel conservation and pollution reduction. There is no doubt that energy-saving green tires with low carbon emissions will become the major tires to be developed in the future.

ii. Strengthened R&D to respond to market changes:

The concept of environmental protection and energy conservation has been widely accepted, and each factory is developing in the direction of “low noise, low rolling resistance, and low fuel consumption” for their tire performance specifications to respond to changes in market demand.

b. Competition

The Company’s main domestic competitors are Nankang Rubber Tire, Hwa Fong Rubber Ind. Co., Ltd., Cheng Shin Rubber Ind. Co., Ltd., Kenda Rubber Ind., Co., Ltd., and Bridgestone Corporation. The competitors’ business scope is as follows:

Company Name	Principal business
Nankang Rubber Tire	Car tires, light truck tires, and scooter tires
Hwa Fong Rubber Ind. Co., Ltd.	Bicycle tires, scooter tires, truck tires, and agro-industrial tires
Cheng Shin Rubber Ind. Co., Ltd.	Bicycle tires, scooter tires, truck tires, and agro-industrial tires
Kenda Rubber Ind., Co., Ltd.	Scooter tires, car tires, light truck tires, and agro-industrial tires
Bridgestone Corporation	Car tires and light truck tires

(III) Status of Technology and R&D

(1) Annual investment and expenditure in R&D

a. NT$126,821 thousand in 2021

b. NT$20,035 thousand as of March 31, 2022.

(2) Successfully developed technologies and products

a. Eco-friendly tires.

b. Ultra high performance tires.

c. Racing tires.

d. High-performance asymmetric tires.

(IV) Short-term and long-term business development plans

(1) Short-term plan

a. The Company will readjust sales and switch the focus to other North American markets (such as Canada,) and non-North American markets (such as Europe and Central and South America) and increase the sales proportions of niche products that are not affected by tax rates (such as competition tires and UHP).

b. For China's domestic market, we will entrust domestic OEM manufacturers to supply products, together with imported tires; as such, we will continue the RE market and strengthen and consolidate our existing distribution channels.

c. Develop new raw material suppliers to reduce costs. Observe the market trends and seize the opportunities for new product development. Use software for analysis and simulation and testing to improve development efficiency.

d. Implement industrial safety inspections, improve production processes and strengthen quality management, improve production efficiency, reduce losses, strictly control various expenses, cut expenses, and reduce costs.

e. Accelerate the development of eco-friendly and low rolling resistance tires in response to increasingly stringent national regulations.

(2) Long-term plan

a. We will rethink our product direction and sales strategy after the investigation of the US anti-dumping case is finalized and continue to maintain the development and marketing of sales channels in the North American market.

b. Rearrange our layout in the European region, actively develop distributors, and expand marketing plans to build a more complete layout of channels.

c. Continues to implement the Federal brand strategy with an emphasis on the superiority of product development and after-sales services.

d. Adopt various marketing strategies flexibly, such as sponsorships, participation in competitions, increased online visibility, and customer service, to enhance brand visibility and reputation.

II. Analysis of the Market as well as Production and Marketing Situation

(I) Market analysis:

(1) Main areas for product sale: The U.S., Europe, Asia Pacific, Central and South America, the Commonwealth of Independent States (CIS), Asia, and Africa.

(2) Market ranking, future market supply/demand, and growth potentials:

a. Market share:
As per the 2021 global tire manufacturer rankings published by TireBusiness magazine, the Company ranked 66th.

b. Future market supply/demand and growth potentials:
The global economic situation is still uncertain. At present, China’s tire market is still oversupplied. In addition, the two anti-dumping cases and the China-US trade war have impacted the tire prices. In the future, we will shift the focus of our global layout of the tire market

outside North America to Europe, Asia Pacific, Central and South America, CIS, Asia, and Africa and actively seize the business opportunities, to pursue the continuous growth of sales.

(3) Competitive advantages, favorable and unfavorable factors of development, and countermeasures:

a. Competitive advantages

The Company uses the independently developed new patterns to improve the performance of our products, so that tires with different functions can lead to a better performance.

b. Favorable and unfavorable factors of development, and countermeasures:

i. Favorable factors:

The Company has global distribution sites and a dense marketing network, with distribution channels widely distributed and great service efficiency, and has obtained tire certifications in many countries.

The new plant in the Taoyuan Science and Technology Industrial Park is equipped with a high level of automated production equipment, which will be helpful for quality improvement and cost reduction in the future.

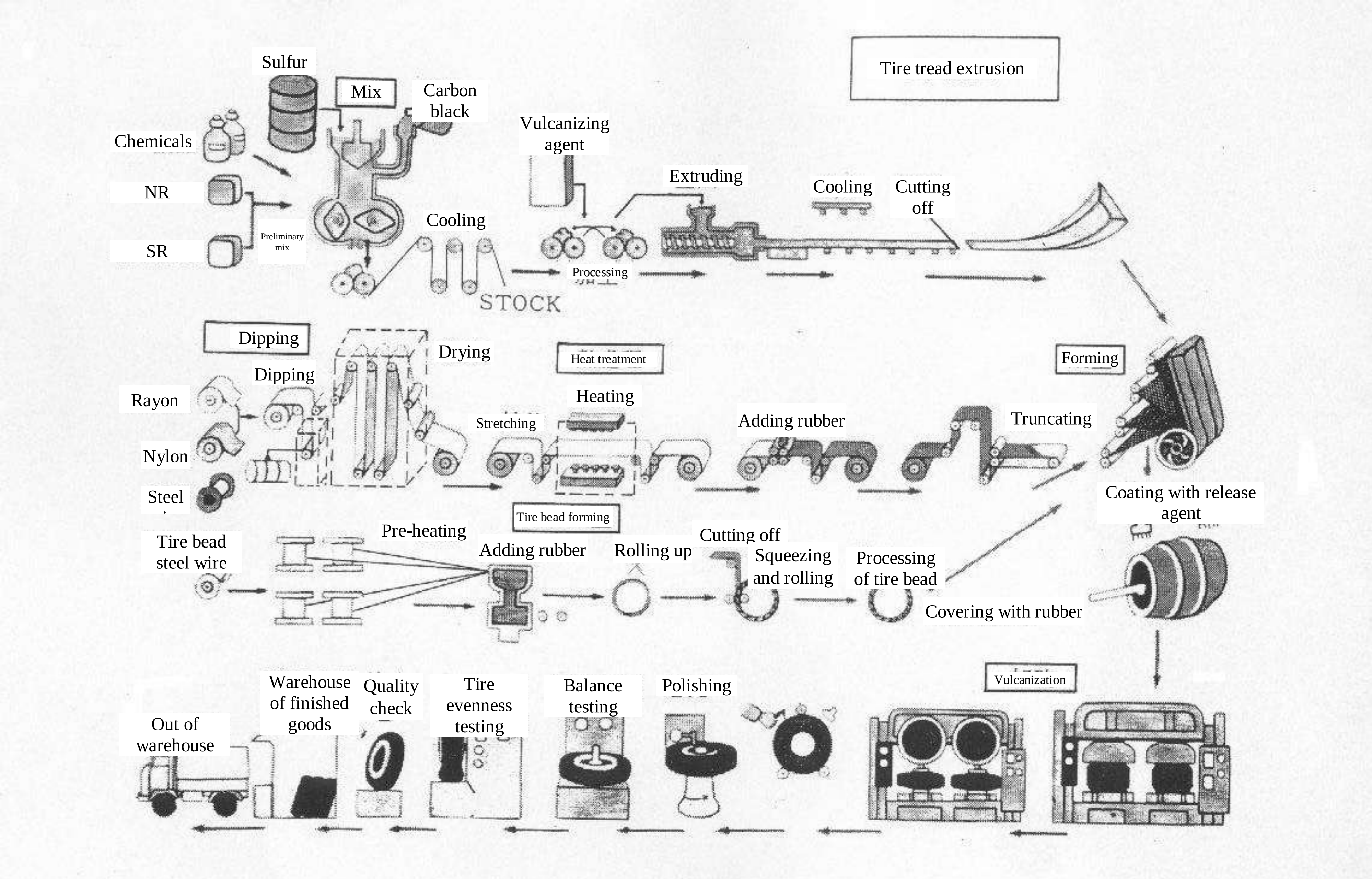
ii. Unfavorable factors and response policy:

In the face of unfavorable factors, such as price fluctuations of raw materials, the implementation of EU environmental protection regulations, the unstable global economic situation, and the price competition caused by oversupply of tires in China, the Company not only actively expands global sales channels to develop new clients but adopts new technologies to improve production efficiency and product development capabilities to make our products more competitive, while strengthening our internal management and strictly controlling costs to increase profits.

(II) Important uses and production processes of main products

(1) Important functions: Tires are used for vehicles to support loads on roads to achieve transportation functions.

(2) Production process:



Manufacturing of tires

(III) The supply status of the main raw materials

Raw materials	Amount (in NTD thousands)	Supplier
Crude rubber	163,234	A
SR	132,327	B
Cord fabric	52,967	C
Carbon black	116,056	D
Steel wire and steel wire cord fabric	64,624	E
Chemicals	96,499	F

(IV) Name of customers representing more than 10% of total purchases (sales) in any of the most recent two years, and the amount and percentage of their purchases (sales).

Supplier

Unit: NTD thousand; %

	2021				2020				As of the previous quarter of 2022			
Item	Company name	Amount	As a percentage of total procurement in that year (%)	Relationship with the issuer	Company name	Amount	As a percentage of total procurement in that year (%)	Relationship with the issuer	Company name	Amount	As a percentage of net purchase in the current year up to the previous quarter (%)	Relationship with the issuer
1	A	162,877	22	N/A	A	373,602	14	N/A	A	61,070	28	N/A
2	B	83,766	11	N/A	B	284,191	11	N/A	B	26,169	12	N/A
3	Others	489,205	67		Others	1,945,129	75		Others	130,105	60	
	Net	735,848	100		Net	2,602,922	100		Net	217,344	100	

Client

Unit: NTD thousand; %

	2021				2020				As of the previous quarter of 2022			
Item	Company name	Amount	As a percentage of total sales in that year (%)	Relationship with the issuer	Company name	Amount	As a percentage of total sales in that year (%)	Relationship with the issuer	Company name	Amount	As a percentage of net sales in the current year up to the previous quarter (%)	Relationship with the issuer
1	-	-	-	-	A	1,648,675	29	N/A				
2	Others	1,561,241	100	N/A	Others	4,055,988	71		Others	353,463	100	
	Net sales	1,561,241	100	N/A	Net sales	5,704,663	100		Net sales	353,463	100	

(V) Production for the most recent 2 fiscal years

Unit: Unit; NTD thousand

Year / Main products	2021			2020		
	Production capability	Production volume	Production value	Production capability	Production volume	Production value
Outer cover tire	3,469,619	920,762	1,218,633	3,950,000	3,382,085	4,214,823
Others	-	-	-	-	-	-
Total	3,469,619	920,762	1,218,633	3,950,000	3,382,085	4,214,823

(VI) The sales volume and value for the most recent two fiscal years

Unit: Unit; NTD thousand

Year / Main products	2021				2020			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Outer cover tire	234,889	287,922	858,498	1,273,319	187,297	265,334	3,114,399	5,439,329
Others	-	-	-	-	-	-	-	-
Total	234,889	287,922	858,498	1,273,319	187,297	265,334	3,114,399	5,439,329

III. Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

Year		2021	2020	Current year up to March 31, 2022
No. of employees	Direct labor	144	761	137
	Indirect labor	284	427	278
	Management personnel	118	77	114
	Total	546	1,265	529
Average age		39	38	40
Average years of service		8.3	7.1	8.6
Percentage of educational background	Doctorate	0.2%	0.0%	0.2%
	Master’s	3.5%	2.4%	3.6%
	College level	40.8%	33.0%	41.4%
	High school level	45.1%	49.4%	44.4%
	Below high school	10.4%	15.2%	10.4%

IV. Environmental Protection Expenditures

(I) Any losses suffered in the most recent year and up to the publication date of the annual report due to environmental pollution incidents and penalties: None.

(II) Amount of annual environmental protection expense
NT$12,084 thousand in 2021.
NT$2,664 thousand as of March 31, 2022.

V. Labor Relations

(I) Employee benefit measures, continuing education, training, pension system, and important labor-management agreements

(1) Employee benefits

The Company contributes to the benefit fund in accordance with the law, has established an employee welfare committee, and implements various benefit policies, while providing various bonuses: production performance bonus, innovation and improvement bonus, and year-end bonus. Relevant insurance: In addition to labor and health insurance, we provide sound group insurance and international business travel insurance. We provide a professional medical care room, regular free health checkup, free dormitory for employees who are not locals, free catering services, diverse activities, subsidies for marriage, funeral, hospitalization, birthday, and other relevant measures, scholarships for employees and their children, a bonus system, and other relevant measures, to care for employees in their daily lives, to enhance their commitment and enable them to feel a sense of belonging to the Company.

We schedule weekly interviews with specific departments or new employees.

We have set up plant-wide staff suggestion boxes for two-way communication.

(2) Further studies and training:

The purpose of the Company's education and training is to improve the quality of our in-service personnel, enhance their learning abilities and work efficiency, and then retain more talents. The Company has a complete education and training system and a career development system. With on-the-job training as the basis, we offer regular training courses for various levels and functions to enhance employees' professional knowledge and skills. We also hold overseas visits, seminars, and training sessions to reinforce their competitiveness, while comprehensively improving the Company's technical and management capabilities.

(3) Pension system

We have established a Supervisory Committee of Labor Retirement Reserve to supervise the management and application of the pension fund to ensure employees' retirement rights under the old system; for the employees under the new system, we contribute the retirement reserves to their personal accounts according to law.

(4) Important labor-management agreements: Regular labor-management meetings.

(II) Any losses suffered by the Company in the most recent year and up to the publication date of the annual report due to labor disputes: None:

(III) Estimated labor disputes and possible expenses that could be incurred in the future due to labor disputes.

(1) We did not suffer any loss due to labor disputes in recent years.

(2) To seek labor-management harmony, we regularly hold labor-management meetings in accordance with the law to openly communicate and discuss any questions, disputes, or differences between labor and management, to ensure that employees understand the Company's policies, guidelines, and various

regulations to completely prevent disputes.

(3) To enable all employees to understand the Company's policies and guidelines, we strengthen supervisors’ communication skills through training or briefing sessions to avoid employees’ misunderstanding of the Company's policies as a result of miscommunication.

(4) For the purpose of sustainable development, we review various systems and measures from time to time and makes appropriate adjustments, to advance with the times, improve the management system, obtain employees’ recognition and trust, thereby jointly creating a better future.

VI. Information security management

(I) The information and communication security risk management framework, policy, the specific management plan, and the resources invested in the information and communication security management.

1. Information and communication risk management structure:

   The Company established an information security team in 2020.

2. Information security policy:

   (1) The Company's business operation relies on the establishment and development of information systems, and we must ensure that information services will not be interrupted.

   (2) We have established an off-site backup mechanism and a backup system for our information systems according to their risk levels to ensure data security.

   (3) With the diversification of network applications, we continue to enhance our security defense capabilities to prevent information security threats.

3. Specific management plan:

   (1) Monitor antivirus and backup management

   (2) Install information security monitoring equipment at the Company

   (3) Manage network security and access control

   (4) Information security awareness

      A. Regularly hold employee information security seminars or promote information security information through emails and announcements.

      B. Perform information security audits and hold exercises from time to time to raise employees' awareness of information security.

(II) Please specify the losses and potential impacts caused by material information security incidents and countermeasures in the last year and up to the publication date of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be specified: None.

VII. Important Contracts

Type of contract	Client	Contract period	Main content	Restricted clauses
Information system software and hardware maintenance contract	Federex Marketing Co., Ltd.	2022.01.01～2022.12.31	Information system software maintenance services and computer equipment maintenance	N/A
Distribution contract	Federex Marketing Co., Ltd.	2022.01.01～2024.12.31	Agency sales of tires produced by Federal Corporation	N/A
Commissioning contract	Federex Marketing Co., Ltd.	2022.01.01～2024.12.31	Commissioning of trading of tires	N/A
Land and plant leases	Taicheng Development Co., Ltd.	2022.04.01～2022.12.31	Lease-in of land and plant in Zhonghua Road, Zhongli City	N/A
Long-term borrowings	Hua Nan Commercial Bank	2018.02.22～2038.02.22	Medium- to long-term loan contract	N/A
Land lease contract	Taixin Construction Co., Ltd.	2022.01.0～2022.12.31	Lease-in of land for containers and vehicles	N/A

Six. Financial Summary

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Condensed Balance Sheets and Statements of Comprehensive Income

Condensed balance sheet

Unit: NTD thousand

Item \ Year		Financial data for the most recent 5 fiscal years					Current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		4,341,899	3,553,384	4,167,690	5,061,611	4,924,485	4,932,461
Property, plant and equipment		10,649,717	9,929,915	8,765,188	8,687,618	6,327,402	6,219,928
Intangible assets		16,966	26,305	18,661	10,531	14,600	13,185
Other assets		388,478	689,016	651,536	816,045	305,142	296,179
Total assets		15,397,060	14,198,620	13,603,075	14,575,805	11,571,629	11,461,753
Current liability	Before dividends distribution	2,351,457	1,204,298	1,531,549	2,531,446	1,784,319	1,899,131
	After dividends distribution	2,351,457	1,204,298	1,531,549	2,540,913	1,784,319	-
Non-current liability		4,002,640	4,965,987	4,751,736	4,500,934	4,479,285	4,383,509
Total liability	Before dividends distribution	6,354,097	6,170,285	6,283,285	7,032,380	6,263,604	6,282,640
	After dividends distribution	6,354,097	6,170,285	6,283,285	7,041,847	6,263,604	-
Attributable to owners of the parent company		9,042,963	8,028,335	7,319,790	7,543,425	5,308,025	5,179,113
Share capital		4,733,292	4,733,292	4,733,292	4,733,292	4,733,292	4,733,292
Capital reserve		145,746	145,746	156,764	156,764	156,764	156,764
Retained earnings	Before dividends distribution	4,492,090	3,263,457	2,584,233	2,675,169	825,740	657,847
	After dividends distribution	4,492,090	3,263,457	2,584,233	2,665,702	825,740	-
Other equity		(145,130)	68,875	28,536	161,235	(224,736)	(185,755)
Treasury stock		(183,035)	(183,035)	(183,035)	(183,035)	(183,035)	(183,035)
Non-controlling interests		-	-	-	-	-	-
Total equity	Before dividends distribution	9,042,963	8,028,335	7,319,790	7,543,425	5,308,025	5,179,113
	After dividends distribution	9,042,963	8,028,335	7,319,790	7,533,958	5,308,025	-

Note: The data above has all been audited or reviewed by the CPAs

Condensed statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial data for the most recent 5 fiscal years					Current year up to March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	5,585,443	5,008,113	4,541,002	5,704,663	1,561,241	353,463
Operation gross profit	689,897	347,260	685,815	1,302,019	(734,834)	(17,240)
Operating profit (loss)	(448,341)	(922,899)	(386,034)	247,218	(1,848,153)	(186,397)
Non-operating revenues and expenses	(264,941)	(462,459)	(276,394)	(104,335)	(452,790)	18,466
Net income (loss) before tax	(713,282)	(1,385,358)	(662,428)	142,883	(2,300,943)	(167,931)
Net income (loss) on continuing operations in this period	(698,126)	(1,239,294)	(660,770)	111,477	(2,349,964)	(167,893)
Loss on discontinued operations	-	13,726	(8,793)	-	-	-
Net income (loss) in this period	(698,126)	(1,225,568)	(669,563)	111,477	(2,349,964)	(167,893)
Other comprehensive income for the period (net of tax)	(61,916)	(186,543)	(50,000)	112,158	124,031	38,981
Total comprehensive income for the period	(760,042)	(1,412,111)	(719,563)	223,635	(2,225,933)	(128,912)
Income (loss) attributable to owners of the parent company	(698,126)	(1,225,568)	(669,563)	111,477	(2,349,964)	(167,893)
Income (loss) attributable to non-controlling interests	-	-	-	-	-	0
Total comprehensive income (loss) attributable to owners of the parent company	(760,042)	(1,412,111)	(719,563)	223,635	(2,225,933)	(128,912)
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	0.00
Earnings per Share	(1.52)	(2.67)	(1.46)	0.24	(5.11)	(0.37)

Note: The data above has all been audited or reviewed by the CPAs

(II) Condensed Balance Sheet and Income Statement – using Enterprise Accounting Standard of the Republic of China

Condensed Balance Sheet – using Enterprise Accounting Standard of the Republic of China

Unit: NTD thousand

Item \ Year		Financial data for the most recent 5 fiscal years				
		2017	2018	2019	2020	2021
Current assets		2,442,995	2,399,157	2,796,448	3,801,433	1,618,190
Property, plant and equipment		6,907,003	6,738,455	6,461,985	6,396,230	5,996,071
Intangible assets		16,966	26,305	18,661	10,531	14,600
Other assets		5,206,743	4,360,470	3,570,071	3,676,185	3,358,529
Total assets		14,573,707	13,524,387	12,847,165	13,884,379	10,987,390
Current liability	Before dividends distribution	2,130,556	1,132,082	1,318,778	2,384,093	1,826,936
	After dividends distribution	2,130,556	1,132,082	1,318,778	2,393,560	1,826,936
Non-current liability		3,400,188	4,363,970	4,208,597	3,956,861	3,852,429
Total liability	Before dividends distribution	5,530,744	5,496,052	5,527,375	6,340,954	5,679,365
	After dividends distribution	5,530,744	5,496,052	5,527,375	6,350,421	5,679,365
Share capital		4,733,292	4,733,292	4,733,292	4,733,292	4,733,292
Capital reserve		145,746	145,746	156,764	156,764	156,764
Retained earnings	Before dividends distribution	4,492,090	3,263,457	2,584,233	2,675,169	825,740
	After dividends distribution	4,492,090	3,263,457	2,584,233	2,665,702	825,740
Other equity		(145,130)	68,875	28,536	161,235	(224,736)
Treasury stock		(183,035)	(183,035)	(183,035)	(183,035)	(183,035)
Total equity	Before dividends distribution	9,042,963	8,028,335	7,319,790	7,543,425	5,308,025
	After dividends distribution	9,042,963	8,028,335	7,319,790	7,533,958	5,308,025

Note: The data above has all been audited by the CPAs

Condensed Statement of Comprehensive Income –
using Enterprise Accounting Standard of the Republic of China

Unit: NTD thousand

Year / Item	Financial data for the most recent 5 fiscal years				
	2017	2018	2019	2020	2021
Operating revenue	4,136,328	4,188,813	4,274,885	5,399,165	1,190,691
Operation gross profit	570,076	375,462	575,796	1,190,055	(704,801)
Operating profit (loss)	(373,734)	(554,582)	(335,766)	253,999	(1,670,557)
Non-operating income and expenses	(332,798)	(822,881)	(345,165)	(128,571)	(672,447)
Net income (loss) before tax	(706,532)	(1,377,463)	(680,931)	125,428	(2,343,004)
Income (loss) on continuing operations	(698,126)	(1,225,568)	(669,563)	111,477	(2,349,964)
Income or loss on discontinued operations	-	-	-	-	-
Net income (loss) in this period	(698,126)	(1,225,568)	(669,563)	111,477	(2,349,964)
Other comprehensive income for the period	(61,916)	(186,543)	(50,000)	112,158	124,031
Total comprehensive income for the period	(760,042)	(1,412,111)	(719,563)	223,635	(2,225,933)

Note: The data above has all been audited by the CPAs

(III) Name of the CPAs and Audit Opinions in the Last Five Years

Year	Certified Public Accountant	Opinion
2021	Chou, Yin-Lai and Peng, Li-Chen	Unqualified
2020	Tu, Pei-Ling and Lin, Chun-Yao	Unqualified
2019	Tu, Pei-Ling and Lin, Chun-Yao	Unqualified
2018	Weng, Shih-Jung and Lin, Chun-Yao	Unqualified
2017	Weng, Shih-Jung and Lin, Chun-Yao	Unqualified

II. Financial analysis for the most recent 5 fiscal years

Financial analysis

Analysis items \ Year		Financial analysis for the most recent 5 fiscal years					Current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt-asset ratio	41.26	43.45	46.19	48.24	54.12	54.81
	Long-term fund to property, plant and equipment	122.49	130.86	137.72	138.63	154.68	153.74
Solvency %	Current Ratio	184.64	295.05	272.12	199.94	275.98	259.72
	Quick Ratio	90.39	195.16	150.59	122.01	98.44	90.89
	Times interest earned	N/A	N/A	N/A	320.56	N/A	N/A
Operating performance	Account receivable turnover (times)	4.06	3.85	3.94	4.85	1.77	3.27
	Days sales in account receivable	89.90	94.80	92.63	75.25	206.21	111.62
	Inventory turnover (times)	3.36	3.26	3.55	4.21	2.47	1.73
	Account payable turnover (times)	15.72	19.18	16.72	15.03	12.12	13.22
	Average days in sales	108.63	111.96	102.81	86.69	147.77	210.98
	Rate of property, plant buildings and equipment turnover (times)	0.62	0.48	0.48	0.65	0.20	0.22
	Total asset turnover (times)	0.37	0.33	0.32	0.40	0.11	0.12
Profitability	Return on assets	(4.46)	(7.92)	(4.36)	1.16	(17.59)	(5.39)
	Return on shareholders' equity	(7.39)	(14.35)	(8.72)	1.5	(36.57)	(12.80)
	Income before tax as a percentage of paid-in capital (%)	(15.06)	(29.26)	(13.99)	3.02	(48.61)	(14.19)

	Net profit margin	(12.49)	(24.47)	(14.74)	1.95	(150.52)	(47.49)
	Earnings per share (NTD)	(1.51)	(2.66)	(1.45)	0.24	(5.11)	(0.37)
Cash flows	Cash flow ratio	(28.12)	33.39	30.49	23.46	(42.69)	1.31
	Cash flow adequacy ratio	98.88	83.20	73.28	51.17	1.32	54.86
	Cash re-investment ratio	(3.75)	2.08	2.84	3.55	(4.69)	0.15
Leverage	Operating leverage	N/A	N/A	N/A	8.42	N/A	N/A
	Financial leverage	N/A	N/A	N/A	1.35	N/A	N/A

Reasons for changes of financial ratio by 20% or more in the last two years:

The current ratio increased as other payables and refund liabilities - current in 2021 decreased by about NT$610 million on a year-on-year basis.

Account receivable turnover, inventory turnover (times), property, plant and equipment turnover ratio, total asset turnover ratio, return on assets, return on equity, ratio of net income before tax to paid-in capital, net profit margin , earnings per share, cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased mainly due to the Company's declining revenue and losses as a result of the U.S. anti-dumping case.

Calculation formulas:

1. Financial Structure
   (1) Debt ratio = Total liabilities / Total assets
   (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
   (3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses
3. Operating ability
   (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
   (2) Average days for cash receipts = 365 / Accounts receivable turnover
   (3) Inventory turnover rate= Cost of sales / Average inventory
   (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
   (5) Average days for sale of goods = 365 / Inventory turnover
   (6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
   (7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
   (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)] / Average total assets
   (2) Equity return ratio = Profit or loss after tax / Average total equity
   (3) Net profit margin = Income or loss after tax / Net Sales.
   (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
   (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent 5 years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
   (2) Financial leverage = Operating income / (Operating income - Interest expenses)

Financial analysis – using Enterprise Accounting Standard of the Republic of China

Analysis items \ Year			Financial analysis for the most recent 5 fiscal years				
			2017	2018	2019	2020	2021
Financial Structure (%)	Debt-asset ratio		37.95	40.63	43.02	45.66	51.68
	Long-term fund to property, plant and equipment		180.15	183.90	178.40	179.79	152.77
Solvency %	Current Ratio		114.66	211.92	212.04	159.44	88.57
	Quick Ratio		51.37	126.99	109.18	102.00	55.69
	Times interest earned		N/A	N/A	N/A	295.94	N/A
Operating performance	Account receivable turnover (times)		6.46	5.56	5.49	6.08	1.82
	Days sales in account receivable		56.50	65.64	66.48	60.03	200.54
	Inventory turnover (times)		4.13	3.91	4.50	5.63	2.64
	Account payable turnover (times)		18.97	19.73	17.16	15.55	10.84
	Average days in sales		88.37	93.35	81.11	64.83	138.25
	Rate of property, plant buildings and equipment turnover (times)		0.81	0.61	0.64	0.83	0.19
	Total asset turnover (times)		0.29	0.29	0.32	0.40	0.09
Profitability	Return on assets		(4.76)	(8.36)	(4.60)	1.21	(18.48)
	Return on shareholders' equity		(7.39)	(14.35)	(8.72)	1.50	(36.57)
	As a percentage of paid-in capital (%)	Operating income	(7.89)	(11.71)	(7.09)	5.36	(35.29)
		Income before tax	(14.92)	(29.10)	(14.38)	2.64	(49.50)
	Net profit margin		(16.87)	(29.25)	(15.66)	2.06	(197.36)
	Earnings per share (NTD)		(1.52)	(2.67)	(1.46)	0.24	(5.11)
Cash flows	Cash flow ratio		(32.41)	39.15	15.26	21.38	(22.59)
	Cash flow adequacy ratio		65.37	57.61	43.69	32.99	1.69

	Cash re-investment ratio	(4.70)	2.82	1.33	3.33	(3.12)
Leverage	Operating leverage	N/A	N/A	N/A	7.75	N/A
	Financial leverage	N/A	N/A	N/A	1.33	N/A
Reasons for changes of financial ratio by 20% or more in the last two years: The current ratio and the quick ratio decreased as accounts receivable in 2021 decreased by about NT$1.335 billion on a year-on-year basis, the non-current assets held for sale decreased by about NT$430 million on a year-on-year basis, and other payables and refund liabilities-current decreased by about NT$494 million on a year-on-year basis. Account receivable turnover, inventory turnover (times), property, plant and equipment turnover ratio, total asset turnover ratio, return on assets, return on equity, ratio of operating income to paid-in capital, ratio of net income before tax to paid-in capital, net profit margin , earnings per share, cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased mainly due to the Company's declining revenue and losses as a result of the U.S. anti-dumping case.						

Calculation formulas:

1. Financial Structure
   (1) Debt ratio = Total liabilities / Total assets
   (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
   (3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses
3. Operating ability
   (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
   (2) Average days for cash receipts = 365 / Accounts receivable turnover
   (3) Inventory turnover rate= Cost of sales / Average inventory
   (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
   (5) Average days for sale of goods = 365 / Inventory turnover
   (6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
   (7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
   (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)] / Average total assets
   (2) Equity return ratio = Profit or loss after tax / Average net equity.
   (3) Net profit margin = Income or loss after tax / Net Sales.
   (4) Earnings per share = (Net income after tax - Preferred shares dividends) / Weighted average number of shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
   (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent 5 years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
   (2) Financial leverage = Operating income / (Operating income - Interest expenses)

III. Audit Committee’s Review Report on the Most Recent Fiscal Year's Financial Statements

Audit Committees' Review Report

The Audit Committee has completed the review of the Company's 2021 Business Report, financial statements, and a statement of deficit compensation prepared by the Board of Directors, discovered no inconsistency, and has, thus, prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please proceed to review it.

It is hereby presented to

The 2022 General Shareholders’ Meeting of Federal Corporation

Convener of the Audit Committee: Yao, Wen-Liang

March 15, 2022

IV. Consolidated Financial Statements for the Most Recent Fiscal Year Audited by the CPAs

Representation Letter

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

It is hereby declared.

Federal Corporation

Person in Charge: Chiang, Ching-Hsing

March 15, 2022

Auditor’s Report

NO.23931100CA

To Federal Corporation,

Opinion

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

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

Basis for audit opinion

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

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

Key audit matters

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

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

<u>Valuation of inventories</u>

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

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

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

The audit procedures we mainly conducted:

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

distinguishing and control of obsolete inventories.

Assessment of impairment of property, plant and equipment

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

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

The audit procedures we mainly conducted:

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

Emphasis of matter

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

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

Other matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Baker Tilly Clock & CO

Certified Public Accountant:____________________

Chou, Yin-Lai

Certified Public Accountant:____________________

Peng, Li-Chen

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

Jin-Guan-Zheng-Shen No. 1050025873

March 15, 2022

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: NTD thousand

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

(Continued on next page)

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2021 and 2020

Unit: NTD thousand

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

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

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

Federal Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

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

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

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

Federal Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

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

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

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

Federal Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

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

(Continued on next page)

Federal Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows (Continued)

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

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

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

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

Federal Corporation and Its Subsidiaries

Attachments to the Consolidated Financial Report

for the Years Ended December 31, 2021 and 2020

(Unit: In NTD thousands, unless stated otherwise)

I. Brief account of the Company

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

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

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

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

III. Application of new and revised IFRSs

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

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

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

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

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

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

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

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

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 3 (Reference to the Conceptual Framework)	January 1, 2022
Amendments to IAS 16 (Property, Plant and Equipment — Proceeds before Intended Use)	January 1, 2022
Amendments to IAS 37 (Onerous Contracts — Cost of Fulfilling a Contract)	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

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

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

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

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

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

IV. Summary of significant accounting policies

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

(I) Statement of compliance

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

(II) Basis of preparation

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

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

(III) Basis of consolidation

1. Basis for preparation of consolidated financial report:

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

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

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

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

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

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

2. Subsidiaries included in the consolidated financial report:

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

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

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

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

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

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

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

5. Significant restrictions: None.

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

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

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

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

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

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

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

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

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

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

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

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

(V) Foreign currencies

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

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

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

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

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

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

(VI) Inventories

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

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

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

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

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

(VIII) Property, plant and equipment

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

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

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

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

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

(IX) Investment property

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

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

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

(X) Intangible assets

1. Acquired separately

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

2. Derecognition

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

(XI) Impairment of non-financial assets

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

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

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

(XII) Financial instruments

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

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

1. Financial assets

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

(1) Measurement types

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

A. Financial assets at FVTPL

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

B. Financial assets at amortized cost

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

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

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

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

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

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

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

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

C. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

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

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

(2) Financial liabilities

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

(3) Derecognition of financial liabilities

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

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

(XIII) Provision

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

(XIV) Revenue recognition

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

Revenue from sale of goods

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

provision when the goods are sold.

(XV) Leasing

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

1. The Group as a lessor

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

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

2. The Group as a lessee

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

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

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

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

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

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

(XVI) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plans

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

(2) Defined benefit plan

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

3. Post-employment benefits

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

(XVII) Borrowing costs

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

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

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

(XVIII) Income tax

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

1. Current income tax

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

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

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

2. Deferred tax

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

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

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

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

3. Current and deferred tax

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

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

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

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

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

(I) Inventory valuation

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

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

(II) Estimated impairment of financial assets

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

(III) Assessment of impairment of non-financial assets

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

VI. Important accounting items and explanation

(I) Cash and cash equivalents

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

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

(II) Financial assets at FVTPL

	December 31, 2021	December 31, 2020
Current		
Mandatorily at FVTPL:		
Fund beneficiary certificates	$ –	$ 45,038

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

(III) Financial assets at FVTOCI

Investment in equity instruments

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

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

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

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

(IV) Financial assets at amortized cost

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

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

(V) Net amounts of notes receivable and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable		
From operations	$ 65,674	$ 31,380
Accounts receivable		
At amortized cost		
Total carrying amount	$ 385,895	$ 1,272,750
Less: Allowance for losses	(99,210)	(117,692)

	$ 286,685	$ 1,155,058

1. When a contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed the credit risks of the financial instrument significantly increased since the initial recognition; when a contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have been in default. To mitigate credit risk, the Group's management has assigned a team to be responsible for determining credit lines, approving credit, and monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue accounts receivable. In addition, the Group reviews the recoverable amount of accounts receivable one by one on the balance sheet date to ensure that the impairment losses have been recognized for unrecoverable accounts receivable properly.
2. The Group recognizes the allowance for losses for notes receivable and accounts receivable as per the lifetime ECLs. The lifetime ECLs are calculated using a provision matrix with reference to clients' past default records, current financial position, economic situation in the industry, as well as the overall economic and industry outlook, and individual clients are grouped based on different risk levels, and allowance for losses is recognized as per each group's ECLs.
3. When there was information indicating that the counterparty was in severe financial difficulty and the Group could not reasonably

expect the amount to be recovered, the Group would write off relevant accounts receivable and continued to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

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

<u>December 31, 2021</u>

(1) The operating segment is in the country:

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

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

	Group A	Group B	Group C	Total
ECLs	33%	98%	0.11%～100%	
Total carrying amount	$ 3,112	$ 55,735	$ 15,693	$ 74,540
Allowance for losses (lifetime ECLs).	(1,027)	(54,667)	(8,491) (Note)	(64,185)
At amortized cost	$ 2,085	$ 1,068	$ 7,202	$ 10,355

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

December 31, 2020

(1) The operating segment is in the country:

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

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

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

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

	2021	
	Notes receivable	Accounts receivable
Not past due	$ 65,674	$ 244,240
Less than 30 days	—	43,733
31–90 days	—	3,301
91–180 days	—	1,007
181–365 days	—	396
Over 366 days	—	93,218
Total	$ 65,674	$ 385,895

	2020	
	Notes receivable	Accounts receivable
Not past due	$ 31,380	$ 1,045,825
Less than 30 days	—	92,110

31–90 days	—	6,079
91–180 days	—	2,974
181–365 days	—	—
Over 366 days	—	125,762
Total	$ 31,380	$ 1,272,750

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

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

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

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

7. As of December 31, 2021 and 2020, the collateral held by the Group for accounts receivable were property and time deposits, in the amounts of NT$29,355 thousand and NT$48,926 thousand, respectively.

(VI) Inventories

	December 31, 2021	December 31, 2020
Finished goods	$ 489,650	$ 527,781
Work in progress	39,537	93,885

Raw materials	176,328	168,853
Supplies	123,004	120,845
Merchandise inventories	32,215	26,065
Goods in transit	—	59,981
	860,734	997,410
Less: Allowance for inventory valuation and obsolescence losses	(305,891)	(39,837)
Total	$ 554,843	$ 957,573

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

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

1. The recovery of the net realizable value of the Group's inventory in 2020 was mainly due to the sale of the inventory that had been recognized in inventory valuation loss in previous years.
2. The inventory valuation losses recognized in 2021 were mainly due to the overall decline in orders received in the major market of the U. S., caused by the anti-dumping duties in the final determination by DOC.
3. In 2021, the Group was affected by the anti-dumping duties in the final determination by DOC. To avoid inventory backlog, the Group's output decreased, leading to unallocated overhead.
4. Other gains and losses on inventories include income from sales of

tailings, profit or loss on inventories, and scrapping of inventories.

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

1. Non-current assets held for sales

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

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

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

(2) The Board of Directors of Federal Tire (Jiangxi) Co., Ltd., on March 22, 2019, resolved a decision to sell the relevant production segment for the Group’s best interests as it was in a state of loss without the cost advantage existing, and the relevant assets were reclassified to non-current assets held for sale. Due to the outbreak of the COVID-19 pandemic in China and spread to the world, the overall market is affected, and the Group’s expected completion of the sale of relevant equipment was delayed. Although the Group actively engaged in the relevant sales, it was still unable to successfully complete the disposal within two years. Therefore, the relevant assets were reclassified back to property, plant and equipment in 2021.

This non-current asset held for sale is a business segment in Asia.

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

2. Group held for sale and disposal

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

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

	December 31, 2021	December 31, 2020
Cash flow	$ —	$ 2,238
Current income tax assets	—	1
Property, plant and equipment	—	513,946
Right-of-use assets	—	1,172
Deferred tax assets	—	8,318
Guarantee deposits paid	—	200
Total amount of group held for sale and disposal	$ —	$ 525,875

	December 31, 2021	December 31, 2020

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

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

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

(VIII) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Unfinished construction	Total
January 1, 2021							
Cost	$ 3,435,926	$ 1,909,086	$ 6,327,520	$ 316,179	$ 1,819,840	$ 173,694	$ 13,982,245
Accumulated depreciation and impairment	—	(486,056)	(3,090,450)	(217,882)	(1,500,239)	—	(5,294,627)
	$ 3,435,926	$ 1,423,030	$ 3,237,070	$ 98,297	$ 319,601	$ 173,694	$ 8,687,618
2021							
January 1	$ 3,435,926	$ 1,423,030	$ 3,237,070	$ 98,297	$ 319,601	$ 173,694	$ 8,687,618
Addition	—	1,170	220,400	1,327	64,718	65,745	353,360
Disposal	(24,821)	(18,526)	(20)	(1,948)	(229)	—	(45,544)
Reclassification	(1,972,719)	(34,566)	168,075	—	—	(19,669)	(1,858,879)
Depreciation expense	—	(58,947)	(251,397)	(24,444)	(118,680)	—	(453,468)
Impairment loss	—	—	(310,418)	(3,648)	(37,942)	—	(352,008)
Effect of exchange rates	(1,442)	(2,093)	(23)	(57)	(62)	—	(3,677)
December 31	$ 1,436,944	$ 1,310,068	$ 3,063,687	$ 69,527	$ 227,406	$ 219,770	$ 6,327,402

	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Unfinished construction	Total
December 31, 2021							
Cost	$ 1,436,944	$ 1,669,957	$ 8,848,864	$ 296,179	$ 1,835,530	$ 219,770	$ 14,307,244
Accumulated depreciation and impairment	—	(359,889)	(5,785,177)	(226,652)	(1,608,124)	—	(7,979,842)
	$ 1,436,944	$ 1,310,068	$ 3,063,687	$ 69,527	$ 227,406	$ 219,770	$ 6,327,402

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

1. The Group’s property, plant and equipment are depreciated as per

the years of useful lives below:

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

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

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

3. The U.S. DOC passed the final determination of anti-dumping duties against Taiwan and other countries on tires for passenger and light trucks on May 24, 2021. The applicable tax rate for the Group was 84.75%, and the anti-dumping duties in the final determination seriously affected the Group's main sales in the U.S. market and the Group's operations. To survive the current situation, pursue the sustainable development, and seek the best interests of the Group and its shareholders, the Company's Board of Directors passed a resolution on June 15, 2021 to completely terminate the Zhongli Plant's production. Its carrying amount was adjusted as per the expected recoverable amount in the appraisal report, and the impairment loss on property, plant and equipment was recognized in 2021 in the amount of NT$352,008 thousand. The expected

recoverable amount in the appraisal report is based on the cost method. After the remanufacturing cost (or replacement cost) was first estimated, and then the buying and selling practices of the general medieval machinery and equipment market, the takeover, the period of use, and the depreciation of the machinery and equipment were considered before the physical, functional, and economic depreciation rate of each asset were determined, and then the asset cost value was determined based on the downtime discount.

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

(IX) Lease agreements - lessee

1. Right-of-use assets

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

	December 31, 2021	December 31, 2020
Carrying amount of the right-of-use assets		
Land	$ 21,599	$ 22,587
Buildings	20,247	13,601
Transportation equipment	10,628	7,862
Total	$ 52,474	$ 44,050

	2021	2020

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

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

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

2. Lease liabilities

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

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

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

3. Important leasing activities and terms

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

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

4. Other leasing information

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

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

(X) Investment property

Investment property at fair value

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

	Land and buildings
Balance on January 1, 2020	$ 60,323
Gain on fair value adjustment	5,479

Effect of exchange rates	(2,964)
Balance on December 31, 2020	$ 62,838

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

income of the previous periods, is discounted as the market value. Future cash outflows are relevant taxes, insurance premiums, management fees, and repair fees that are directly related to the leases. The rate of change used in future changes is the same as the growth rate of rents and discount used to calculate the rental income.

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

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

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

(XI) Intangible assets

	2021					
Item	Opening balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance
Cost						
Computer software	$ 106,653	$ 3,895	$ –	$ 5,210	$ –	$ 115,758
Accumulated amortization						
Computer software	96,122	5,036	–	–	–	101,158
Net amount	$ 10,531	$ (1,141)	$ –	$ 5,210	$ –	$ 14,600

	2020

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

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

Computer software	1–5 years

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

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

(XII) Other non-current assets

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

(XIII) Short-term borrowings

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

(XIV) Notes and accounts payable

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

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

(XV) Other payables

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

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

(XVI) Provision

	2021					
	Warranty liabilities		Short-term liabilities pending conclusion of the legal proceedings		Total	
Current						
Opening balance	$	41,589	$	–	$	41,589
Increase in this period		939		62,557		63,496
Drawn in this period		(8,649)		–		(8,649)
Unused amount reversed in this period		(1,697)		–		(1,697)
Effect of exchange rates		(2)		–		(2)

Ending balance	$ 32,180	$ 62,557	$ 94,737

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

1. Warranty liabilities

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

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

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

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

(XVII) Long-term borrowings

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

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

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

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

thousand; the principal was repaid in installments as agreed.

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

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

5. Please refer to Note 8 for the information on the assets pledged as collateral for long-term borrowings.

(XVIII) <u>Pension</u>

1. Defined contribution plans

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

2. Defined benefit plan

The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all full-time employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and domestic subsidiaries make a contribution equal to 10% and 4% of the total salaries every month, respectively, as a pension fund and deposit it to the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Also, the Group would assess the balance in the aforementioned account by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make a contribution to compensate the deficit in a lump sum by next March. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence its investment management strategy.

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

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

Changes in net defined benefit liability are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Balance on January 1, 2021	$ (299,014)	$ 152,234	$ (146,780)
Service cost			
Current service cost	(4,538)	—	(4,538)
Interest expense (income)	(872)	451	(421)
Service cost in the prior period	53,859	—	53,859
liquidation gain or loss	3,147	(3,080)	67
Recognized in profit or loss	51,596	(2,629)	48,967
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	1,949	1,949
Effect of changes in demographic assumptions	(558)	—	(558)

Effect of changes in financial assumptions	6,074	—	6,074
Experience adjustments	30,543	—	30,543
Recognized in other comprehensive income	36,059	1,949	38,008
Contributions to pension	—	18,507	18,507
Pension paid	133,023	(130,863)	2,160
Balance on December 31, 2021	$ (78,336)	$ 39,198	$ (39,138)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Balance on January 1, 2020	$ (283,013)	$ 133,838	$ (149,175)
Service cost			
Current service cost	(4,466)	—	(4,466)
Interest expense (income)	(1,966)	980	(986)
Recognized in profit or loss	(6,432)	980	(5,452)
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	4,459	4,459
Effect of changes in demographic assumptions	(70)	—	(70)
Effect of changes in financial assumptions	(12,280)	—	(12,280)
Experience adjustments	(12,650)	—	(12,650)
Recognized in other comprehensive income	(25,000)	4,459	(20,541)
Contributions to pension	—	28,388	28,388
Pension paid	15,431	(15,431)	—
Balance on December 31, 2020	$ (299,014)	$ 152,234	$ (146,780)

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

(1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank

deposits on its own use and through agencies entrusted. However, the return on plan assets shall not be lower than the local bank's interest rate for 2-year time deposits. If the return is less than aforementioned rates, the treasury will make up for it.

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

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

The critical actuarial assumptions are as follows:

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

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

December 31, 2021	Increase by 0.25%	Decrease by 0.25%
Discount rate	$ (2,032)	$ 2,111

Future salary increase rate	$ 2,076	$ (2,009)

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

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

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

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

(XIX) Equity

1. Ordinary share capital

	December 31, 2021	December 31, 2020

Authorized Capital	$ 10,000,000	$ 10,000,000
Outstanding shares	$ 4,733,292	$ 4,733,292

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

2. Capital reserve

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

	2020			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total
The balance on January 1, 2020 is the balance on December 31, 2020.	$ 37,860	$ 107,735	$ 11,169	$156,764

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

reserve should not be used to cover cumulative deficit unless the legal reserve is insufficient.

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

3. Retained earnings and dividend policy

(1) As per the Company's Articles of Incorporation, where the Company makes a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve, setting aside an amount for a special reserve in accordance with regulations, and then any remaining profit for the year may be used to distribute dividends on preference shares for the year first; any remaining balance, together with any undistributed earnings at the beginning of the period (including adjusted undistributed earnings), shall be adopted by the Board of Directors as the basis for making a distribution proposal for stock dividends, which shall then be submitted to the shareholders' meeting for a resolution before distribution of shareholders' dividends and bonuses. If it is paid out in the form of cash dividends, the decision shall be resolved by attended by more than half of the directors present at a Board meeting attended by more than two-thirds of all directors on the Board and reported to the shareholders' meeting

(2) The Company's industry is currently in a developed stage. Considering future capital needs, a financial plan, and

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

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

(4) Special reserve

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

Upon first-time adoption of IFRSs, the special reserve was set aside per Letter

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

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

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

shareholders’ meeting on August 31, 2021 passed a resolution to set aside legal reserve and special reserve for 2020. The distribution of earnings in 2020 is as follows:

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

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

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

4. Other equity items

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

	Exchange differences on translation of the financial	Unrealized gain or loss on financial assets at fair value	Total

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

5. Treasury stock

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

(Unit: In thousand shares)

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

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

(2) The Company regards the purchase of the Company's shares by its subsidiaries for investment purposes as a transaction of

treasury shares. The relevant information on the Company’s shares held by subsidiaries on the balance sheet date is as follows:

	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	

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

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

(XX) Earnings (loss) per share

	2021	2020
Basic earnings (loss) per share (NTD)	$ (5.11)	$ 0.24
Diluted earnings (loss) per share (NTD)	$ (5.11)	$ 0.24

1. Basic earnings (loss) per share

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

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

2. Diluted earnings (loss) per share

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

	2021	2020
Net profit (loss) attributable to owners of the parent company (NTD thousands)	$ (2,349,964)	$111,477

	2021	2020
Weighted average number of ordinary shares used to calculate basic earnings (loss) per share (thousand shares)	459,574	459,574
Employee remuneration (thousand shares)	—	34
Weighted average number of ordinary shares used to calculate diluted earnings (loss) per share (thousand shares)	459,574	459,608
Diluted earnings (loss) per share (NTD)	$ (5.11)	$ 0.24

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

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

(XXI) Operation income

	2021	2020

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

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

2. Contract balance

	December 31, 2021	December 31, 2020
Notes and accounts receivable (Note 6(5))	$ 352,359	$ 1,186,438
Contract liabilities - current		
Sale of goods	$ 24,518	$ 36,515

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

3. Refund liability

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

(XXII) Interest income

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

(XXIII) Other income

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

(XXIV) Other gains and losses

	2021		2020	
Gain on disposal of property, plant and equipment	$	8,787	$	665
Lease modification loss		(77)		—
Loss of foreign exchange		(31,652)		(66,934)
Gain on financial assets at FVTPL		100		1,290
Adjustment to fair value of investment property - investment property		22,364		5,479
Impairment loss on property, plant and equipment		(352,008)		—
Miscellaneous expenses		(66,391)		(3,273)
Total	$	(418,877)	$	(62,773)

(XXV) Financial costs

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

(XXVI) Income tax

1. The adjustment to the Group’s income tax expenses recognized in

profit or loss for 2021 and 2020 is as follows:

	2021	2020
Income tax calculated at statutory tax rate for pre-tax income (loss)	$ (480,814)	$ 28,236
Effect of income tax on items excluded as per tax law	104,060	(1,145)
Effect of income tax on loss carryforwards	430,240	5,718
Income tax underestimation for previous years	16,500	8
Effect of temporary differences in this period	(20,965)	(1,411)
Income tax expense	$ 49,021	$ 31,406

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

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

2. Current income tax assets and liabilities

(1) Current income tax assets

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

(2) Current income tax liabilities

	December 31, 2021	December 31, 2020

Income tax payable	$ 88	$ 2,561

3. Deferred tax assets and liabilities

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

	2021			
	Opening balance	Reclassification	Recognized in profit or loss	Ending balance
Temporary difference				
Unrealized exchange loss	$ 1,469	$ —	$ (130)	$ 1,339
Unrealized inventory valuation losses	824	—	51,786	52,610
Pension withdrawal in excess of contribution	32,627	—	(13,927)	18,700
Amount in excess of allowance for bad debts	8,897	—	(2,619)	6,278
Estimated product warranty expense	8,239	—	(1,846)	6,393
Bonus for not on leave	4,581	—	(2,267)	2,314
Year-end bonus unpaid	—	—	1,620	1,620
Unrealized sales discount	—	—	2,774	2,774
Others	480	—	—	480
Loss carryforwards	42,694	8,318	(51,012)	—
	$ 99,811	$ 8,318	$ (15,621)	$ 92,508

	2020		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	$ 2,099	$ (630)	$ 1,469
Unrealized inventory valuation losses	3,177	(2,353)	824
Pension withdrawal in excess of contribution	37,214	(4,587)	32,627
Amount in excess of allowance for bad debts	10,356	(1,459)	8,897

Estimated product warranty expense	6,209	2,030	8,239
Bonus for not on leave	4,339	242	4,581
Others	480	—	480
Loss carryforwards	50,757	(8,063)	42,694
	$ 114,631	$ (14,820)	$ 99,811

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

	2021				
	Opening balance	Reclassification	Recognized in profit or loss	Effect of exchange rates	Ending balance
Temporary difference					
Provision for land value increment tax	$ 529,463	$ 57,523	$ 11,861	$ (991)	$ 597,856
Unrealized gain on investment property	7,952	—	2,554	(307)	10,199
Bonus for not on leave	—	—	10	—	10
	$ 537,415	$ 57,523	$ 14,425	$ (1,298)	$ 608,065

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

4. Items not recognized as deferred tax assets

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

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

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

Year	Amount filed/approved	Last valid year	Loss carryforwards
2012	Approved amount	2022	$ 20,272
2013	Approved amount	2023	15,269
2014	Approved amount	2024	6,220
2017	Approved amount	2027	149,785
2018	Approved amount	2028	388,723
2019	Approved amount	2029	492,921
2020	Amount filed	2030	13,681
2020	Approved amount	2030	5,140
2021	Estimated amount	2031	1,592,202
2017	Amount filed	2022	116,288
2018	Amount filed	2023	303,319
2019	Amount filed	2024	79,942
2020	Amount filed	2025	28,781
2021	Amount filed	2026	41,472
			$ 3,254,015

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

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

(XXVII) 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	$ 166,455	$ 454,365
Post-employment benefits	—	203,245	203,245
Labor and health insurance	39,886	18,034	57,920
Pension	17,659	(45,306)	(27,647)
Other employee benefits	25,604	6,066	31,670
Depreciation expense	343,411	126,229	469,640
Amortization expense	47,483	12,372	59,855

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

2. Employee benefits

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

shareholders' meeting.

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

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

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

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

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

(XXVIII) Cash flow information

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

Property, plant and equipment

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

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

2. Changes in liabilities from financing activities

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

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

(XXIX) Capital management

The Group manages its capital to ensure that the Group will be able to continue as going concerns and maintain an optimal capital structure to reduce cost of capital, while providing return to stakeholders. In order to maintain or adjust capital structure, the

Group may adjust dividend distribution, return capital to shareholders, issue new shares, or dispose of assets to reduce debts. The Group manages its capital through the debt-to-equity ratio that is the ratio of net debts to total capital. The net debt is equal to total borrowings (including "current and non-current borrowings" on the consolidated balance sheet), less cash and cash equivalents. Total capital is the "equity" stated on the consolidated balance sheet plus net debt. The Group's debt-to-equity ratios as of December 31, 2021 and 2020 were as follows:

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

(XXX) Financial instruments

1. Types of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Cash and cash equivalents	$ 1,280,779	$ 1,681,441
Financial assets at fair value through profit or loss - current	—	45,038
Financial assets at amortized cost - current	107,281	167,221
Notes receivable	65,674	31,380
Accounts receivable	286,685	1,155,058
Other receivables	14,820	2,625

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

2. Financial risk management policy

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

3. Market risk

(1) Foreign currency exchange rate risk

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

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

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

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

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

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

(2) Price risk

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

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

(3) Interest rate risk

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

4. Credit risk management

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

5. Liquidity risk management

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

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

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

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

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

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

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

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

(XXXI) Fair value information

1. The carrying amounts of financial instruments at amortized cost (including

cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable and other payables, long-term borrowings, and guarantee deposits received) are reasonable approximations of the fair values.

2. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

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

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

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

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Fair value on a recurring basis				
Investment property	$ —	$ —	$ 82,730	$ 82,730

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

4. Valuation technique and assumptions for fair value

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

	Open end funds
Market quoted prices	Net value

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

consolidated balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).

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

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

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

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

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

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

	From January 1, 2021 to December 31, 2021						
	Opening balance	Acquired in this period	Recognized in profit or loss	Recognized in other comprehensive income	Disposed of in this period	Effect of exchange rate changes	Ending balance
Financial assets at FVTOCI	$ 391,450	$ —	$ —	$ 97,993	$ (489,443)	$ —	$ —
Investment property	$ 62,838	$ —	$ 22,364	$ —	$ —	$ (2,472)	$ 82,730

	From January 1, 2020 to December 31, 2020						
	Opening balance	Acquired in this period	Recognized in profit or loss	Recognized in other comprehensive income	Disposed of in this period	Effect of exchange rate changes	Ending balance
Financial assets at FVTOCI	$ 267,077	$ —	$ —	$ 124,373	$ —	$ —	$ 391,450
Investment property	$ 60,323	$ —	$ 5,479	$ —	$ —	$ (2,964)	$ 62,838

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

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

The quantitative information on significant unobservable inputs is as follows:

Item	Valuation techniques	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at FVTOCI – investments in 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
Investment property	Discounted cash flow method	long-term revenue growth discount rate (Note)	The higher the long-term revenue growth rate, the

higher the fair value; the higher the discount rate, the lower the fair value

Note: Please refer to Note 6(10) for the discount rate range.

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

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

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

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

VII. Related party transaction

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

(I) Names of related parties and relations

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

(II) Significant transactions with related parties

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

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

2. Other receivables

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

(III) Remuneration for key management personnel

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

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

VIII. Assets pledged

Item	Content	Carrying amount December 31, 2021	Carrying amount December 31, 2020
Financial assets at amortized cost - current	Bank time deposit - export guarantee and bank acceptance bill guarantee account	$ 11,311	$ 13,467
Property, plant and equipment	Collateral to financial institutions for long-term loans	5,001,832	4,533,410

Guarantee deposits paid	For participation in bidding, lease deposit, electricity fee deposit, after-sales service deposit, supplier deposit, and customs deposit	48,022	44,641
Total		$ 5,061,165	$ 4,591,518

IX. Material contingent liabilities and unrecognized contractual commitments

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

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

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

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

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

X. Losses due to major disasters: None.

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

XII. Others

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

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

(II) Termination of the Zhongli Plant’s operation

The implementation of this tax rate has prompted the overall decline in orders received by the Group in the U.S, the major market of the Group, which has caused an impact on its operation. To survive the current situation, pursue the sustainable development, and seek the best interests of the Group and its shareholders, the Company’s Board of Directors passed a resolution on June 15, 2021 to completely terminate the Zhongli Plant’s production and shift the focus of operations to the Guanyin Plant. The relevant impacts of and countermeasures against the shutdown of the Zhongli Plant are as follows:

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

Due to the U.S. anti-dumping case and the shutdown of the Zhongli Plant, the Group various production equipment was impaired. Please refer to Note 6(8).

XIII. Additional disclosures

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

(I) Information on significant transactions:

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

(II) Information on investees:

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

(III) Information on investments in the Mainland Area:

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage

of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and the maximum amount of investment in the mainland China area: Table 6.

2. Any of the material transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, unrealized gains or losses, and other relevant information that facilitates the understanding of the impact of such investments on financial reporting: None.

(IV) Information on major shareholders:

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

XIV. Department information

(I) General information:

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

(II) Measurement of segment information:

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

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

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

Unit: NTD thousand

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

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

(IV) Reconciliation for segment income or loss

1. Intersegment sales are conducted on an arm's length basis. Income from external entities reported to the chief operating decision maker is measured in a consistent manner with that for the income in the statement of comprehensive income.
2. The reconciliation of income or loss and the net income (loss)

before tax of reportable segments is as follows:

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

(V) Segment assets and liabilities

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

(VI) Product information

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

(VII) Information by region

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

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

1. The Group's income by region is calculated on the basis of the region where income is received.
2. Non-current assets do not include financial instruments, guarantee deposits paid, and deferred tax assets.

(VIII) Important clients

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

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

Note 1: From the domestic segments.

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

Table 1

Loan to Others

Unit: NTD thousand

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

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

Table 2

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

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

Co., Ltd.			procurement								

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

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

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

Table 3

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

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

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

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

Table 4

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

From January 1, 2021 to December 31, 2021

Unit: NTD thousand

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

Table 4-1

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

From January 1, 2020 to December 31, 2020

Unit: NTD thousand

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

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

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

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

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

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

Table 5

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

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

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

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

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

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

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

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

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

Table 6

Information on investments in the Mainland Area

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

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

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

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

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

Table 7

Information on major shareholders

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

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

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

V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year Audited by the CPAs

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

<u>Federal Corporation</u>
<u>Standalone Statement of Comprehensive Income</u>
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: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings (deficit to be compensated)	Other equity items: Exchange differences on translation of the financial statements of foreign operations	Other equity items: Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury stock	Total equity
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

(Continued on next page)

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) Critical accounting judgments and key source of estimation and uncertainty

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

	Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
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) <u>Non-current assets held for sales</u>

	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

	2021				
Item	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

	2020				
Item	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) Lease agreements - lessee

1. Right-of-use assets

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

	December 31, 2021	December 31, 2020
Carrying amount of the right-of-use assets		
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	Addition	Disposal	Reclassificatio	Ending

	balance			n	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
Current			
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 income or expenses)		—		1,711		1,711
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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
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	8,326	—	8,326

statements			
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) <u>Income tax</u>

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

	December 31, 2021	December 31, 2020
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

(foreign currency: functional currency)	December 31, 2021 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			

(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
Financial assets						
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	$ 45,038	$ —	$ —	$ 45,038

loss - current				
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

(II) 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

(III) 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

		Carrying amount			
Item	Content	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. Additional disclosures

(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

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

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

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

unit price and credit period.

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

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

Table 3

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

Company with accounts receivable	Transaction counterparty	Relationship	Balance of receivables from related parties (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

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

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

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

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	

Statement of other receivables

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		

Statement of prepayments

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	

Statement of operating cost

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)	

VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None.

Seven. The Review and Analysis of Financial Position and Financial Performance, and the Risk Matters.

I. Financial Position

Financial position comparison and analysis

Unit: NTD thousand; %

Item \ Year	2021	2020	Difference		
			Amount	%	Explanation
Current assets	4,924,485	5,061,611	(137,126)	(3)	
Property, plant and equipment	6,327,402	8,687,618	(2,360,216)	(27)	Reclassified to current assets (group of non-current assets held for sale and disposal) in the amount of NT$1.826 billion
Other assets	319,742	826,576	(506,834)	(61)	Equity instruments at FVTOCI decreased by NT$391 million on a year-on-year basis
Total assets	11,571,629	14,575,805	(3,004,176)	(21)	
Current liability	1,784,319	2,531,446	(747,127)	(30)	Accounts payable and other payables decreased by NT$728 million on a year-on-year basis
Non-current liability	4,479,285	4,500,934	(21,649)	(0)	
Total liability	6,263,604	7,032,380	(768,776)	(11)	
Share capital	4,733,292	4,733,292	0	0	
Capital reserve	156,764	156,764	0	0	
Retained earnings	825,740	2,675,169	(1,849,429)	(69)	The Company's declining revenue and losses are mainly caused by the U.S. anti-dumping case.
Other equity	(407,771)	(21,800)	(385,971)	1,771	Equity instruments at FVTOCI decreased by NT$472 million on a year-on-year basis
Total shareholders' equity	5,308,025	7,543,425	(2,235,400)	(30)	

II. Financial Performance

Financial performance comparison and analysis

Unit: NTD thousand; %

Item \ Year	2021	2020	Increase (decrease) in amount	Percentage of change (%)	Reason for difference
Net operating revenue	1,561,241	5,704,663	(4,143,422)	(73)	The Company's declining revenue is caused by the U.S. anti-dumping case.
Cost of sales	(2,296,075)	(4,402,644)	(2,106,569)	(48)	
Operation gross profit	(734,834)	1,302,019	(2,036,853)	(156)	
Operating expenses	(1,113,319)	(1,054,801)	58,518	6	
Operating profit (loss)	(1,848,153)	247,218	(2,095,371)	(848)	
Non-operating revenues and	(452,790)	(104,335)	(348,455)	(334)	Impairment loss

Year / Item	2021	2020	Increase (decrease) in amount	Percentage of change (%)	Reason for difference
expenses					on property, plant and equipment is in the amount of NT$352 million
Income or loss before tax of continuing operations.	(2,300,943)	142,883	(2,443,826)	(1,710)	
Income tax expense	(49,021)	(31,406)	17,615	56	
Income or loss in this period	(2,349,964)	111,477	(2,461,441)	(2,208)	

III. Cash flows

(I) Liquidity analysis for the last two years

Year / Item	2021	2020	Increase/Decrease (%)
Cash flow ratio (%)	(42.69)	23.46	(282)
Cash flow adequacy ratio (%)	1.32	51.17	(97)
Cash re-investment ratio (%)	(4.69)	3.55	(232)

(II) Liquidity analysis for the coming year

Unit: NTD thousand

Opening cash balance (1)	Estimated net cash flow from operating activities for the year (2)	Estimated cash flow for the full year (3)	Estimated cash surplus (deficit) amount (1) + (2) - (3)	Remedial measures for estimated cash deficit amount	
				Investment plans	Financing plans
1,280,779	529,495	511,550	1,298,724	Not applicable	Not applicable

Description: 1 Cash flow analysis for the year:

Operating activities: Estimate net cash inflows (outflows) from operating activities based on the annual budget.

Investing activities: Mainly capital expenditures for the purchase of fixed assets.

Financing activities: Short-term financing for operating activities and medium- and long-term loans for capital expenditure.

2 Liquidity analysis for the coming year:

It is estimated that the net cash inflow for the coming year, plus the cash balance at the beginning of the period, is approximately NT$1,280,779 thousand, which is greater than the net cash outflow of NT$511,550 thousand.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. Company Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Investment Profitability, and Investment Plans for Coming Year

(I) Company Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, and Plan for Improving Investment Profitability:

The Company’s investee Federal Tire (Jiangxi) terminated production, and impairment losses on equipment were recognized. For China's domestic market, we will entrust domestic OEM manufacturers to supply products, together with imported tires; as such, we will continue the RE market and strengthen and consolidate our existing distribution channels.

(II) Investment Plan for the Coming Year: None.

VI. Risk Analysis and Assessment

(I) Impacts of interest rates, exchange rates, and inflation to the Company's earnings, and the responsive measures

1. Interest rate
   The Company's interest rate risk mainly comes from the long-term and short-term liabilities arising from the support for operating activities, and we will adopt an appropriate proportion of financing instruments at fixed interest rates as per market conditions and annual capital budget, to reduce the risk arising from interest rate fluctuations.
2. Exchange rate changes
   More than half of the Company's capital expenditures and manufacturing costs are paid in USD and EUR. More than 90% of revenue is in USD and other currencies, so any significant changes in exchange rates could have an impact on the Company's financial position. The Company mainly uses foreign-currency short-term borrowings and forward foreign exchange contracts for foreign exchange hedging.
3. Inflation
   When the market's expectation for inflation and deflation suddenly changes, it often affects the global economy and market efficiency, adversely affects the overall and individual economies, and causes fluctuations in the market values of various assets. These fluctuations may cause a negative impact on the Company's operating costs.

(II) Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future

(1) The Company does not engage in high-risk highly leveraged investments.

(2) The borrowing guarantees and commitments provided by the Company are all handled in accordance with the Loan and Endorsement/Guarantee Procedures, and we evaluate such business through prudent operating procedures, with upper limits on the total amount of loans and the amount of each loan to others. At present, endorsement/guarantees and loans to others are limited to subsidiaries. As they are wholly-owned, the risk is limited.

(3) We engage in derivatives trading with financial institutions with excellent credit ratings and deal with various financial institutions at the same time to diversify credit risks. Our derivatives trading is all handled in accordance with the Company's Procedures for Asset Acquisition and Disposal, mainly to avoid exchange rate risks in foreign-currency positions of accounts receivable and accounts payable and reduce the impact of exchange rate fluctuations on the Company's operations.

(III) R&D work to be carried out in the future and estimated expense in the further:

Each of the key R&D items below will be included in R&D projects. The R&D expense for this year is estimated to amount to NT$22 million.

(1) Diversify product lines and develop other tire products. (ATV, UTV, SSV, etc.)
(2) Develop high value-added tires and improve product performance.
(3) Shorten new product development cycles and provide cost-effective products.
(4) Develop new raw material suppliers to improve quality and reduce costs

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

(1) 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.

(2) 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:

A. 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.

B. Orders from non-U.S. markets are accepted and shipped by the Guanyin Plant to maintain the client base and the Company’s operation.

C. U.S. orders are transferred to overseas OEMs to gradually resume supply to the U.S. market.

D. Produce and sell 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.

(V) Effect of changes in technology (including information and communication security risks) and industrial changes on the company's financial operations and countermeasures:

In response to the rapid changes in the economic environment, the Company has continuously improved our software and hardware equipment and striven to integrate and digitalize the overall resources, such as the adoption of an automatic production scheduling system and a product life cycle management system, to improve our production process and control efficiency, thereby strengthening our market competitiveness.

The oversupply of China's production capacity in recent years has disrupted market prices in the tire industry and resulted in a vicious cycle of competition. The Company will develop high value-added products, reduce production costs, maintain quality, and improve competitiveness with a view to improving profitability.

(VI) Effect on the company's crisis management of changes in the company's corporate image and measures to be taken in response:

To jointly develop with Taiwan, based on the business philosophy that “giving what you have taken from society back to society”, the Company need to pay attention to our reputation the society’s recognition and has, thus, been actively participating in various social charity activities for a long time. For example, we co-organized folk activities with the local government, donated land to build parks and community centers, employed people with disabilities in a number that is more than required, and organized various social charity activities to give back to the local community through the Ma Chi-Shan Foundation.

We have spared no effort to improve environmental protection and investing in new equipment or renovations to create a green factory to obtain recognition and positive reviews from the society. In addition, we have established a crisis response system in the organization, to respond to any legal, quality, safety, and other crisis with the most rapid and effective countermeasures.

(VII) Expected benefits and possible risks associated with any merger and acquisitions and mitigation measures being or to be taken: None.

(VIII) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken: None.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: None.

(X) The Company has completely terminated the production of the Zhongli Plant and filed a mass dismissal plan to the competent authority and handled it in accordance with labor laws and regulations and procedures, to reduce various expenditures.

(XI) Orders from non-U.S. markets are accepted and shipped by the Guanyin Plant to maintain the client base and the Company’s operation.

(XII) U.S. orders are transferred to overseas OEMs to gradually resume supply to the U.S. market.

(XIII) Produce and sell 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.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10% stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management and mitigation measures being or to be taken: None.

(XII) Litigation or non-litigation cases:

(1) 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.

(2) 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 eight 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.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

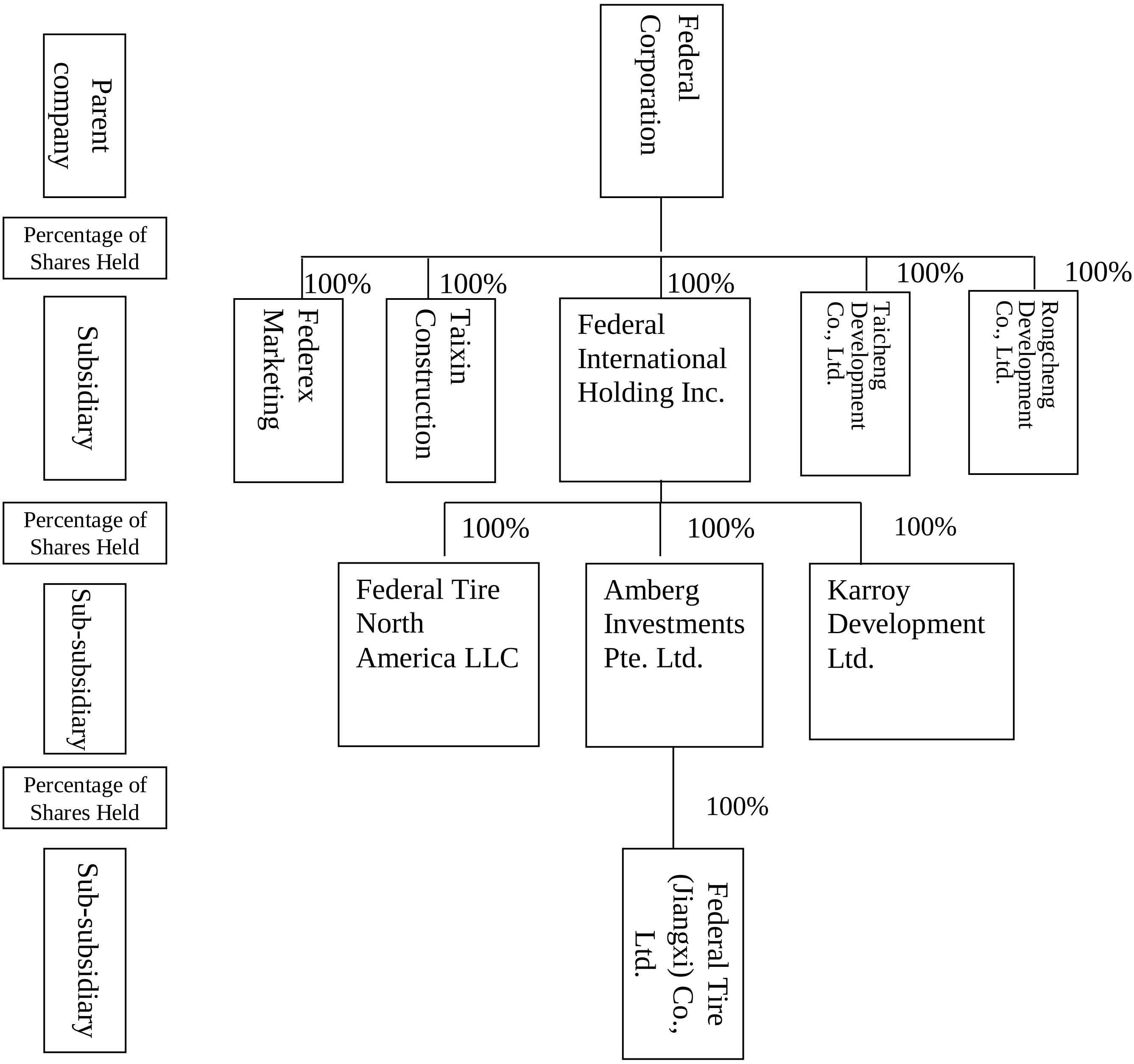
Eight. Special Notes

I. Information on Affiliates

(I) Affiliated enterprise consolidated business report

(1) Organizational chart for affiliates

Federal Group's Investment Structure



(2) Basic Information on each affiliate

Unit: NTD thousand (unless otherwise specified)

Name enterprises	Date of Incorporation	Address	Paid-in capital	Principal business or products
Federex Marketing Co., Ltd.	1991.09.16	No. 316, 1F, Section 2, Xinbei Blvd., Xinzhuang District, New Taipei City	TWD 190,000	Sales of various vehicle tire wheels and spare parts
Taixin Construction Co., Ltd.	1996.10.01	No. 369, Section 2, Zhonghua Road, Zhongli District, Taoyuan City	TWD 330,000	Contracting of builders to build residential and commercial buildings for lease and sale
Taicheng Development Co., Ltd.	2005.01.31	No. 369, Section 2, Zhonghua Road, Zhongli District, Taoyuan City	TWD 150,000	Contracting of builders to build residential and commercial buildings for lease and sale
Rongcheng Development Co., Ltd.	2021.09.14	No. 369, Section 2, Zhonghua Road, Zhongli District, Taoyuan City	TWD 10,000	Contracting of builders to build residential and commercial buildings for lease and sale
Federal International HoldingInc.	2004.04.27	P.O. Box 31119 Grand Pavilion,Hibiscus Way, 802 West Bay Road, Grand Cayman,KY1-1205 Cayman Islands.	USD 65,331,062	General investment
AmbergInvestments Pte.Ltd.	1996.06.26	165 BUKIT MERAH CENTRAL #05-3679 SINGAPORE (150165)	SGD 103,587,418	General investment
Federal Tire (Jiangxi) Co., Ltd.	1997.01.08	No. 639, Shanghai Road, Nanchang City, Jiangxi Province, China	CNY 538,973,200.01	Production and sales of various tires and rubber products
Karroy Development Ltd.	2007.11.12	Room 1401,14/F.,Kowloon Center,29 Ashley Road,Tsim Sha Tsui,Kowloon, Hong Kong	HKD 2,000,000	Commercial building rental business
Federal Tire North. America.LLC	2015.9.16	160 Greentree Drive,Ste.101 Dover,Delaware 19904	USD 200,000	Distribution of tires

(3) Entities concluded as the existence of the controlling and subordinate relation: none.

(4) The industries covered by the business operated by the affiliates overall: Investment, sale, and architecture.

(5) The names of the directors and general manager of each affiliate.

The names of the directors and general manager of each affiliate.

Name enterprises	Title	Name or representative	Shares Held Directly	
			Number	Percentage of Shares Held
Federex Marketing Co., Ltd.	Chairman	Representative of Federal Corporation: Chiang, Ching-Hsing	19,000,000	100%
Taixin Construction Co., Ltd.	Chairman	Representative of Federal Corporation: Chiang, Ching-Hsing	33,000,000	100%
Taicheng Development Co., Ltd.	Chairman	Representative of Federal Corporation: Chiang, Ching-Hsing	15,000,000	100%
Rongcheng Development Co., Ltd.	Chairman	Representative of Federal Corporation: Lu, Heng-Chih	1,000,000	100%
Federal International HoldingInc.	Director	Representative of Federal Corporation: Chiang, Ching-Hsing	USD 65,331,062	100%
Amberg Investments Pte. Ltd.	Director	Representative of Federal Corporation: Chiang, Ching-Hsing	SGD 103,587,418	100%
Federal Tire (Jiangxi) Co., Ltd.	Chairman Director Director President	Representative of Federal Corporation: Huang, Chiang Representative of Federal Corporation: Cheng, Chih-Ming Representative of Federal Corporation: Jao, Hua Huang, Chiang	CNY 538,973,200.01	100%
Karroy Development Ltd.	Director	Representative of Federal Corporation: Chiang, Ching-Hsing	HKD 2,000,000	100%
Federal Tire North America LLC	Director	Representative of Federal Corporation: Chiang, Ching-Hsing	USD 200,000	100%

(6) Operations of affiliates

December 31, 2021
Unit: NTD thousand

Name of affiliate	Paid-in capital	Total assets	Total liability	Net value	Operating revenue	Operating profit (loss)	Income (loss) after tax in this period	Earnings per share (NTD)
Federex Marketing Co., Ltd.	190,000	391,031	51,627	339,404	223,056	6,344	9,049	0.48
Taixin Construction Co., Ltd.	330,000	528,303	63,873	464,430	0	(22,063)	3,584	0.11
Amberg Investments Pte. Ltd.	2,119,399	1,034,644	0	1,034,644	0	(310)	(116,634)	
Federal Tire (Jiangxi) Co., Ltd.	2,341,236	1,029,847	15,980	1,013,867	53,152	(81,006)	(100,695)	
Federal International Holding Ltd.	1,808,364	1,102,383	0	1,102,383	0	(2,606)	(227,287)	
Taicheng Development Co., Ltd.	150,000	1,987,628	464,554	1,523,074	32,437	12,238	9,900	0.66
Rongcheng Development Co., Ltd.	10,000	220,222	47,213	173,009	0	(49)	(49)	(0.0)
Karroy Development Limited	7,097	85,112	41,649	43,463	0	(211)	7,819	
WinbergInvestmentsPte.Ltd.	0	0	0	0	0	(122)	(197)	
Federal Tire North.America.LLC	5,536	91,467	154,401	(62,934)	262,618	(130,748)	(116,041)	

Note 1: If an affiliated is a foreign company, the relevant figures are converted into NTD at the exchange rate prevailing on the balance sheet date of December 31, 2021 and at the annual average exchange rate.

(II) Consolidated financial report of each affiliate

Federal Corporation
Representation Letter

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

It is hereby declared.

Federal Corporation

Person in Charge: Chiang, Ching-Hsing

March 15, 2022

(III) Affiliation Reports: Not applicable.

II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Publication Date of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Publication Date of the Annual Report:

Unit: NTD; %

Subsidiary	Paid-in capital	Source of fund	The Company's shareholding	Date of acquisition or disposal	Number of shares acquired and amount	Number of shares disposed of and amount	Investment income or loss	Number of shares held and amount as of the publication date of the annual report	Pledge	The amount of endorsement/guarantee by the Company for subsidiaries	The amount of loans by the Company to subsidiaries
Taicheng Development Co., Ltd.	NT$150,000 thousand	Self-owned	100	2007.08.05	0	0	0	5,913,145 shares NT$66,566 thousand	0	0	0
Federex Marketing Co., Ltd.	NT$190,000 thousand	Self-owned	100	2007.08.05	0	0	0	7,842,462 shares NT$116,469 thousand	0	0	0

IV. Other Supplementary Information: None.

Nine. Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

Federal Corporation

Chairman: Chiang, Ching-Hsing