

Stock Code: 2102

# Federal Corporation 2022 Annual report

Published on May 15, 2023

Annual report: <http://mops.twse.com.tw>

<http://www.federalcorporation.com>

1. 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) 4522156 ext. 43000

(2) Acting spokesperson:

Name: Li, Hsin-Yu

Title: Manager, Finance Department

Tel.: (03) 4522156 ext. 43100

2. Address and telephone numbers of Company's headquarters and plant:

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

Tel.: (03) 4522156

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

Tel.: (03) 4522156

3. 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

4. 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. 2022, Section 2, Nanjing East Road, Taipei City

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

Tel.: 02-25165255

5. 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.
6. Company website: <http://www.federalcorporation.com>

# Table of Contents

<b>One.</b>	<b>Letters to Shareholders</b> .....	1
<b>Two.</b>	<b>Company Profile</b> .....	4
	I. Date of Incorporation: .....	4
	II. Company History: .....	4
<b>Three.</b>	<b>Corporate Governance Report</b> .....	7
	I. Organization: .....	7
	II. Information Regarding Board of Directors, President, Vice President, Assistant Managers, Supervisors in each department.....	10
	III. Corporate Governance Status .....	18
	IV. The state of the company's implementation of corporate governance.....	25
	V. Information on the professional fees of the attesting CPAs (external auditors).....	68
	VI. Information on replacement of CPAs: .....	68
	VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm .....	69
	VIII. 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 .....	70
	IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another. ....	72
	X. 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 .....	75
<b>Four.</b>	<b>Capital Overview</b> .....	76
	I. Capital and Shares .....	76
	II. Corporate Bonds: .....	82
	III. Preference Shares: .....	82
	IV. Global Depository Shares:.....	82
	V. Employee Stock Warrants: .....	82
	VI. Restricted Stock Awards: .....	82
	VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions: . ....	82
	VIII. Implementation of the Company's Capital Allocation Plans .....	82
<b>Five.</b>	<b>Operational Highlights</b> .....	84
	I. Business Activities: .....	84
	II. Analysis of the Market as well as Production and Marketing Situation.....	87
	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.....	91
	IV. Environmental Protection Expenditures.....	91
	V. Labor Relations .....	92

VI.	Cyber security management .....	93
VII.	Important Contracts.....	95
<b>Six.</b>	<b>Financial Status</b> .....	96
I.	Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years .....	96
II.	Financial analysis for the past 5 fiscal years .....	100
III.	Audit Committee’s Review Report on the Most Recent Fiscal Year's Financial Statements .....	104
IV.	Consolidated Financial Statements for the Most Recent Fiscal Year Audited by the CPAs .....	105
V.	Parent Company-Only Financial Statement for the Most Recent Fiscal Year Audited by the CPAs.....	195
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:.....	278
<b>Seven.</b>	<b>Review of Financial Conditions, Operating Results, and Risk Matters</b> .....	279
I.	Financial Position.....	279
II.	Financial Performance.....	279
III.	Cash flows .....	280
IV.	Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None. ....	280
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.....	280
VI.	Risk Analysis and Assessment .....	281
VII.	Other important matters.....	284
<b>Eight.</b>	<b>Special Disclosure</b> .....	285
I.	Information on Affiliates .....	285
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: .....	290
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: .....	290
IV.	Other Supplementary Information: .....	290
<b>Nine.</b>	<b>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: .....</b>	<b>291</b>

## One. Letters to Shareholders

Dear shareholders,

The COVID-19 pandemic has ravaged world widely for more than two years since 2020. It is still ongoing now. 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, raw materials to a summit, and a global inflation. Taiwan's economy was still affected by the significant global economic decline.

In addition to the impacts of the pandemic, inflation, and rising price of material, the U.S. Department of Commerce (DOC) imposed anti-dumping duties, leading to a surge on the cost of production that influenced Company's selling and profiting. In particular, the Company's sales to the U.S. accounted for more than 80% of the operating income. Both our operating income and profit have been severely hit. The implementation of the anti-dumping duties in the U.S. and defeat from crucial global marketing environment brought the Company huge difficulty on operating and financial pressure. In order to avoid further financial loss, peruse sustainable development, and protect shareholders profits, through the board of directors, the Company decided to pause production line in Guanyin factory, simultaneously to release important announcement on February 10, 2023.. The loss due to a pause in production and a huge amount of severance pay to employees are the main factors for the decline in our revenue and significant losses in 2022.

### I. Operating Results in 2022

#### (I) Business overview:

The Company's consolidated net operating income in 2022 was NT\$1,615,632 thousand, an increase of 3% from NT\$1,561,241 thousand on a year-on-year basis; the net loss after tax for 2022 was NT\$1,356,210 thousand.

#### (II) Overview of production and sales:

Unit: Unit

Item / Year	2022	2021	Increase (decrease)	%
Production volume	1,107,385	920,762	186,623	20
Sales volume	1,288,177	1,093,387	194,790	18

#### (III) Financial Information and Profitability

Unit: NTD thousand

Item / Year	2022	2021	Increase (decrease) (%)
Net operating revenue	1,615,632	1,561,241	3

Item / Year	2022	2021	Increase (decrease) (%)
Operation gross profit (loss)	(31,066)	(734,834)	96
Operating income (loss)	(728,825)	(1,848,153)	61
Net income (loss) after tax	(1,356,210)	(2,349,964)	42

Item / Year	2022	2021
Return on assets (%)	(11.98)	(17.58)
Return on shareholders' equity (%)	(29.20)	(36.57)
Ratio of income before tax to paid-in capital (%)	(28.61)	(48.61)
Net profit margin (%)	(83.94)	(150.51)
Earnings per share (NTD)	(2.95)	(5.11)

## II. 2023 Business Plan

The pandemic has been easing and seemed to come to an end. Although the coverage of vaccination rate is expanding and the global economy recovers, the U.S. anti-dumping laws are still present now. The laws still bring enormous impacts on the Company in marketing and profiting. To consider shareholders' maximum profit and Company's operation in the future, and to refrain from further loss, the Company released an announcement of a temporary pause of production line in the Guanyin factory on February 10, 2023 for review and further discussions on the positioning of supply chain and layout of domestic and overseas marketing. The plans after production line pause are as follows:

- (I) Stay selling and marketing normally. In the period of pause in production, deliver stock as an alternative, ensuring original clients' rights not be influenced. Undertake the outsourced tires from other manufacturers or sell tires that are parallel imported. Simultaneously the oversea OEM project starts. On February 24, 2023, the Company officially signed an OEM contract with Vietnam. Avoid the high anti-dumping duties and reduce the impact from pause in production through cooperating with OEM plants in country in Southeast Asia. Also maintain operation and sources of operating income.
- (II) Rearrange organizations and structure in the Company. Follow related laws of Labor Law. Apply for mass redundancy to the competent authority for diminishing manpower and enhancing the organizations. Focus on the austerity of expenditure, reduce cost and expense on operating, and decrease flow out of cash.
- (III) In the aspect of asset activation, continue to bid for lands. Land readjustment

cases held by Zhongli District was approved by Taoyuan Government on November 23, 2022. At that time, the large-scale land in prosperity areas in Zhongli District would bring a huge amount of cash to the Company as an income. It would improve the financial structure as well as raise the requirement of funding.

The temporary pause in production in 2023 was our last measure. In spite of the impacts on operating and income from the measure at such short notice, it needs consideration on Company's business, financial plans, and development in the future for operating sustainably. It is hoped that the Company could receive strong support from all shareholders.

I wish you

Good health and all the best!

Chairman Chen, Heng-Kuan



## **Two. Company Profile**

**I. Date of Incorporation:**  
**November 23, 1955.**

**II. Company History:**

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.

On August 10, 2022, the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. was divided and set as Fu Chen Ceramic Co., Ltd. based on Business Mergers and Acquisitions Act. The Ex-Dividend Date was arranged on August 31, 2022. And it was approved on October 6, 2022.

On November 9, 2022, the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. conducted short form merger based on Company Act and Business Mergers and Acquisitions Act. The Company was the surviving company. The reference date of the merger was arranged on November 30, 2022 and finished the merger/division registration on February 24, 2023.

The Company's project of Land Readjustment and Implementation by the Private Sector has been approved by Taoyuan Government on September 23, 2022. And the land readjustment was approved for implementation on November 23, 2022.

On February 10, 2023, the Board of Directors decided to pause the whole production lines in Guanyin factory.

On February 24, 2023, the Company signed the OEM contract with XT TYRE in Vietnam. It was planned to extend the market to America and countries in Southern Asia through OEM factories in Vietnam.

## **Three. Corporate Governance Report**

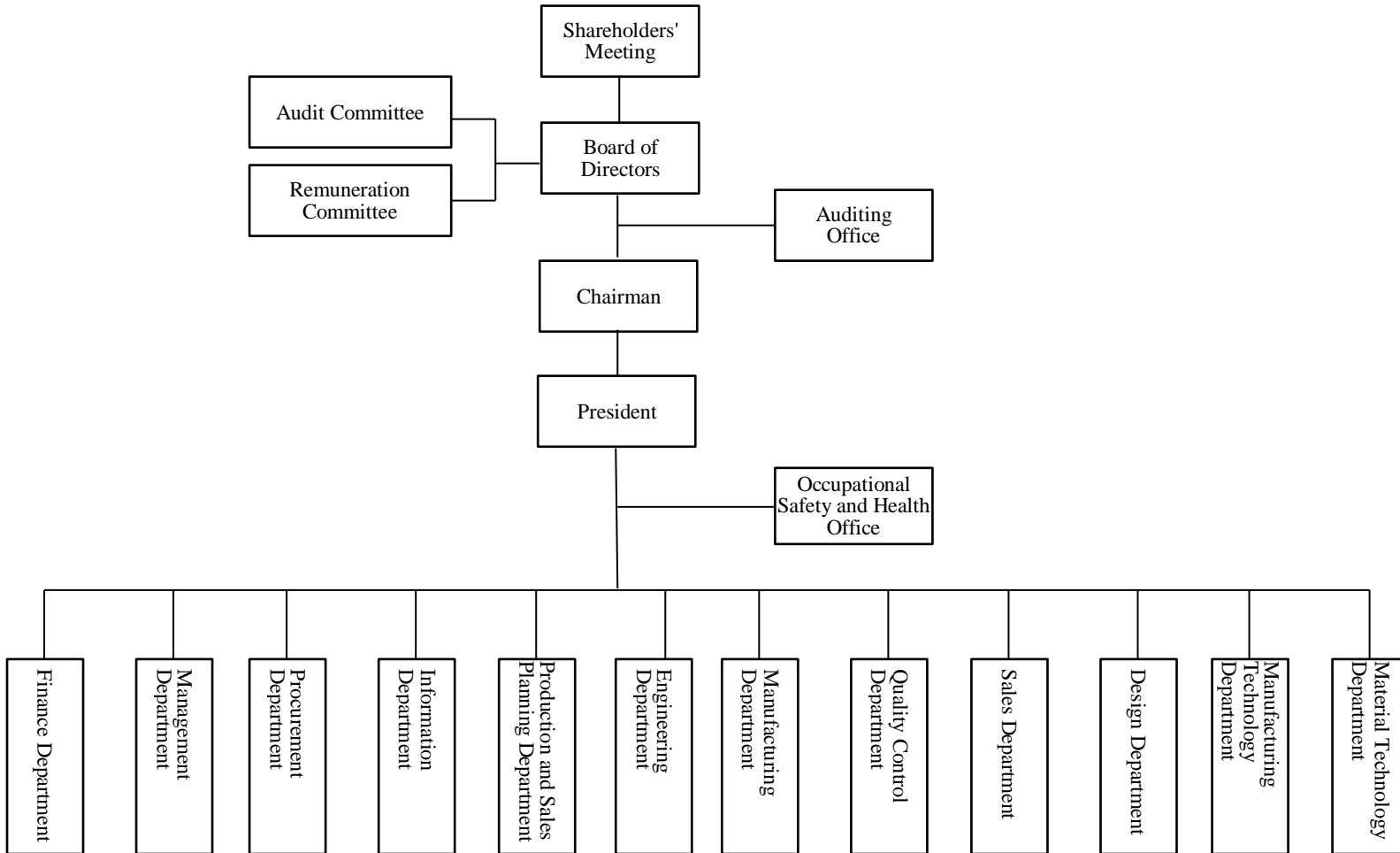
### **I. Organization:**

- (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. Audit room:  
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.

# Organizational Chart



## II. Information Regarding Board of Directors, President, Vice President, Assistant Managers, Supervisors in each department

### (I) Information on directors (1)

April 14, 2023

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: Chen, Heng-Kuan	Male 51-60 years old	2022.11.08 Note 1	3 years	2021.10.15	0	0	0	0	0	0	0	0	M.A., Business Administration, National Taiwan University	Director of Kuan & Tien Attorneys-at-law, Director of Nankang Rubber Tire Corp., Ltd., Supervisor of Nancong Construction Developments, Co., Ltd., Independent Director of Integrated Solutions Technology, Inc.	N/A	N/A	N/A	Note 2
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: 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.; Ph.D., Public Order University of Leicester, U.K.	Chairman of Federex Marketing Co., Ltd., Chairman of Taixin Construction Co., Ltd., Director of Federal International Holding Inc., Director of Amberg Investments Pte., Director of Karoy Development Ltd., Director of Federal Tire North America LLC	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: Chen, Yi-Jen	Female 31-40 years old	2022.11.08	3 years	2022.11.08	0	0	0	0	0	0	0	0	School of Law, Soochow University	Vice President of United Renewable Energy Co., Ltd.	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 71-80 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: Chen, Chung-I	Male 71-80 years old	2022.11.09	3 years	2022.11.09	0	0	0	0	0	0	0	0	B.A., Industrial Engineering, Tunghai University	President of SOUTHWORLD ENTERPRISE 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 CTW International Co., Ltd. and Director of Taiwan Life Insurance Co., Ltd., FMBA Accounting National Taiwan University; Master of Laws of National Taiwan 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 Kung Sing Engineering Corporation; Department of Accounting of National Chung Hsing University	Controller of Weiyan CPAs, Independent Director of NEW ERA ELECTRONICS CO., LTD., Independent Director of JIUSHUN CONSTRUCTION CO.,LTD.	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	0	0	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	

Note 1: Reassignment to dismiss on 2022/2/16; reassignment to take office on 2022/11/08

Note 2: Planned to adjust duties before the end of 2023

Table 1: Major Institutional Shareholders

April 14, 2023

Name of Institutional Shareholders	Major Institutional Shareholders
Nankang Rubber Tire Corp., Ltd.	Nanguan Tire Co., Ltd. (18.38%) Yuanhong Development Industry Co., Ltd. (6.40%) Zhikai Development Co., Ltd. (6.16%) Yuanrui Development Industry Co., Ltd. (6.02%) Hanshen Investment Co., Ltd. (4.2%) Hanzhong Global Investment Co., Ltd. (4.2%) Quanye Investment Co., Ltd. (4.07%) Youshin Development Co., Ltd. (3.6%) Lin, Chun-Ying (2.27%) Powerful Software CO., LTD. (1.21%)
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 14, 2023

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Nanguan Tire Co., Ltd.	China Apex Group Limited (55.56%) Chiou-pu cultural and educational foundation (22.96%) Nankang Rubber Tire Corp., Ltd. (20.37%) Lin, Jiun-ming (1.11%)
Yuanhong Development Industry Co., Ltd.	China Apex Group Limited (99.34%) Zhikai Development Co., Ltd. (0.35%) Chiou-pu cultural and educational foundation (0.21%) Yuanhong Development Industry Co., Ltd. (0.1%)
Zhikai Development Co., Ltd.	China Apex Group Limited (90.7%) Quanye Investment Co., Ltd. (6.58%) Chiou-pu cultural and educational foundation (2.62%) Yuanhong Development Industry Co., Ltd. (0.1%)
Yuanrui Development Industry Co., Ltd.	China Apex Group Limited (72.268%) Chiou-pu cultural and educational foundation (24.39%) Lin, Chun-Ying (2.049%) Yuanhong Development Industry Co., Ltd. (0.797%) Quanye Investment Co., Ltd. (0.496%)
Hanshen Investment Co., Ltd.	Hanshen Investment Co., Ltd. (100%)
Hanzhong Global Investment Co., Ltd.	Weijun International Development Co., Ltd. (39.5%) Lianzhong International Asset Management Co., Ltd. (19%)
Quanye Investment Co., Ltd.	China Apex Group Limited (99.9%) Yuanrui Development Industry Co., Ltd. (0.1%)
Youshin Development Co., Ltd.	Hanshin Department Store Co., Ltd. (100%)
Powerful Software CO., LTD.	Nankang Rubber Tire Corp., Ltd. (46.18%)
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 Chen, Heng-Kuan	Educational degree: M.A., Master of Business Administration, National Taiwan University. Experience: Judge and presiding judge of High Court, Director of Kuan & Tien Attorneys-at-law, Director of Nankang Rubber Tire Corp., Ltd., Incumbent Independent Director of Integrated Solutions Technology, Inc. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with professional background in law. Not under any conditions defined in Article 30 of the Company Act.	1. Concurrently Serving as President of the Company, which belongs to the manager. 2. Others have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.	1
Director Chiang, Ching-Hsing	Educational degree: Ph.D., Public Order, University of Leicester, U.K. Experience: Director of Nankang Rubber Tire Corp., Ltd., President of Yico Group Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective. Not under any conditions defined in Article 30 of the Company Act.	1. Concurrently Serving as President of the Company’s affiliates (wholly-owned subsidiary) 2. Others have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.	0

<p>Director Chen, Yi-Jen</p>	<p>Educational degree: Department of Law, Soochow University Experience: Vice President of United Renewable Energy Co., Ltd. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective. Not under any conditions defined in Article 30 of the Company Act.</p>	<p>Have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.</p>	<p>0</p>
<p>Director Ko, Tso-Liang</p>	<p>Educational degree: Department of Architectural Drafting, Nanya Institute of Technology Experience: Director of China Airlines; Director of China Fineblanking Technology Co., Ltd. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective. Not under any conditions defined in Article 30 of the Company Act.</p>	<p>Have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.</p>	<p>0</p>
<p>Director Chen, Chung-I</p>	<p>Educational degree: B.A., Industrial Engineering, Tunghai University Experience: President of Federal Corporation, President of SOUTHWORLD ENTERPRISE CO., LTD. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with experiences as a Professional Manager. Not under any conditions defined in Article 30 of the Company Act.</p>	<p>Have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.</p>	<p>0</p>

<p>Director Yu, Chih-Ching</p>	<p>Educational degree: EMBA, Accounting, National Taiwan University; Master of Laws of National Taipei University. Experience: 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. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with professional background in law. Not under any conditions defined in Article 30 of the Company Act.</p>	<p>Have followed independent verified conditions listed in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” which is enacted by Financial Supervisory Commission; and still meet relevant independent requests.</p>	<p>0</p>
<p>Independent Director Cheng, Fu-Yueh</p>	<p>Educational degree: Ph.d, Department of Finance, Tamkang University Experience: Independent 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 Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective Not under any conditions defined in Article 30 of the Company Act.</p>	<p>According to the Company's Articles of Incorporation and regulations in "Corporate Governance Best Practice Principles", Directors are selected based on the system for nominating candidates. The Company has obtained written statement, work experiences, employment certificate for the current job, and degree of kinship chart offered by every Director while being in the nomination or election periods; the purpose of those documents is to verify and check the independence of Director him/herself, spouse, and their relatives within the third degree of kinship towards the Company. In addition, the Company has verified that ,in the period of 2 years before the election and the term of tenure, the 3 independent directors listed on the left form are in compliance with qualifications from “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” enacted by Financial Supervision Commission and article 14-2, Securities and Exchange Act; and independent directors are given rights to participate in decision-making and express opinions based on article 14-3, Securities and Exchange Act. Independent directors could use</p>	<p>0</p>
<p>Independent Director Yao, Wen-Liang</p>	<p>Educational degree: Accounting, National Chung Hsing University Experience: Financial Manager of ChonYo CPAs and Kung Sing Engineering Corporation; Supervisor of Orient Recreation and Development Corp.; currently as Controller of Weiyuan CPAs; Independent Director of NEW ERA ELECTRONICS CO., LTD., Independent Director of JIOUSHUN CONSTRUCTION CO.,LTD. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with experiences as a Professional Manager. Not under any conditions defined in Article 30 of the Company Act.</p>	<p>According to the Company's Articles of Incorporation and regulations in "Corporate Governance Best Practice Principles", Directors are selected based on the system for nominating candidates. The Company has obtained written statement, work experiences, employment certificate for the current job, and degree of kinship chart offered by every Director while being in the nomination or election periods; the purpose of those documents is to verify and check the independence of Director him/herself, spouse, and their relatives within the third degree of kinship towards the Company. In addition, the Company has verified that ,in the period of 2 years before the election and the term of tenure, the 3 independent directors listed on the left form are in compliance with qualifications from “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” enacted by Financial Supervision Commission and article 14-2, Securities and Exchange Act; and independent directors are given rights to participate in decision-making and express opinions based on article 14-3, Securities and Exchange Act. Independent directors could use</p>	<p>2</p>

Independent Director Chao, Shih-I	Educational degree: Master of Real Estate Development, MIT Experience: President of Polaris Securities, Hong Kong Branch; currently as Chairman of Huachuan Asset Management Co. Ltd. and Chairman of Social Entertainment Enterprise Co., Ltd. Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with experiences as a Professional Manager. Not under any conditions defined in Article 30 of the Company Act.	related rights and authorities independently.	0
--------------------------------------	---	---	---

## 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 such as Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective. 3 independent directors are possessed with backgrounds of law and business management. 2 independent directors are possessed with backgrounds of finance and accounting, and business management. 4 independent directors are possessed with backgrounds of business management and marketing.

Tenure and years of service of Independent Director: All Independent Directors have less than 1 continuous service for another term of office evenly. Members of the Director are Taiwanese. The composition is 3 Independent Directors, 2 female Directors (which take 33% and 22% in the whole members of Director). By the end of 2022, there are 1 Director between the age of 31-40, 2 Directors between the age of 41-50, 3 Directors between the age of 51-60, 1 Director between the age of 61-70, and 2 Directors between the age of 71-80. Among them, all Independent Directors are in compliance with regulations from Securities and Futures Bureau, Financial Supervisory Commission. For

information regarding educational degree, experiences, gender, professional qualifications, and work experience of Directors, please refer to Information Regarding Board of Director in Corporate Governance Report.

(II) Independence of the board of directors:

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 14, 2023

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	Chen, Heng-Kuan	Male	2022.10.12	0	0	0	0	0	0	Graduated from Department of Lar, National Taiwan University; M.A., Master of Business Administration, National Taiwan University	Director of Kuan & Tien Attorneys-at-law, Director of Nankang Rubber Tire Corp., Ltd., Supervisor of Nanzong Construction Developments, Co., Ltd.	N/A	N/A	N/A	Note
Head of Research and Development 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	
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	
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	
Deputy Head of 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	

Note: Planned to adjust duties before the end of 2023

### III. Corporate Governance Status

#### (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)		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	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	Cash	Share			Cash	Share					
Chairman	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Heng-Kuan (took office on November 08, 2022)	80	80	-	-	-	-	25	25	105	105	-0.01%	-0.01%	680	680	-	-	-	-	-	-	785	785	-0.06%	-0.06%	N/A		
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chiang, Ching-Hsing	240	240	-	-	-	-	50	50	290	290	-0.02%	-0.02%	3,434	3,434	-	-	-	-	-	-	3,724	3,724	-0.27%	-0.27%	N/A		
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Yi-Jen (took office on November 08, 2022)	40	40	-	-	-	-	20	20	60	60	0%	0%	-	-	-	-	-	-	-	-	60	60	0%	0%	N/A		
Director	Taiwan Insulation Applied Technology Co. Representative: Ko, Tso-Liang	240	240	-	-	-	-	50	50	290	290	-0.02%	-0.02%	-	-	-	-	-	-	-	-	290	290	-0.02%	-0.02%	N/A		
Director	Huan-Xiang Investment Co., Ltd. Representative: Chen, Chung-I (took office on November 09, 2022)	40	40	-	-	-	-	20	20	60	60	0%	0%	-	-	-	-	-	-	-	-	60	60	0%	0%	N/A		
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching	240	240	-	-	-	-	45	45	285	285	-0.02%	-0.02%	-	-	-	-	-	-	-	-	285	285	-0.02%	-0.02%	N/A		
Director	Nankang Rubber Tire Corp., Ltd. Representative: Huang, Tai-Fong (dismissed on November 08, 2022)	200	200	-	-	-	-	20	20	220	220	-0.02%	-0.02%	-	-	-	-	-	-	-	-	220	220	-0.02%	-0.02%	N/A		

Title	Name	Remuneration to directors										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)		Ratio of total remuneration (A+B+C+D) to net income		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	Cash	Share				Cash	Share				
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Shiu-Sheng (dismiss on November 08, 2022)	200	200	-	-	-	-	10	10	210	210	-0.02%	-0.02%	-	-	-	-	-	-	-	-	210	210	-0.02%	-0.02%	N/A
Director	Huan-Xiang Investment Co., Ltd. Representative: Fang, Hsiang-Chi (dismiss on November 09, 2022)	220	220	-	-	-	-	30	30	250	250	-0.02%	-0.02%	-	-	-	-	-	-	-	-	250	250	-0.02%	-0.02%	N/A
Director	Nankang Rubber Tire Corp., Ltd. Representative: Lu, Heng-Chih (dismiss on February 16, 2022)	40	40	-	-	-	-	5	5	45	45	0%	0%	-	-	-	-	-	-	-	-	45	45	0%	0%	N/A
Independent Director	Cheng, Fu-Yueh	600	600	-	-	-	-	45	45	645	645	-0.05%	-0.05%	-	-	-	-	-	-	-	-	645	645	-0.05%	-0.05%	N/A
Independent Director	Yao, Wen-Liang	600	600	-	-	-	-	50	50	650	650	-0.05%	-0.05%	-	-	-	-	-	-	-	-	650	650	-0.05%	-0.05%	N/A
Independent Director	Chao, Shih-I	600	600	-	-	-	-	30	30	630	630	-0.05%	-0.05%	-	-	-	-	-	-	-	-	630	630	-0.05%	-0.05%	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:

- 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.
- 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/investee(s)): None.

Note: The Chairman is dispatched with a company car which is a leasing car with a driver whose salary in 2022 was 590 thousand.



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	Chen, Heng-Kuan; Chiang, Ching-Hsing; Chen, Yi-Jen; Ko, Tso-Liang; Chen, Chung-I; Yu, Chih-Ching; Huang, Tai-Feng; Chen, Hsueh-Sheng; Fang, Hsiang-Chi; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I	Chen, Heng-Kuan; Chiang, Ching-Hsing; Chen, Yi-Jen; Ko, Tso-Liang; Chen, Chung-I; Yu, Chih-Ching; Huang, Tai-Feng; Chen, Hsueh-Sheng; Fang, Hsiang-Chi; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I	Chen, Heng-Kuan; Chen, Yi-Jen; Ko, Tso-Liang; Chen, Chung-I; Yu, Chih-Ching; Huang, Tai-Feng; Chen, Hsueh-Sheng; Fang, Hsiang-Chi; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I	Chen, Heng-Kuan; Chen, Yi-Jen; Ko, Tso-Liang; Chen, Chung-I; Yu, Chih-Ching; Huang, Tai-Feng; Chen, Hsueh-Sheng; Fang, Hsiang-Chi; Lu, Heng-Chih; Cheng, Fu-Yueh; Yao, Wen-Liang; Chao, Shih-I
NT\$1,000,000 (inclusive) – NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) – NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) – NT\$5,000,000 (exclusive)			Chiang, Ching-Hsing	Chiang, Ching-Hsing
NT\$5,000,000 (inclusive) – NT\$10,000,000 (exclusive)				
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, Heng-Kuan (took office on November 18, 2022)	360	360	-	-	320	320	-	-	-	-	680 -0.05%	680 -0.05%	N/A
President	Chiang, Ching-Hsing (dismissed on November 18, 2022)	2,643	2,643	-	-	502	502	-	-	-	-	3,145 -0.23%	3,145 -0.23%	N/A
Vice president	Chiu, Fu-Chih	1,566	1,566	95	95	315	315	-	-	-	-	1,976 -0.15%	1,976 -0.15%	N/A

Bracket of Remuneration to President and Vice President	Name	
	The Company	Companies in the consolidated financial statements
Under NTD 1,000,000	Chen, Heng-Kuan	Chen, Heng-Kuan
NTD 1,000,000 (incl.) ~ NTD 2,000,000 (excl.)	Chiu, Fu-Chih	Chiu, Fu-Chih
NTD 2,000,000 (incl.) ~ NTD 3,500,000 (excl.)	Chiang, Ching-Hsing	Chiang, Ching-Hsing
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			
General Counsellor of the Enterprise Group	Chiang, Ching-Hsing	2,901	2,901	-	-	533	533	-	-	-	-	3,434	3,434	N/A
Vice President	Chiu, Fu-Chih	1,566	1,566	95	95	315	315	-	-	-	-	1,976	1,976	N/A
Special Assistant of President	Hu, Po-Chien	1,572	1,572	82	82	90	90	-	-	-	-	1,744	1,744	N/A
Department Head of Finance Department	Lu, Hsin-I	1,352	1,352	79	79	110	110	-	-	-	-	1,541	1,541	N/A
Department Head of Manufacturing Department and Factory Manager	Liu, Chia-Shen	1,423	1,423	-	-	106	106	-	-	-	-	1,529	1,529	N/A

(5) 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	
	2022	2021	2022	2021
Total remuneration to director as a percentage of net income after tax	-0.58%	-0.41%	-0.58%	-0.49%
Total remuneration to President and Vice Presidents as a percentage of net income after tax	-0.43%	-0.20%	-0.43%	-0.20%

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

- i. The Directors of the Company would receive remuneration while operating company's business based on the degree of business participation and value of contribution. Besides, in accordance with "the Rules of the Performance Evaluation of the Board of Directors", performance review is held annually and the items of evaluation are: Understanding of the Company's goals and tasks, awareness of responsibilities, internal relations management and communication, Directors; professionalism and continuing education, and internal control... With the comprehensive considerations, the results of performance review would be the reference of each Director's remuneration and the reasonable remuneration would be allotted. As the regulations in the Company's Articles of Incorporation, the Board of Directors are authorized to consider with the reference to the general payment standards in the industry. As per Article 22 of the Company's Articles of Incorporation, if the Company makes a profit in the year, it shall allocate no more than 3% as directors' remuneration. The actual contribution rates and amount of money are decided by the Board of Directors through Remuneration Committee's deliberation and suggestions.
- ii. According to the Company's Articles of Incorporation, the delegation and dismissal of managerial officer of the Company are decided by the Board of Directors. Managerial officer's remuneration including fixed salary and variable salary based on the following items such as the goal of performance which includes goals of sum of the business and profits, KPI that is set as annual goal, managerial officer's performance and contribution to

business participation. Fixed salary is based on managerial officer's job level, experience, professional skills, seniority, and level in the industry. Variable salary has connections with the Company's goal of performance. Additionally, as article 22 in the Company's Articles of Incorporation, if the Company makes a profit in the year, it shall allocate 0.1% to 1% of the balance as employee remuneration. And it would be decided by the Board of Directors through Remuneration Committee's deliberation and suggestions.

- iii. The review and discussion of payment standards and systems of the Company remuneration policies takes condition of operation as the main consideration and payment standard is based on percentage of performance achievement and degree of contribution. The purpose is to enhance effectiveness in all organizations of the Board of Directors and managerial departments. The Company also consults remuneration standards in the industry to ensure management levels in the Company receive competitive remuneration for making those talents in management remained in the Company.

#### IV. The state of the company's implementation of corporate governance

##### (I) Operation of the board of directors:

The board of directors had held (A) 9 meetings in 2022, 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	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Heng-Kuan	5	0	100	Dismissed on February 16, 2022 Took office on November 08, 2022
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chiang, Ching-Hsing	9	0	100	
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Yi-Jen	4	0	100	Took office on November 08, 2022
Director	Taiwan Insulation Applied Technology Co. Representative: Ko, Tso-Liang	9	0	100	
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching	8	1	89	
Director	Huan-Xiang Investment Co., Ltd. Representative: Chen, Chung-I	4	0	100	Took office on November 09, 2022
Director	Huan-Xiang Investment Co., Ltd. Representative: Fang, Hsiang-Chi	5	0	100	Dismissed on November 09, 2022
Director	Nankang Rubber Tire Corp., Ltd. Representative: Huang, Tai-Feng	4	0	100	Took office on February 16, 2022 Dismissed on November 08, 2022
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Hsueh-Sheng	2	2	50	Took office on February 16, 2022 Dismissed on November 08, 2022
Director	Nankang Rubber Tire Corp., Ltd. Representative: Lu, Heng-Chih	1	0	100	Dismissed on February 16, 2022
Independent Director	Cheng, Fu-Yueh	7	2	78	
Independent Director	Yao, Wen-Liang	9	0	100	
Independent Director	Chao, Shih-I	6	3	67	

Title	Name	Attendance in person (B)	No. of Meetings Attended by Proxy	Actual attendance (%) [B/A]	Remark
<p>Other matters that are required to be disclosed:</p> <p>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:</p> <p>(I) Matters listed under Article 14-3 of the Securities and Exchange Act: The content of the resolutions is shown on pages 62-67 of this annual report.</p> <p>(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: Please refer the details on pages 62-67.</p> <p>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.</p> <p>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.</p> <p>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 2022, 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 29 hours.</p>					

**Table 1 Implementation status of board evaluation**

Frequency	Period	Scope	Method	Content
Once a year	From January 1, 2022 to December 31, 2022	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 January 1, 2022 to December 31, 2022	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 January 1, 2022 to December 31, 2022	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 14, 2023.

## (II) Operations of the Audit Committee

In 2022, the Audit Committee had held 4 (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	4	0	100	
Independent Director	Yao, Wen-Liang	4	0	100	
Independent Director	Chao, Shih-I	3	1	75	
<p>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.</p> <p>Matters reviewed by the Audit Committee mainly include:</p> <p>I. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>II. Assessment of the effectiveness of the internal control system.</p>					



- 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:

- Reviewed financial reports  
The board of directors prepared the Company's 2022 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.
- 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.
- 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 17th meeting of the 24th board of directors on March 14, 2023 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.
  - B. 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.
  - C. 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 2022 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 the current year 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:
2022/03/15 4th meeting of 3rd term	<ol style="list-style-type: none"> <li>1. Financial statements and business report for 2021.</li> <li>2. Statement of deficit compensation for 2021.</li> <li>3. 2021 "Statement on Internal Control System".</li> <li>4. Proposal of loans to 100% owned U.S. subsidiary, Federal Tire North America LLC.</li> <li>5. Provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company.</li> <li>6. Provision of loans from wholly-owned subsidiary, Federal International Holding Inc., to the Company.</li> <li>7. Appointment of the Chief Financial Officer.</li> <li>8. Amendments to the Procedures for Asset Acquisition and Disposal.</li> </ol>	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	<ol style="list-style-type: none"> <li>1. 2022 Q1 financial report.</li> </ol>	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2022/08/10 6th meeting of 3rd term	<ol style="list-style-type: none"> <li>1. 2022 Q2 financial report.</li> <li>2. Demerger of wholly-owned subsidiary, Taicheng Development Co., Ltd., to reduce capital and establish a new company</li> </ol>	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.
2022/11/09 7th meeting of 3rd term	<ol style="list-style-type: none"> <li>1. 2022 Q3 financial report.</li> <li>2. Determination from the Company to merge with two subsidiaries which are Taicheng Development Co., Ltd. and Taixin Construction Co., Ltd.</li> <li>3. Formulation of application of financing from the bank through having lands of subsidiary, Taicheng Development Co., Ltd., Rongcheng Development Co., Ltd., FU CHEN CERAMIC CO., LTD., or Taixin Construction Co., Ltd. as guarantees.</li> <li>4. Annual audit plan for 2023.</li> <li>5. Newly added (revised) Regulations for Internal Control for domestic and oversea Trade receivables which are past due.</li> </ol>	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:
2023/02/10 8th meeting of 3rd term	<ol style="list-style-type: none"> <li>1. The half first year of 2022 cash dividend Distribution Statement.</li> <li>2. Proposed to authorize Directors of Federal Corporation and all other subsidiaries who are included because of the lands to manage the pre-sale and bidding of part of lands that are acquired due to land readjustment by Federal Corporation wholly-owned FU CHEN CERAMIC CO., LTD., Rongcheng Development Co., Ltd., Taicheng Development Co., Ltd.</li> <li>3. Complete termination of production of the Company's GuanYin Plant due to productivity adjustment.</li> </ol>	<ol style="list-style-type: none"> <li>1.None.</li> <li>2.None.</li> <li>3. Objection from Independent Director, Chao, Shih-I; he indicates that (1) budget and cash flow on decisions of pause production are narrow on related information (2) schedule after pause production needs to be reported at the right moment.</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed by all present members as proposed without objection.</li> <li>2. Passed by all present members as proposed without objection.</li> <li>3. The rest of the 2 attendees agree to pass the statement; only the Independent Director, Chao, Shih-I, doesn't.</li> </ol>	Submitted to and approved by the board of directors.
2023/03/14 9th meeting of 3rd term	<ol style="list-style-type: none"> <li>1. 2022 unaudited annual financial information and business report.</li> <li>2. 2022 Statement of deficit compensation.</li> <li>3. The second half year of 2022 cash dividend Distribution Statement.</li> <li>4. 2022 "Statement on Internal Control System" Statement.</li> <li>5. Planned to additionally add "management of lands readjustment in TaiFeng, ZhongLi District through negotiation, self-development or joint development" on the case of "reserve price for the public bidding for the entire equity of subsidiary, Taixin Construction Co., Ltd."</li> <li>6. Review of 2023 Auditor Remuneration Statement.</li> <li>7. Proposal of loans to 100% owned U.S.</li> </ol>	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:
	<p>subsidiary, Federal Tire North America LLC.</p> <p>8. Provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company.</p>			
2023/05/10 10th meeting of 3rd term	1. 2023 Q1 financial report.	None.	Passed by all present members as proposed without objection.	Submitted to and approved by the board of directors.

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

Date	Communication meeting	Matters communicated	Communication results
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
2022/08/10	Audit Committee	Report on the implementation of the audit work in the second quarter of 2022.	No objection
2022/11/09	Audit Committee	Report on the implementation of the audit work in the third quarter of 2022.	No objection
2023/03/14	Audit Committee	Report on the implementation of the audit work in the fourth quarter of 2022. Report on the 2022 Statement on Internal Control System.	No objection
2023/05/10	Audit Committee	2023 Q1 financial report	No objection

Note 3: Communication between independent directors and CPAs

Date	Communication meeting	Matters communicated	Communication results
2022/03/15	Audit Committee	1. CPAs reported to the Audit Committee on the 2021 consolidated and financial statements. 2. CPAs discussed and communicated the issues raised by the Audit Committee members and attendees.	No objection
2023/03/14	Audit Committee	1. CPAs reported to the Audit Committee on the 2022 consolidated and 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		
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				
(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.	N/A
(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	
<p>risk management and firewall system within its conglomerate structure?</p> <p>(IV) Did the Company establish internal rules against insiders trading with undisclosed information?</p>	V		<p>party transactions, endorsement and guarantee, and loans between the Company and affiliates. Additionally, according to Financial Supervisory Commission, “the Regulations Governing the Establishment of Internal Control Systems by Public Companies”, “regulations for internal managerial control” is enacted to conduct risk control system towards subsidiaries.</p> <p>(IV) The Company has established the “Procedures for Ethical Management and Guidelines” and “Procedures for Insider Trading Prevention and Handling Material Inside Information”, which prohibits the insiders from using undisclosed information on the market to buy and sell securities.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board formulated a diversity policy and specific management objectives and duly implemented them?</p>	V		<p>(I) The Board of Directors passed and enacted “Company’s Corporate Governance Best Practice Principles” on the 10th meeting of 22nd term on August 12, 2019. In the third chapter, “strengthening functions of the Board of Directors”, diversity policy is formulated. Directors of the Company are selected based on the system for nominating candidates following regulations</p>	N/A

Evaluation Items	Operational Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No		
(II) Does the Company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?		V	<p>in “the Company's Articles of Incorporation”. Candidate’s education and experience would be assessed, and also suggestions from stakeholders would be taken into consideration. Follow “Rules for Election of Directors” and “Corporate Governance Best Practice Principles” to ensure diversity and independence among directors.</p> <p>Currently the Board of Directors in the company are possessed with extensive experiences and professionals in finance, law, business, and management. Directors who are also employees account for 11% of all directors; independent directors account for 33%, female directors on the board account for 22%. 3 independent directors have held the position for less than 3 year. 2 directors are over the age of 70. 1 director is at the range of 60 – 69 years old. 6 directors are under 60 years old. The board diversity policy is disclosed on the Company's website</p> <p>(II) The Company has not yet established other functional committees other than the Remuneration Committee and the Audit Committee.</p>	
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual		V	<p>(III) The Board of Director of the Company formulated the “Rules of the Performance Evaluation of the Board of Directors” on August 12, 2020. We shall conduct an</p>	

Evaluation Items	Operational Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No		
basis? Are the results of the evaluation reported at the Board Meetings and used as reference for remuneration and the nomination for re-election?			<p>internal performance evaluation of the board of directors, members of the directors, Remuneration Committee, and Audit Committee every year and have an external professional organization or an external team of experts and scholars conduct the evaluation at least once every three years.</p> <p>See details of evaluations in page 27, attachment 1, status of board evaluation.</p> <p>The evaluation is conducted through a questionnaire of self-evaluation.</p> <p>The Company finished performance evaluation of the Board of Directors, members of directors, Remuneration Committee, and Audit Committee on March, 2023. The result of evaluation would be reported on director meeting on March 14, 2023.</p> <p>Result of evaluation:</p> <p>1. There are 5 aspects of performance evaluation index for the Board of Directors, total 31 indexes. Result of evaluation are 16 “excellent (5)”, 15 “good (4)”. It indicates that the Board of Directors indeed guide and supervise the Company’s strategies, important business, and risk management; also are able to create proper system for internal control, and indeed participate in items of ESG. The whole</p>	



Evaluation Items	Operational Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No		
(IV) Does the Company regularly evaluate the independence of CPAs?	V		<p>operation condition is complete and matches with requests of corporate governance.</p> <p>2. There are 6 aspects of performance evaluation index for members of the Board of Directors, total 23 indexes. Result of evaluation are 16 “excellent (5)”, 7 “good (4)”. It indicates that the directors bring positive assessments on each operational index, on effectiveness, and on result.</p> <p>3. There are 5 aspects of performance evaluation index for Remuneration Committee and Audit Committee, total 24 indexes. Result of evaluation are 3 “excellent (5)”, 21 “good (4)”. It indicates that functional committees work well on operation, match with requests of corporate governance, and effectively strengthen functions of the Board of Directors.</p> <p>(IV) The Company evaluates the independence of CPAs every year and the result of evaluation would be reported to the Board of Directors. The latest year’s evaluation results were reviewed and approved by the board of directors on March 14, 2023. Through an evaluation, both Chou, Yin-Lai and Peng, Li-Chen, CPAs at Baker Tilly Clock &amp; CO are accordance with the Company’s independence criteria, which details please refer</p>	

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	
			to Note 1; and were qualified to serve as the CPAs for the Company. CPAs would issue Statement of Independence.
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		<p>The board of directors appointed Mr. Lu, Hsin-I, the head of department, as the Company's corporate governance officer through a resolution on November 12, 2021, to protect shareholders' rights and strengthening the functions of the board of directors. Lu, Hsin-I, the head of Department, has more than three years of experience as a supervisor in financial and accounting business at a publicly listed company.</p> <p>The "corporate governance officer's" responsibilities include handling matters are as follows:</p> <p>1. Major points of Business execution:</p> <ol style="list-style-type: none"> <li>Handling matters related to the board meetings and shareholders' meetings in accordance with the law.</li> <li>Preparing the minutes of the board meetings and shareholders' meeting.</li> <li>Assisting directors with their appointment and continuing education.</li> <li>Providing them with materials needed for performing duties.</li> <li>Assisting directors with compliance.</li> <li>Other items enacted by the Company's Articles of Incorporation or contract.</li> </ol> <p>2. For continuing education: Please</p>



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	
(三) 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	<p>3. We have established a spokesperson system with one spokesperson and one acting spokesperson.</p> <p>4. We have disclosed the information on investor conference on the Company's website.</p> <p>(三) The Company has announced and reported the financial reports and monthly financial performance prior to a deadline.</p>	
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		<p>(一) 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.</p> <p>(二) 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</p>	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	
			<p>employees' marriage and birthday, as well as various insurance policies, condolence money, scholarships, and other benefit measures.</p> <p>(三) 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.</p> <p>(四) Stakeholders' rights: We provide diverse communication channels and disclose information, maintain positive communication with stakeholders, and collect their issues of concern; referring details to Note 3.</p> <p>(五) Directors' (including independent directors') continuing education: Please refer to Note 4 for details.</p> <p>(六) Implementation of risk management policies and risk measurement standards: Our major operational policies, investment projects, endorsement/guarantees, loans to others, banks' financing, and</p>	

Evaluation Items	Operational Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No		
			<p>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 Audit Room 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.</p> <p>(七) 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.</p> <p>(八) 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.</p>	
<p>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 published English material information since 2022, and update English annual report 16 days before the general shareholders' meeting.</p>				

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.
3. Any inappropriate relations with the client are avoided.
4. The CPA ensures the honesty, impartiality, and independence of their assistants.

Item
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.

Note 2: Directors' continuing education in 2022:

Date of continuing education course		Organizer	Course title	Hours of continuing education	Total hours of continuing education in the year
From	to				
2021/12/09	2021/12/09	Taiwan Corporate Governance Association	Directors' Corporate Governance Risks and Legal Responsibilities	3	20
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	
2022/05/12	2022/05/12	Taiwan Stock Exchange, Alliance Advisors, Taiwan Corporate Governance Association	International Twin Summit	2	
2022/09/07	2022/09/07	Securities and Futures Institute	Advanced discussion among the directors and supervisor (including independent) at the same time being managers of Corporate Governance – Discussion of employees' and directors' remunerations - Start from revised article 14, Securities and Exchange Act	3	
2022/09/16	2022/09/16	Securities and Futures Institute	Advanced discussion among the directors and supervisor (including independent) at the same time being managers of Corporate Governance - benefits of circular economy and its business model	3	
2022/09/29	2022/09/29	The Taiwan Stock Exchange Corporation's	Announcing for 2022 reference of independent directors and Audit Committee using authorities at the same time being directors and supervisors Seminar	3	



Note 3: Stakeholder and concerned issues

Stakeholder	Concerned issues	Communication channels and responses
Employee	Operation performance Talents cultivation Relationship between employer and employee Safety and hygiene on employment Communication between employer and employee Employee's fair opportunity and no discrimination	Announce information on The Company's internal website or internal mails such as welfare, trainings and lessons, and important operating information. Interact with other enterprises and labor union, staying in nice relationship. Collect employees' opinions from Employee Opinion Mailbox.
Customer	The image of the brand Information safety Compliance with law Label of product and service protection of Trade secret and safety of trade Fair competition	Investigation on customer satisfaction. Free hotline for domestic and international customers.
Shareholder /investor	Operation performance Compliance with law The image of the brand	On TWSE MOPS, important information such as company governance, crucial business development, operation performance would be exposed instantly. Yearly one shareholders meeting would be held and the annual report would be published. Yearly one Seminar for Juridical Person would be held. Set contact people for service and investor relations. °
Supplier	Operation performance Compliance with law Supplier management	Review/evaluation of suppliers. Suppliers sign Letter of commitment.

Note 4: 2022, the situation of the board of directors' advanced lessons:

Title	Name	Date		Organizer	Name of lesson	Hours
		From	To			
Representative of juridical person director	Ko, Tso-Liang	2022/02/25	2022/02/25	Taiwan Corporate Governance Association	2022 Economic prospect for global and Taiwan	1
Independent director	Chao, Shih-I	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Forum -To promote the directors' competency; indeed conduct company sustainable governance	6
		2022/03/18	2022/03/18	Taiwan Corporate Governance Association	To change the world through invest -impact investing and the practice of SDGs	3
Representative of juridical person director	Yu, Chih-Ching	2022/12/21	2022/12/21	Securities and Futures Institute	Discussion on issues of human resource on merger of corporations and employee placement	3
		2022/11/18	2022/11/18	Taiwan Corporate Governance Association	Discussion on issues of merger of corporations and merger	3
		2022/05/12	2022/05/12	Taiwan Stock Exchange, Alliance Advisors, Taiwan Corporate Governance Association	International Twin Summit	2
Independent director	Cheng, Fu-Yueh	2022/08/26	2022/08/26	Taiwan Corporate Governance Association	How the Audit Committee supervise effectiveness on internal control	3
Representative of juridical person director	Chiang, Ching-Hsing	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Forum -To promote the directors' competency; indeed conduct company sustainable governance	6
		2022/05/04	2022/05/04	Taiwan Stock Exchange, Alliance Advisors, Taiwan Corporate Governance Association	International Twin Summit	2

**(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 14, 2022					
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	Cheng, Fu-Yueh		Educational degree: Ph.d, Department of Finance, Tamkang University Experience: Independent 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 Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective Not under any conditions defined in Article 30 of the Company Act.	According to the Company's Articles of Incorporation and regulations in "Corporate Governance Best Practice Principles", Directors are selected based on the system for nominating candidates. The Company has obtained written statement, work experiences, employment certificate for the current job, and degree of kinship chart offered by every Director while being in the nomination or election	0

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	<p>Educational degree: Accounting, National Chung Hsing University</p> <p>Experience: Financial Manager of ChonYo CPAs and Kung Sing Engineering Corporation; Supervisor of Orient Recreation and Development Corp.; currently as Controller of Weiyuan CPAs; Independent Director of NEW ERA ELECTRONICS CO., LTD., Independent Director of JIOUSHUN CONSTRUCTION CO.,LTD.</p> <p>Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with experiences as a Professional Manager.</p> <p>Not under any conditions defined in Article 30 of the Company Act.</p>	<p>periods; the purpose of those documents is to verify and check the independence of Director him/herself, spouse, and their relatives within the third degree of kinship towards the Company. In addition, the Company has verified that ,in the period of 2 years before the election and the term of tenure, the 3 independent directors listed on the left form are in compliance with qualifications from “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” enacted by Financial Supervision Commission and article 14-2, Securities and Exchange Act; and independent directors are given rights to participate in decision-making and express opinions based on article 14-3, Securities and Exchange Act. Independent directors could use related rights and authorities independently.</p>	2
Independent Director	Chao, Shih-I	<p>Educational degree: Master of Real Estate Development, MIT</p> <p>Experience: President of Polaris Securities, Hong Kong Branch; currently as Chairman of Huachuan Asset Management Co. Ltd. and Chairman of Social Entertainment Enterprise Co., Ltd.</p> <p>Specialty: Operational Judgment, Leadership Decision, Business Management, Crisis Management, Being possessed with Industry knowledge and International market perspective, being possessed with experiences as a Professional Manager.</p> <p>Not under any conditions defined in Article 30 of the Company Act.</p>	<p>Supervision Commission and article 14-2, Securities and Exchange Act; and independent directors are given rights to participate in decision-making and express opinions based on article 14-3, Securities and Exchange Act. Independent directors could use related rights and authorities independently.</p>	0

(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 2022. 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	3	0	100	
Member	Cheng, Fu-Yueh	2	1	67	
Member	Chao, Shih-I	2	1	67	

Scope of the Remuneration Committee's powers and responsibilities:

1. 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.
2. When performing the duties in the preceding paragraph, the committee shall comply with the following principles:
  1. Ensure that the Company's salary and remuneration comply with relevant laws and regulations and are attractive to outstanding talents.
  2. 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.
  3. Directors and managers shall not be led to engage in behavior in pursuit of remuneration that is outside the Company's risk appetite.
  4. 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.
  5. 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.

1. 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

2. 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 the recent year 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:
2022/01/20 (the 2nd time of the 5th term)	1. 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 (the 3rd time of the 5th term)	1. Review of Vice Presidents' remuneration. 2. Distribution of 2021 employees' and directors' remuneration.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2022/12/12 (the 4th time of the 5th term)	1. Review of Directors which at the same time being Presidents' remuneration.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2023/01/16 (the 5th time of the 5th term)	1. The 2022 year-end bonus payment standard for managerial officers..	Approved by all committee members without objection.	Submitted to and approved by the board of directors.
2023/03/14 (the 6th time of the 5th term)	1. Distribution of 2022 employees' and directors' remuneration.	Approved by all committee members without objection.	Submitted to and approved by the board of directors.

(4-1) Information on the operation of member information of Nomination Committee: Not applicable.

(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
	Y es	N o	
I. Has the Company established	V		The Company established "CSR Committee" in

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	
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?			2020 with the President the chair and other personnel in elated department 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 based on the vision and mission of the Company's ESG policy as the highest-level sustainable development decision-malign center within the Company. 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 malls management. The scope of risk management covers the governance, environmental and social aspects, and the team formulates relevant risk management policies or strategies.
<b>II.</b> 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).
<b>III.</b> Environmental issues <b>(I).</b> Has the Company established an appropriate environmental management system based on its industrial characteristics?  <b>(II).</b> Is the Company committed to improving energy efficiency and using recycled materials with less negative effects on the environment?  <b>(III).</b> Does the Company assess the potential risks and possibilities of climate	V  V  V		<b>(I).</b> In addition to complying with domestic environmental safety and health regulations, the Company follows international standards and has obtained ISO 14001 environmental management system certification (valid from June 1, 2022 through May 31, 2025).  <b>(II).</b> 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.  <b>(III).</b> We have not yet assessed our potential risks and possibilities of climate change for now and in the future and taken

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	
<p>change to the company now and in the future and take relevant countermeasures?</p> <p>(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?</p>	V		<p>measures to respond to climate-related issues. We will make improvement gradually in the future.</p> <p>(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 2021 and 2022 are 10839.697 CO<sub>2</sub>e and 13113.304 CO<sub>2</sub>e, respectively. Our water consumption in 2021 and 2022 is 98268 tons and 125045 tons, respectively. Our total weight of waste in 2021 and 2022 is 858.51 tons and 995.76 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 aiming to reduce carbon emissions by 1% in 2023. We recycle and reuse 100% of process cooling water and about 50% 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.</p>
<p>IV. Social issues</p> <p>(I). Does the Company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?</p>	V		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	
(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		<p>the labor laws and regulations where the Company is located, while preventing any human rights violations.</p> <p>Implementation of the human rights policy and specific projects:</p> <ol style="list-style-type: none"> <li>1. Comply with the labor laws and regulations where the Company is located, and provide employees a safe, hygiene, and healthy working environment.</li> <li>2. Prohibition of employing child labors.</li> <li>3. Create a fair working environment. No differential treatment and discrimination would be present due to gender, sexual orientation, age, race, religion, and political standpoint.</li> <li>4. Focus on communication channels between labor relations, and respect employees' freedom of privacy and association.</li> </ol> <p>Employee training: Total 162 people participating, with 1,358 hours.</p> <p>(II). Employee benefits: The Company would appropriate welfare fund through the law, set Welfare Committee, and conduct different policies related to welfare such as each kind of bonus: performance of production bonus, renewable improvement bonus, and year-end bonus.</p> <p>The Company provides all employees are entitled to labor insurance, health insurance, and group insurance, as well as travel insurance for business trip. Also provide professional medical room, free and regular physical examination, free dormitory for employees who come from cities far away from the Company, free catering service, subsidies on various activities, marriage, funeral, hospitalization, and birthday, scholarship for employees and their children, system of employee stock ownership trust to</p>



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	
			<p>take care of the employees in many different aspects in life and enhance employees' centripetal force and belongingness.</p> <p>Arrange interviews with specific department or new recruits weekly. Newly set employee suggestion mailbox in all factories for reaching the goal of both-side communications.</p> <p>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 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.</p> <p>Qualifications for applying for retirement:</p> <ol style="list-style-type: none"> <li>1. Work for over 15 years and at the same time reach the age of 55.</li> <li>2. Work for over 25 years.</li> <li>3. Work for over 10 years and at the same time reach the age of 65.</li> </ol> <p>Procedure for applying for retirement: Please fill in "application form for voluntary retirement form" 3 months before.</p> <p>The Company has also formulated relevant personnel management regulations, and our minimum wages, working hours, leave, pension</p>

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	
(III). Does the Company provide a safe and healthy work environment for employees and regularly implement safety and health education for employees?	V		<p>contribution, labor and health insurance, as well as occupational accident compensation are all in compliance with the Labor Standards Act. 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.</p> <p>(III). Environmental safety and health department in the Company designates a responsible department of safety and hygiene department for executing and promoting. They are responsible for business of environment protection, edition, safety, and hygiene. The Company has management regulations such as "Management Regulations for Environment Protection". "planning and management of environment", "Rules of inspection on Health, Safety, and Environment", "Rules to handle abnormal environment", "company annual holding rules to handle occupational injury", and "Management of labor safety and health" to well manage air, water, waste, toxin, and firefighting. In addition, yearly physical examination is held regularly. Through health lecture, activity, and online propaganda, make sure employees are fully aware of their health condition and possessed with knowledge and methods for self-health management. As for safe work, the Company cultivates employees' abilities for emergencies and correct concept of safety, enhances employees' cognitive skill, and reduces possibility for accidents caused by unsafe behaviors to happen through continuous trainings and propaganda.</p> <p>Implementations:</p> <ol style="list-style-type: none"> <li>1. The Company examines and fixes firefighting equipment regularly and optimizes devices of safety and health.</li> <li>2. The Company employs the nurse in</li> </ol>

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	
(IV). Does the Company establish effective career development training programs for its employees?	V		factory and prepares AED machines. For the annual physical examination, the Company also invites professional specialists serving in the factory. 3. The Company holds Trainings for labor safety and health regularly and irregularly every year to build thoughts for preventing hazard.. (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 obtained ISO9001 Quality Management System and enacts management and policy for personal information protection. It would be managed by different departments to protect customer's privacy. There is a regulation for marks on tire products in global markets. The Company's products are sold world widely. All products are compliance with requests from law in specific areas. The Company has set up a section dedicated to stakeholders, customer service hotline, and consult and appeal for customers to contact with worldwide dealers. .
(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	V		(VI). The Company has formulated a supplier management policy to manage suppliers. Those who have passed ISO14001 environmental certification will be reviewed and adopted first. We regularly implement safety and health management of suppliers such as trainings for labor safety, protocol of safe work, 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
	Y es	N o	
implementation?			implementation of toolbox talks before the construction. Besides, signing affidavit to work safely and promising to follow laws and regulations of occupational safety and hygiene are also requested.
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.
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.			

(5-1) Climate-Related Information of TWSE/TPEX Listed Company: Temporarily not disclosure.

(6)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		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Y es	N o		
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 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 and related regulations on the MOPS and the Company's website.	
(II). Has the Company established an evaluation mechanism for the risk of dishonesty behaviors? Does the Company regularly analyze and evaluate business activities with a	V		(II). The prevention plan stipulated in the Company's Ethical Corporate Management Best Practice Principles covers the preventive measures for the conduct below: I. Giving and receiving bribes. II. Providing illegal political	

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	
<p>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?</p> <p><b>(III).</b> 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?</p>	V	<p>donations.</p> <p>III. Improper charitable donation or sponsorship.</p> <p>IV. Offering or accepting unreasonable gifts, entertainment, or other improper benefits.</p> <p>V. Infringing business secrets, trademarks, patents, copyrights, and other intellectual property rights.</p> <p>VI. Engaging in unfair competition.</p> <p>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.</p> <p><b>(III).</b> 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.</p>	
<p>II. Corporate Conduct and Ethics Compliance Practice</p> <p><b>(I).</b> Has the Company conducted investigation regarding unethical records with whomever the</p>	V	<p><b>(I).</b> The Company performs contract obligations in a fair and ethical manner while strictly abiding by the relevant laws, regulations, and</p>	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	
<p>Company doing business with, and included business conduct and ethics-related clauses in the business contracts?</p> <p>(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)?</p>	Y	N	<p>contract terms, and we evaluate the counterparty of a contract based on the same principle.</p> <p>(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).</p> <p>Implementation:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Employees can provide deed back to management at different levels and human resources units through multiple smooth channels.</li> <li>3. We offer courses and training to new recruits and raise employees' awareness many times.</li> <li>4. The HR Department reported on the implementation status to the board of directors on March 14, 2023.</li> </ol>

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	
<p><b>(III).</b> Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?</p> <p><b>(IV).</b> 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?</p> <p><b>(V).</b> Does the Company provide training regarding ethic compliance practice regularly?</p>	V	V	<p><b>(III).</b> The clause of interests avoidance in “Procedures for Ethical Management and Guidelines” , requesting directors, managerial officers, and all employees prevent interest-conflicting and improper profits. Reduce probability and influence of occurring conflict of interest through setting public channels for report and declarative system.</p> <p><b>(IV).</b> The Company has established an effective accounting system and internal control system, and auditors makes audit plan based on the result of auditing the compliance therewith. The contents include audit objectives, scope, items, frequency. The result of audit would be made and reported to Audit Committee and the Board of Directors.</p> <p><b>(V).</b> The Company held internal and external education and training on ethical management issues in 2022 with a total of 162 participants for a total of 1,358 hours.</p>
<p>III. Channels for reporting any ethical irregularities</p> <p><b>(I).</b> Does the Company provide employees with external professional training incentives and internal education training courses every year to improve their awareness of integrity?</p>	V		N/A



Evaluation Items	Operational Status		Summary	Discrepancy between the corporate governance principles implemented by the Company and the Principles and the reason for the discrepancy
	Y es	N o		
(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		(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 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 disclosed information relating to the Company's "Code of Business Conduct" on its website and MOPS. And also the results of it are published on its website.	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: The Company's website discloses "Corporate Governance Best Practice Principles", "Regulations Governing Procedure for Board of Directors Meetings", and "the section dedicated to stakeholders" implement the ethical management through the concept of sustainable development.				

(7) 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([https://federalcorporation.com.tw/tc/Corporate\\_Governance.php](https://federalcorporation.com.tw/tc/Corporate_Governance.php)).

(8) 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([https://federalcorporation.com.tw/tc/Corporate\\_Governance.php](https://federalcorporation.com.tw/tc/Corporate_Governance.php)).

(IX) Internal Control System Execution Status

i. Statement of Internal Control System:

Federal Corporation

Statement on Internal Control System

Date: March 14, 2023

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 2022:

- 一、 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.
- 二、 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.
- 三、 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.
- 四、 CH Biotech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- 五、 Based on the findings of such evaluation, CH Biotech believes that, on December 31, 2022, 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.
- 六、 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.
- 七、 This Statement was passed by the Board of Directors in the meeting held on March 14, 2023, with none of the 9 attending directors expressing dissenting opinions. They all affirmed the content of this Statement.

Federal Corporation

Chairman: Chen, Heng-Kuan (signature/seal)

President: Chen, Heng-Kuan (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 2021.	Has been disclosed on the Market Observation Post System (MOPS) and the Company's website on March 31, 2022.
2	Passed Statement of deficit compensation for 2021.	The loss after tax of the Company in 2021 was NTD 2,349,963,706. Adding beginning retained earnings NTD 16,578 818 and 2021 adjustment of retained earnings (actuarial gains and losses of pension and profits from selling out marketable securities) NTD 510,001,642, the end-of-year accumulated deficit was NTD 1,823,383,246.
3	Passed the partial amendments to "the Articles of Incorporation".	Made an announcement on the Company's website and was approved by Ministry of Economic Affairs on July 4, 2022.
4	Passed to revise part of articles in "Rules of Procedure for Shareholder Meetings".	Made an announcement on the Company's website on June 15, 2022. And would be disposed according to the revised procedures.
5	Passed to revise part of articles in "procedures for the acquisition or disposal of assets".	Has been disclosed on the Company's website on June 15, 2022.
6	Passed a decision through independent development for the disposal of the 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.	Be effective after decision 2022 General Shareholders' Meeting. Currently this is still under evacuation.

Important resolutions by the board of directors:

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
2022/01/20 (the 6th times of the 24th term)	1. Passed the 2021 year-end bonus payment standard for managerial officers.	N/A	N/A
2022/03/15 (the 7th times of the 24th term)	1. Passed the financial statements and business report for 2021. 2. Passed the statement of deficit compensation for 2021. 3. Passed the distribution of 2021 employees'	N/A	N/A

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
	<p>and directors' remuneration.</p> <p>4. Passed the 2021 Statement on Internal Control System.</p> <p>5. 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.</p> <p>6. 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.</p> <p>7. 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.</p> <p>8. Passed the application to various financial institutions for renewal of contracts or increase of financing facilities.</p> <p>9. Passed the proposal of loans to 100% owned U.S. subsidiary, Federal Tire North America LLC.</p> <p>10. Passed the provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company.</p> <p>11. Passed the provision from wholly-owned subsidiary, Federal International Holding Inc., to the Company.</p> <p>12. Passed the assessment of the independence and suitability of CPAs.</p> <p>13. Passed the appointment of the Chief Financial Officer.</p> <p>14. Passed the review of Vice Presidents' remuneration.</p> <p>15. Passed the partial amendments to the Articles of Incorporation.</p> <p>16. Passed the amendments to the Company's Rules of Procedure for Shareholders' Meetings.</p> <p>17. Passed the amendments to the Procedures for Asset Acquisition and Disposal.</p>		
2022/04/27 (the 8th times of the 24th	1. Passed a decision to include the public auction of land or equity or independent development for the disposal of subsidiary	N/A	N/A

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
term)	<p>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.</p> <p>2. 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.</p> <p>3. Passed the revision of the reasons for convening the 2022 General Shareholders' Meeting.</p>		
2022/05/11 (the 9th times of the 24th term)	<p>1. 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.</p> <p>2. Passed the 2022 Q1 financial report.</p>	N/A	N/A
2022/08/10 (the 10th times of the 24th term)	<p>1. Passed 2022 Q2 financial report.</p> <p>2. Passed Demerger of wholly-owned subsidiary, Taicheng Development Co., Ltd., to establish a new company.</p>	N/A	N/A
2022/11/09 (the 11th times of the 24th term)	<p>1. Passed 2022 Q3 financial report.</p> <p>2. Passed the determination from the Company to merge with two subsidiaries which are Taicheng Development Co., Ltd. and Taixin Construction Co., Ltd.</p> <p>3. Passed Federal Corporation or formulation of application of financing from the bank through having lands of the subsidiary, Taicheng Development Co., Ltd., Rongcheng Development Co., Ltd., FU CHEN CERAMIC CO., LTD., or Taixin Construction Co., Ltd. as guarantees.</p> <p>4. Passed Statement of the Company address change.</p> <p>5. Passed to submit to 2023 annual Audit Plan.</p> <p>6. Passed the newly added (revised) Regulations for Internal Control for domestic and oversea Trade receivables which are past due.</p> <p>7. Passed the revision of "rules of procedure of the Board meeting"</p>	N/A	N/A

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
	8. Passed the revision of "Procedures for Insider Trading Prevention and Handling Material Inside Information".		
2022/11/18 (the 12th times of the 24th term)	1. Passed the election of Chairman. 2. Passed the election of President.	N/A	N/A
2022/12/12 (the 13th times of the 24th term)	1. Passed the review of remuneration to Chairman at the same time being President. 2. Passed the application of financing from the bank. 3. Passed proposal of loans to 100% owned Taixin Construction Co., Ltd. 4. Passed the revision of "rules of procedure of the Board meeting".	N/A	N/A
2023/1/16 (the 15th times of the 24th term)	1. Passed standard of 2022 year-end bonus payment of managerial officers. 2. Passed the application of financing in Entire Commercial Bank.		
2023/2/10 (the 16th times of the 24th term)	1. Passed cash dividend distribution proposal in first half year, 2022. 2. Passed Proposed to authorize given to Directors of Federal Corporation and all other subsidiaries who are included because of the lands to manage the pre-sale and bidding of part of lands that are acquired due to land readjustment by Federal Corporation wholly-owned FU CHEN CERAMIC CO., LTD., Rongcheng Development Co., Ltd., Taicheng Development Co., Ltd. 3. Passed complete termination of production of the Company's GuanYin Plant due to productivity adjustment.	1. N/A 2. N/A 3. Objections from Independent Director, Chao, Shih-I, he indicates that (1) budget and cash flow on decisions of pause production are narrow on related information (2) schedule after pause production needs to be reported at the right	1. N/A 2. N/A 3. Announcement of English material information according to the regulations.

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
2023/3/14 (the 17th times of the 24th term)	<ol style="list-style-type: none"> <li>1. Passed 2022 unaudited annual financial information and business report.</li> <li>2. Passed 2022 Statement of deficit compensation.</li> <li>3. Passed the second half year of 2022 cash dividend Distribution Statement.</li> <li>4. Passed the distribution of 2022 employees and director's remuneration.</li> <li>5. Passed 2022 Statement of “Statement on Internal Control System”.</li> <li>6. Passed the proposal of Federal Corporation, subsidiaries FU CHEN CERAMIC CO., LTD. and Rongcheng Development Co., Ltd. through negotiation, self-development or joint development on the case of reserve price for the public bidding to manage lands readjustment in TaiFeng, ZhongLi District.</li> <li>7. Passed to strengthen the financial structure of the Company and to conduct engineering and development of lands readjustment in TaiFeng, ZhongLi District; plan to include the public auction of part of land for the disposal of pre-sale company after the land adjustment (including original Taicheng Development Co., Ltd., Rongcheng Development Co., Ltd., and FU CHEN CERAMIC CO., LTD.) and dispose related matters.</li> <li>8. Passed the date, place, reason for convening the 2023 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.</li> <li>9. Passed the assessment of the independence and suitability of CPAs</li> <li>10. Passed the review of 2023 Auditor Remuneration Statement.</li> <li>11. Passed the application to various financial institutions for renewal of contracts or increase of financing facilities.</li> <li>12. Passed proposal of loans to 100% owned U.S. subsidiary, Federal Tire North America LLC.</li> <li>13. Passed provision of loans from wholly-owned U.S. subsidiary, Amberg Investments Pte Ltd., to the Company.</li> </ol>	moment. N/A	N/A
2023/4/12 (the 18th times of the 24th term)	1. Passed the revision of partial decision of 7th case, the 17th Director meeting of the 24th term: “to strengthen the financial structure of the Company and to conduct engineering and development of	N/A	N/A

Date	Resolutions	Opinions from Independent Director	The Company's response to such Independent Directors' opinions
	lands readjustment in TaiFeng, ZhongLi District; plan to include the public auction of part of land for the disposal of pre-sale company after the land adjustment (including original Taicheng Development Co., Ltd., Rongcheng Development Co., Ltd., and FU CHEN CERAMIC CO., LTD.) and dispose related matters.”		
2023/5/10 (the 19th time of the 24 term)	<ol style="list-style-type: none"> <li>1. Passed 2023 Q1 financial report.</li> <li>2. Passed the entrustment from FU CHEN CERAMIC CO., LTD. of “land readjustment in Taifeng , Zhongli, Taoyuan” about readjustment, construction, and needed related funds due to development statement.</li> </ol>	N/A	N/A

(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
2023/2/10 (the 16th times of the 24th term)	Complete termination of production of the Company's GuanYin Plant due to productivity adjustment.	<p>Director, Chao, Shih-I :</p> <ol style="list-style-type: none"> <li>1. Budget and cash flow on decisions of pause production are narrow on related information.</li> <li>2. Schedule after pause production needs to be reported at the right moment.</li> </ol> <p>Director, Chen, Chung-I:</p> <ol style="list-style-type: none"> <li>1. Why should the production line be paused? The company has perfect orders.</li> <li>2. The processes of organization optimization and manpower streamlining shall be done now or before rather than after pause production.</li> <li>3. The United States Department of Commerce decided to renew the tax rate for 4 countries in Asia (such as Korea, Taiwan, Thailand, and Vietnam). The decision would be made before July this year. For the consideration of the relationship between Taiwan and America, is it possible to discuss the pause of production at the end of July?</li> </ol> <p>Director, Yu, Chih-Ching:</p> <p>On pause production, we should not only consider the financial aspect, but the commitments for suppliers and customers. It's sorry to announce that for today we only discuss fully pausing the production or not rather than alternatives such as yield reduction.</p>

(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
President	Chiang, Ching-Hsing	2021/11/01	2022/11/18	Resignation
Chairman	Chiang, Ching-Hsing	2021/10/15	2022/11/18	Resignation
Chief Financial Officer	Chiu, Fu-Chih	2022/03/15	2023/03/15	Resignation

**V. Information on the professional fees of the attesting CPAs (external auditors)**

Unit: NTD thousand

Accounting Firm	Name of CPAs	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note1)	Total	Remarks
Baker Tilly Clock & CO	Chou, Yin-Lai	2022/01/01~2022/12/31	3,271	1,621	4,892	
	Peng, Li-Chen					

Non-audit fees:

1. NT\$26 thousand for review of full-time non-managerial employees salary information checklist
2. NT\$619.5 thousand for audit enterprise income tax returns
3. NT\$8.5 thousand for declaring members' information for oversea enterprise
4. NT\$170 thousand for reading and considering of other information
5. NT\$250 thousand for business registration
6. NT\$127 thousand for service projects related to dual-status business entities applying the direct deduction method on adjusting business tax
7. NT\$420 thousand for report of transfer pricing

1. 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:

Since (including) Q3, 2021, PCAs have been replaced. Audit fee was changed due to regulations and result of bargaining.

2. When audit fees paid for the current financial year are lower than those paid for the immediately preceding 10%:

Since (including) Q3, 2021, PCAs have been replaced. Audit fee was changed due to regulations and result of bargaining.

**VI. Information on replacement of CPAs:**

(I) About the former CPAs

Date of Change	October 15, 2021 <b>【Since (including) Q3, 2021】</b>		
Reasons and Explanation of Changes	In alignment with the Company's operation and group management.		
State whether the Appointment is Terminated or	Client	Certified Public Accountant	Consignor
	Situation Appointment		V

Rejected by the Consignor or CPAs	terminated automatically			
	Appointment rejected (discontinued)			
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None.			
Is there any disagreement in opinion with the issuer?	Yes		Accounting principle or practice	
			Disclosure of financial statements	
			Auditing scope or procedures	
			Others	
	N/A	V		
	Explanation			
Supplementary Disclosure	None.			

(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.

- VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm**  
None.

**VIII. 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	2022		Current year up to March 31, 2023	
		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: Chen, Heng-Kuan	-	-	-	-
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chiang, Ching-Hsing	-	-	-	-
Director	Nankang Rubber Tire Corp., Ltd. Representative: Chen, Yi-Jen	-	-	-	-
Director	Representative of Taiwan Insulation Applied Technology Co.: Ko, Tso-Liang	-	-	-	-
Director	Huan-Xiang Investment Co., Ltd. Representative: Yu, Chih-Ching	-	-	-	-
Director	Huan-Xiang Investment Co., Ltd. Representative: Chen, Chung-I	-	-	-	-
Independent Director	Cheng, Fu-Yueh	-	-	-	-
Independent Director	Yao, Wen-Liang	-	-	-	-
Independent Director	Chao, Shih-I	(100)	-	-	-
Vice President and Chief Financial Officer	Chiu, Fu-Chih	-	-	-	-
Head of Finance Department	Lu, Hsin-I	-	-	-	-
Deputy Head of Sales Department	Hu, Po-Chien	-	-	-	-
Head of Research and Development 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.	-	-	-	-

(II) Transfer of equity: None.  
(III) Shares pledged: None.

**IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.**

Information on the relationship among top ten shareholders

April 14, 2023

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 among the 10 largest shareholders of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
							Yuanhong Development Industry Co., Ltd.	Yuanhong Development Industrial Co., Ltd. is among the 10 largest shareholders of the major shareholders of Nankang Rubber Tire Corp., Ltd.	
							Yuanrui Development Industry Co., Ltd.	Yuanrui Development Industry Co., Ltd. is among the 10 largest shareholders of the major shareholders 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.	26,928,000	5.69	0	0	0	0	Nankang Rubber Tire Corp., Ltd.	Zhikai Development Co., Ltd. is among the 10 largest shareholders 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.	12,250,000	2.59	0	0	0	0	N/A	N/A	
Jiasheng Co., Ltd. Representative: Hsu, Wan-Hsing	10,000	0	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 among the 10 largest shareholders 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	N/A	N/A	
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 among the 10 largest shareholders 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.	
Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch	6,273,040	1.33	0	0	0	0	N/A	N/A	
Citibank (Taiwan) Ltd. in custody for Norges Bank	5,983,498	1.26	0	0	0	0	N/A	N/A	

**X. 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
Federal International Holding Inc.	62,831,062	100	0	0	62,831,062	100
Rongcheng Development Co., Ltd.	1,000,000	100	0	0	1,000,000	100
Fucheng Development Co., Ltd	800,000	100	0	0	800,000	100

Note: On November 9, 2022, the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. conducted short form merger based on Company Act and Business Mergers and Acquisitions Act. The Company was the surviving company. The reference date of the merger was arranged on November 30, 2022 and finished the merger/division registration on February 24, 2023.



## Four. Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

##### Source of Capital

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	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	300,000	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

No assets other than cash were used to contribute to the capital

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-II I 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-F a 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-F a 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-F a 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-F a 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-F a 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-F a 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

Information regarding shelf registration: None.

## (II) Structure of Shareholders

April 14, 2023

Unit: Share; %

Structure of Shareholders	Governmental Institution	Financial institution	Other legal persons	Individual	Foreign institutions and foreign individuals	Total
Quantity						
Number of persons	2	-	283	54,911	103	55,299
Number of shares held	333	-	266,226,025	172,629,343	34,473,506	473,329,207
Percentage of Shares Held	-	-	56.25	36.47	7.28	100

## (III) Status of Ownership Dispersion

April 14, 2023

NT\$10 per share

Shareholding range	No. of shareholders	Number of shares held	Shareholding (%)
1-999	43,088	4,310,574	0.91
1,000-5,000	8,308	18,020,926	3.81
5,001-10,000	1,781	13,463,035	2.84
10,001-15,000	642	7,953,070	1.68
15,001-20,000	418	7,553,672	1.6
20,001-30,000	346	8,685,620	1.84
30,001-40,000	155	5,567,080	1.18
40,001-50,000	115	5,286,973	1.12
50,001-100,000	205	15,058,713	3.18
100,001-200,000	116	16,914,924	3.57
200,001-400,000	49	13,441,069	2.84
400,001-600,000	26	12,533,391	2.65
600,001-800,000	6	4,334,604	0.92
800,001-1,000,000	3	2,710,707	0.57
1,000,001 or more	41	337,494,849	71.29
Total	55,299	473,329,207	100

## (IV) List of major shareholders

April 14, 2023  
Unit: Share; %

Shares	Number of shares held	Shareholding (%)
List of major shareholders		
Nankang Rubber Tire Corp., Ltd.	148,768,000	31.43
Zhikai Development Co., Ltd.	26,928,000	5.69
Taifu Investment Co., Ltd.	25,590,991	5.41
Huan-Xiang Investment Co., Ltd.	15,605,882	3.30
Jiasheng Co., Ltd.	12,250,000	2.59
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
Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard Group under custody of JPMorgan Chase Bank, N.A., Taipei Branch	6,273,040	1.33
Citibank (Taiwan) Ltd. in custody for Norges Bank	5,983,498	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		2022	2021	Current year up to March 31, 2023
	Market price per share	Highest		29.9	35.35
Lowest		17.65	16.5	19.35	
Average		22.44	25.26	20.89	
Net value per share	Before dividends distribution		8.66	11.55	7.60
	After dividends distribution		8.66	11.55	-
Earnings per Share	Weighted average		459,574	459,574	459,574
	Earnings per Share		(2.95)	(5.11)	(1.07)
Dividends per share	Cash dividends		-	-	-
	Share dividends	profit distribution	-	-	-
		APIC shares	-	-	-
	Cumulative un-paid dividends		-	-	-
Analysis on ROI	Price-earnings ratio		Not applicable	Not applicable	-
	Price-dividends ratio		Not applicable	Not applicable	-

Item	Year	2022	2021	Current year up to March 31, 2023
	Dividend yield	0.00	0.00	-

(VI) Dividend Policy and Execution Status:

(1) Dividend Policy:

The Company would process Retained earnings or deficit compensation after every half fiscal year. Where the Company makes a profit in the half and 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. If it is issued as new shares, it shall be reported to the shareholders' meeting and then distribute them.

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:

As the deficit to be compensated at the end of 2022 is in the amount of NTD 3,179,063,577, it is planned not to distribute cash dividend in the last half year.

(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 0.1% - 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 2022 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 2022 was NT\$1,348,482,593, 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 2021:

There is no difference between the actual amount of said remuneration distributed and the amount recognized in the 2021 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 U.S. Department of Commerce (DOC), at the end of 2020, suddenly imposed anti-dumping duties on Taiwan's tire manufacturers. The Company would be imposed with a heavy duty reaching at a rate of 84.75%. 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. As a result, both our operating income and profit have been severely hit.

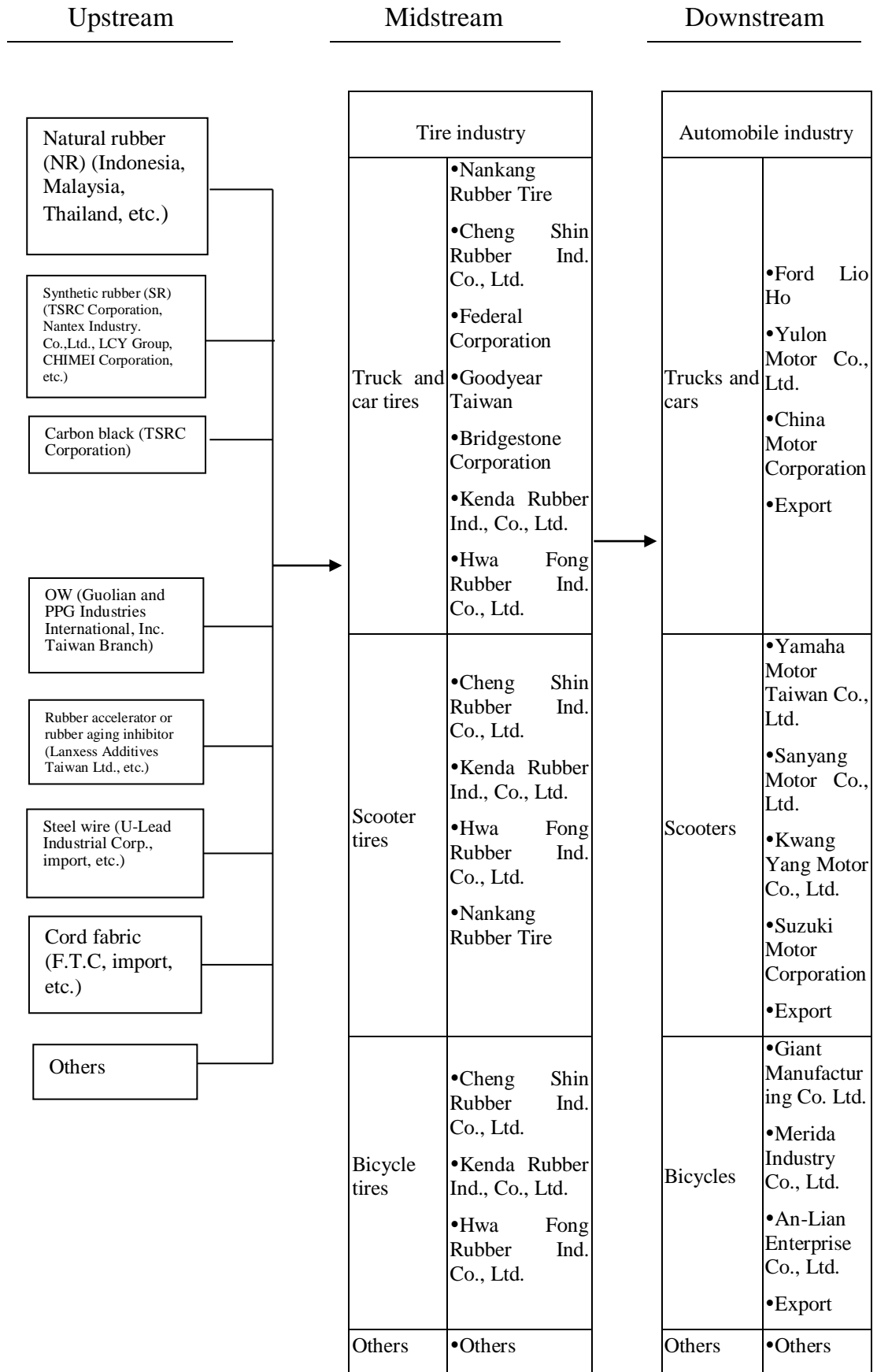
##### (2) Market analysis:

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 and the recovery of global economic are present, operating income and profit of the Company still have been severely hit due to the anti-dumping policies from the U.S.

##### (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:

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.

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\$79,078 thousand in 2022.
- b. NT\$13,562 thousand as of March 31, 2023.

(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

Stay selling and marketing normally. In the period of pause in production, deliver stock as an alternative, ensuring original clients' rights not be influenced. Undertake the outsourced tires from other manufacturers or sell tires that are parallel imported. Simultaneously the oversea OEM project starts. Maintain transactions with original

clients as well as the income of business.

(2) Long-term plan

In the next 2 years, the Company would continue sustaining sales channels. In the future, if the anti-dumping duties are cancelled and lead to strong requirements from the customers, GuanYin Factory will restore producing.

## **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) Future market supply/demand and growth potentials:

Global economy is still uncertain and anti-dumping duties are present. They bring severe hit to the Company's selling and profit. 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.

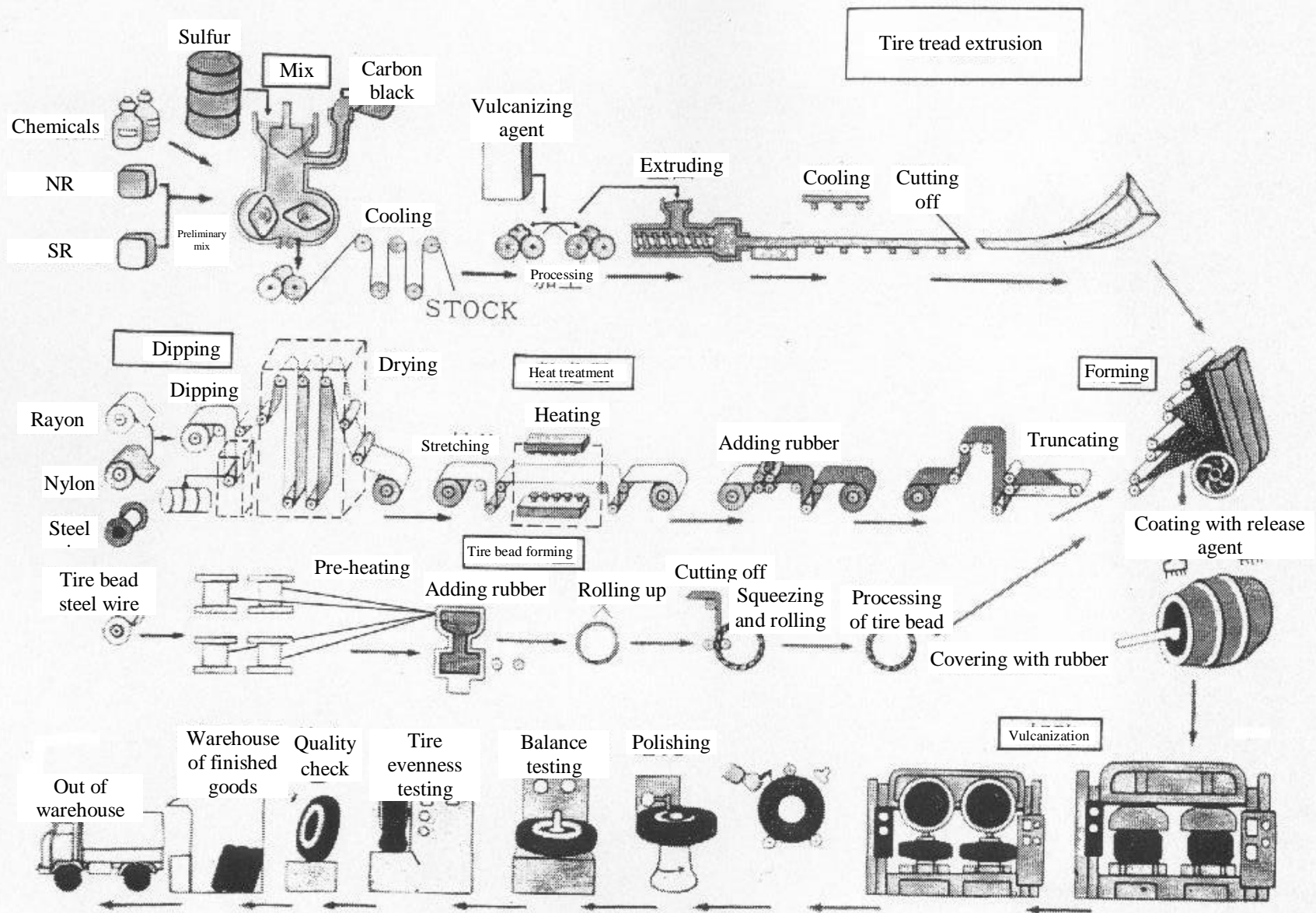
ii. Unfavorable factors and response policy:

The U.S. anti-dumping laws are still present now. The laws still bring enormous impacts on the Company in marketing and profiting. To consider shareholders' maximum profit and Company's operation in the future, and to refrain from further loss, the Company released an announcement of a temporary pause of production line in the Guanyin factory on February 10, 2023. At a short notice, oversea OEM in Vietnam or South East countries would be sought. For review and further discussions on the positioning of supply chain and layout of domestic and overseas marketing.

(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	74,435	A
SR	194,668	B
Cord fabric	77,296	C
Carbon black	160,798	D
Steel wire and steel wire cord fabric	84,328	E
Chemicals	124,575	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; %

Item	2022				2021				As of the previous quarter of 2023			
	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	130,753	16	N/A	A	162,877	22	N/A	A	8,187	15	N/A
2	B	83,244	10	N/A	B	83,766	11	N/A	B	6,916	13	N/A
3									C	5,932	11	N/A
4	Others	609,567	74		Others	489,205	67		Others	34,023	61	
	Net	823,564	100		Net	735,848	100		Net	55,058	100	

Client

Unit: NTD thousand; %

Item	2022				2021				As of the previous quarter of 2023			
	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
276,402	Others	1,615,632	100	N/A	Others	1,561,241	100		Others	276,402	100	
	Net sales	1,615,632	100	N/A	Net sales	1,561,241	100		Net sales	276,402	100	

## (V) Production for the most recent 2 fiscal years

Unit: Unit; NTD thousand

Main products \ Year	2022			2021		
	Production capability	Production volume	Production value	Production capability	Production volume	Production value
Outer cover tire	2,475,000	1,107,385	1,418,648	3,469,619	920,762	1,218,633
Others	-	-	-	-	-	-
Total	2,475,000	1,107,385	1,418,648	3,469,619	920,762	1,218,633

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

Unit: Unit; NTD thousand

Main products \ Year	2022				2021			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Outer cover tire	232,540	338,038	1,055,637	1,277,594	234,889	287,922	858,498	1,273,319
Others	-	-	-	-	-	-	-	-
Total	232,540	338,038	1,055,637	1,277,594	234,889	287,922	858,498	1,273,319

### 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		2022	2021	Current year up to March 31, 2023
No. of employees	Direct labor	132	144	132
	Indirect labor	335	346	215
	Management personnel	57	56	53
	Total	524	546	400
Average age		39	39	40
Average years of service		8	8.3	8.5
Percentage of educational background	Doctorate	0%	0.2%	0%
	Master's	3%	3.5%	4%
	College level	39%	40.8%	39%
	High school level	47%	45.1%	47%
	Below high school	10%	10.4%	10%

### 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\$13,644 thousand in 2022.



NT\$3,860 thousand as of March 31, 2023.

## 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. Cyber 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:

- Should install antivirus software on each server and PC; and automatically update virus pattern.
- Should install Information Security Module in mail system such as spam filter, malicious software detection, and management module of attachment control, to strengthen safety of mail security.
- Indeed back up information in each application system and database,

remember to mark data, name of system, and contents of data for the backup data; and should be stored in different spots.

- Irregularly conduct drill and plan of disaster recovery on each information system.
- Regularly implement Vulnerability Assessment aiming at application system and server; to plan for risks response in advance.
- According to level of risks for information system, set automatic and timing backups every month, every week, and every day.
- For important systems, build remote backup.
- Station monitoring devices of information security in the Company.

(2) Manage network security and access control

- Indeed conduct account authority control; set authority control for database and file access.
- Password should have at least 8 characters and be complicated pattern; change the password regularly.
- For personnel change, their account authority should be updated within 24 hours.
- Use encryption technology to transmit information online.
- Isolate important internal web and application systems from external web through firewall.
- Set Computer Cyber security management Procedures and Cyber Security Management Procedures for improving management on alertness on information.

(3) 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
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
Long-term borrowings	Hua Nan Commercial Bank	2018.02.22 ~ 2038.02.22	Medium- to long-term loan contract	N/A
OEM contract	XT TYRE	2023.03.01 ~ 2030.12.31	MANUFACTURING AND SUPPLY	Without the consent of the company, the people who are involved shall not transfer the company's order to a third party for manufacturing.

## Six. Financial Status

### 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

Year		Financial data for the most recent 5 fiscal years					Current year up to March 31, 2023
		2018	2019	2020	2021	2022	
Item							
Current assets		3,553,384	4,167,690	5,061,611	4,924,485	4,461,254	2,208,485
Property, plant and equipment		9,929,915	8,765,188	8,687,618	6,327,402	5,267,036	5,188,863
Intangible assets		26,305	18,661	10,531	14,600	10,219	9,347
Other assets		689,016	651,536	816,045	305,142	279,781	2,293,316
Total assets		14,198,620	13,603,075	14,575,805	11,571,629	10,018,290	9,700,011
Current liability	Before dividends distribution	1,204,298	1,531,549	2,531,446	1,784,319	1,758,781	1,837,957
	After dividends distribution	1,204,298	1,531,549	2,540,913	1,784,319	1,758,781	1,837,957
Non-current liability		4,965,987	4,751,736	4,500,934	4,479,285	4,279,157	4,368,830
Total liability	Before dividends distribution	6,170,285	6,283,285	7,032,380	6,263,604	6,037,938	6,206,787
	After dividends distribution	6,170,285	6,283,285	7,041,847	6,263,604	6,037,938	6,206,787
Attributable to owners of the parent company		8,028,335	7,319,790	7,543,425	5,308,025	3,980,352	3,493,224
Share capital		4,733,292	4,733,292	4,733,292	4,733,292	4,733,292	4,733,292
Capital reserve		145,746	156,764	156,764	156,764	156,764	156,764
Retained earnings	Before dividends distribution	3,263,457	2,584,233	2,675,169	825,740	(529,941)	(1,022,054)
	After dividends distribution	3,263,457	2,584,233	2,665,702	825,740	(529,941)	(1,022,054)
Other equity		68,875	28,536	161,235	(224,736)	(196,728)	(191,743)
Treasury stock		(183,035)	(183,035)	(183,035)	(183,035)	(183,035)	(183,035)
Non-controlling interests		-	-	-	-	-	-
Total equity	Before dividends distribution	8,028,335	7,319,790	7,543,425	5,308,025	3,980,352	3,493,224
	After dividends distribution	8,028,335	7,319,790	7,533,958	5,308,025	3,980,352	3,493,224

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, 2023
	2018	2019	2020	2021	2022	
Operating revenue	5,008,113	4,541,002	5,704,663	1,561,241	1,615,632	276,402
Operation gross profit (loss)	347,260	685,815	1,302,019	(734,834)	(31,066)	(58,853)
Operating profit (loss)	(922,899)	(386,034)	247,218	(1,848,153)	(728,825)	(478,845)
Non-operating revenues and expenses	(462,459)	(276,394)	(104,335)	(452,790)	(625,721)	(13,170)
Net income (loss) before tax	(1,385,358)	(662,428)	142,883	(2,300,943)	(1,354,546)	(492,015)
Net income (loss) on continuing operations in this period	(1,239,294)	(660,770)	111,477	(2,349,964)	(1,356,210)	(492,113)
Loss on discontinued operations	13,726	(8,793)	-	-	-	-
Net income (loss) in this period	(1,225,568)	(669,563)	111,477	(2,349,964)	(1,356,210)	(492,113)
Other comprehensive income for the period (net of tax)	(186,543)	(50,000)	112,158	124,031	28,537	4,985
Total comprehensive income for the period	(1,412,111)	(719,563)	223,635	(2,225,933)	(1,327,673)	(487,128)
Income (loss) attributable to owners of the parent company	(1,225,568)	(669,563)	111,477	(2,349,964)	(1,356,210)	(492,113)
Income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income (loss) attributable to owners of the parent company	(1,412,111)	(719,563)	223,635	(2,225,933)	(1,327,673)	(487,128)
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per Share	(2.67)	(1.46)	0.24	(5.11)	(2.95)	(1.07)

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

Year		Financial data for the most recent 5 fiscal years				
		2018	2019	2020	2021	2022
Item						
Current assets		2,399,157	2,796,448	3,801,433	1,618,190	2,799,078
Property, plant and equipment		6,738,455	6,461,985	6,396,230	5,996,071	5,002,183
Intangible assets		26,305	18,661	10,531	14,600	10,219
Other assets		4,360,470	3,570,071	3,676,185	3,358,529	1,988,746
Total assets		13,524,387	12,847,165	13,884,379	10,987,390	9,800,226
Current liability	Before dividends distribution	1,132,082	1,318,778	2,384,093	1,826,936	1,735,089
	After dividends distribution	1,132,082	1,318,778	2,393,560	1,826,936	1,735,089
Non-current liability		4,363,970	4,208,597	3,956,861	3,852,429	4,084,785
Other liability		-	-	-	-	-
Total liability	Before dividends distribution	5,496,052	5,527,375	6,340,954	5,679,365	5,819,874
	After dividends distribution	5,496,052	5,527,375	6,350,421	5,679,365	5,819,874
Share capital		4,733,292	4,733,292	4,733,292	4,733,292	4,733,292
Capital reserve		145,746	156,764	156,764	156,764	156,764
Retained earnings	Before dividends distribution	3,263,457	2,584,233	2,675,169	825,740	(529,941)
	After dividends distribution	3,263,457	2,584,233	2,665,702	825,740	(529,941)
Other equity		68,875	28,536	161,235	(224,736)	(196,728)
Treasury stock		(183,035)	(183,035)	(183,035)	(183,035)	(183,035)
Total equity	Before dividends distribution	8,028,335	7,319,790	7,543,425	5,308,025	3,980,352
	After dividends distribution	8,028,335	7,319,790	7,533,958	5,308,025	3,980,352

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				
	2018	2019	2020	2021	2022
Operating revenue	4,188,813	4,274,885	5,399,165	1,190,691	1,493,801
Operation gross profit	375,462	575,796	1,190,055	(704,801)	(97,185)
Operating profit (loss)	(554,582)	(335,766)	253,999	(1,670,557)	(672,849)
Non-operating income and expenses	(822,881)	(345,165)	(128,571)	(672,447)	(675,634)
Net income (loss) before tax	(1,377,463)	(680,931)	125,428	(2,343,004)	(1,348,483)
Income (loss) on continuing operations	(1,225,568)	(669,563)	111,477	(2,349,964)	(1,356,210)
Income or loss on discontinued operations	-	-	-	-	-
Net income (loss) in this period	(1,225,568)	(669,563)	111,477	(2,349,964)	(1,356,210)
Other comprehensive income for the period	(186,543)	(50,000)	112,158	124,031	28,537
Total comprehensive income for the period	(1,412,111)	(719,563)	223,635	(2,225,933)	(1,327,673)

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
2022	Chou, Yin-Lai and Peng, Li-Chen	Unqualified
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



## II. Financial analysis for the past 5 fiscal years

### Financial analysis

Analysis items		Year	Financial analysis for the most recent 5 fiscal years					Current year up to March 31, 2023
		2018	2019	2020	2021	2022		
Financial Structure (%)	Debt-asset ratio	43.45	46.19	48.24	54.12	60.26	63.98	
	Long-term fund to property, plant and equipment	130.86	137.72	138.63	154.68	156.81	151.51	
Solvency %	Current Ratio	295.05	272.12	199.94	275.98	253.65	120.15	
	Quick Ratio	195.16	150.59	122.01	98.46	82.37	75.62	
	Times interest earned	(2,021.04)	(745.28)	320.56	(3,515.50)	(1,613.29)	(1,870.42)	
Operating performance	Account receivable turnover (times)	3.85	3.94	4.85	1.77	4.14	3.33	
	Days sales in account receivable	94.80	92.63	75.25	206.21	88.16	109.60	
	Inventory turnover (times)	3.26	3.55	4.21	2.47	2.23	2.52	
	Account payable turnover (times)	19.18	16.72	15.03	12.12	22.88	28.16	
	Average days in sales	111.96	102.81	86.69	147.77	163.67	144.84	
	Rate of property, plant buildings and equipment turnover (times)	0.48	0.48	0.65	0.20	0.27	0.21	
	Total asset turnover (times)	0.33	0.32	0.40	0.11	0.14	0.11	
Profitability	Return on assets	(7.92)	(4.36)	1.16	(17.58)	(11.98)	(19.15)	
	Return on shareholders' equity	(14.35)	(8.72)	1.5	(36.57)	(29.20)	(52.67)	
	Income before tax as a percentage of paid-in capital (%)	(29.26)	(13.99)	3.02	(48.61)	(28.61)	(41.57)	

	Net profit margin	(24.47)	(14.74)	1.95	(150.51)	(83.94)	(178.04)
	Earnings per share (NTD)	(2.66)	(1.45)	0.24	(5.11)	(2.95)	(1.07)
Cash flows	Cash flow ratio	33.39	30.49	23.46	(42.69)	(3.62)	(5.42)
	Cash flow adequacy ratio	83.20	73.28	51.17	1.16	44.68	12.50
	Cash re-investment ratio	2.08	2.84	3.55	(4.41)	(0.38)	(0.63)
Leverage	Operating leverage	(1.78)	(3.72)	8.42	0.08	(0.49)	0.10
	Financial leverage	0.93	0.83	1.35	0.96	0.90	0.95

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

1. Times interest earned, Return on assets, Return on shareholders' equity, Income before tax as a percentage of paid-in capital, Net profit margin, Earnings per share: current in 2022 increased by inventories net realizable (selling out the past listed Inventory Falling Price Loss), decreased by pause production in GuanYin factory, and increased by loss from the property, plant buildings, and equipment.

2. Rate of property, plant buildings and equipment turnover, and Total asset turnover: current in 2022 increased by loss from property, plant buildings, and equipment.

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

Year Analysis items		Financial analysis for the most recent 5 fiscal years					
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt-asset ratio	40.63	43.02	45.66	51.68	59.38	
	Long-term fund to property, plant and equipment	183.90	178.40	179.79	152.77	161.23	
Solvency %	Current Ratio	211.92	212.04	159.44	88.57	161.32	
	Quick Ratio	126.99	109.18	102.00	55.69	38.61	
	Times interest earned	(2,081.73)	(779.68)	295.94	(3,585.53)	(1,588.63)	
Operating performance	Account receivable turnover (times)	5.56	5.49	6.08	1.82	6.56	
	Days sales in account receivable	65.64	66.48	60.03	200.54	55.64	
	Inventory turnover (times)	3.91	4.50	5.63	2.64	2.41	
	Account payable turnover (times)	19.73	17.16	15.55	10.84	26.72	
	Average days in sales	93.35	81.11	64.83	138.25	151.45	
	Rate of property, plant buildings and equipment turnover (times)	0.61	0.64	0.83	0.19	0.27	
	Total asset turnover (times)	0.29	0.32	0.40	0.09	0.14	
Profitability	Return on assets	(8.36)	(4.60)	1.21	(18.48)	(12.44)	
	Return on shareholders' equity	(14.35)	(8.72)	1.50	(36.57)	(29.20)	
	As a percent age of paid-in capital (%)	Operating income	(11.71)	(7.09)	5.36	(35.29)	(14.21)
		Income before tax	(29.10)	(14.38)	2.64	(49.50)	(28.48)
	Net profit margin	(29.25)	(15.66)	2.06	(197.36)	(90.78)	
	Earnings per share (NTD)	(2.67)	(1.46)	0.24	(5.11)	(2.95)	
Cash flows	Cash flow ratio	39.15	15.26	21.38	(22.59)	(7.09)	
	Cash flow adequacy ratio	57.61	43.69	32.99	1.61	48.92	

	Cash re-investment ratio	2.82	1.33	3.33	(3.04)	(0.93)
Leverage	Operating leverage	(2.24)	(4.01)	7.75	0.14	(0.46)
	Financial leverage	0.89	0.81	1.33	0.96	0.89

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

1. Current ratio: current on 2022/11/09 the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. conducted short form merger; on 2022/11/30 inherited land of Zhongli factory, Taicheng Development Co., Ltd.
2. Times interest earned, Return on assets, Return on shareholders' equity, Income before tax as a percentage of paid-in capital, Net profit margin, Earnings per share: current in 2022 increased by inventories net realizable (selling out the past listed Inventory Falling Price Loss), decreased by pause production in GuanYin factory, and increased by loss from the property, plant buildings, and equipment.
3. Rate of property, plant buildings and equipment turnover, and Total asset turnover: current in 2022 increased by loss from property, plant buildings, and equipment.

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 2022 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 2023 General Shareholders' Meeting of Federal Corporation

Convener of the Audit  
Committee: Yao,  
Wen-Liang

March 14, 2023

**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, 2022, 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: Chen, Heng Kuan

March 14, 2023

## 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, 2022 and 2021 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, 2022 and 2021 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,

2022, 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, 2022, are stated as follows:

Valuation of inventories

Please refer to Note 4(6) to the consolidated financial report for the accounting policy on inventories; please refer to Note 5 to the consolidated financial report for the uncertainty of accounting estimates and assumptions of valuation of inventories; please refer to Note 6(4) 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(6) 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 and the effect of the Board of Directors' resolution on February 10, 2023 to temporarily cease production at the Guanyin Plant 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.

#### **Other matters**

The Group's consolidated financial report for the years ended December 31, 2022 and 2021 was audited by other CPAs, by whom an audit report with an unqualified opinion was issued and an audit report was issued 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, 2022. 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 14, 2023

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

Unit: NTD thousand

Assets		Note	December 31, 2022		December 31, 2021	
Code	Account		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6(1)	\$ 1,136,348	11	\$ 1,280,779	11
1136	Financial assets at amortized cost - current	4, 6(2) and 8	60,199	1	107,281	1
1150	Notes receivable, net	4, 6(3)	39,794	—	65,674	1
1170	Accounts receivable, net	4, 6(3)	187,899	2	286,685	2
1200	Other receivables	4 and 7	18,318	—	14,820	—
1220	Current income tax assets	4 and 6(24)	6,077	—	1,336	—
130x	Inventories	4 and 6(4)	424,650	4	554,843	5
1410	Prepayments		56,574	1	91,473	1
1460	Group of non-current assets held for sale and disposal	4, 6 (5), and 8	2,531,174	25	2,521,231	22
1470	Other current assets		221	—	363	—
11xx	Total current assets		4,461,254	44	4,924,485	43
	Non-current assets					
1600	Property, plant and equipment	4, 6(6), and 8	5,267,036	53	6,327,402	55
1755	Right-of-use assets	4 and 6(7)	44,439	1	52,474	—
1760	Investment property	4 and 6(8)	85,094	1	82,730	1
1780	Intangible assets	4 and 6(9)	10,219	—	14,600	—
1840	Deferred tax assets	4 and 6(24)	91,678	1	92,508	1
1920	Guarantee deposits paid	8	44,612	—	48,022	—
1900	Other non-current assets	6(10)	13,958	—	29,408	—
15xx	Total non-current assets		5,557,036	56	6,647,144	57
1xxx	Total assets		\$ 10,018,290	100	\$ 11,571,629	100

(Continued on next page)

Federal Corporation and Its Subsidiaries  
Consolidated Balance Sheets (Continued)

December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity		Note	December 31, 2022		December 31, 2021	
Code	Account		Amount	%	Amount	%
	Current liability					
2100	Short-term borrowings	6(11)	\$ 1,174,805	12	\$ 1,050,550	9
2130	Contract liabilities - current	4 and 6(19)	25,163	—	24,518	—
2150	Notes payable	6(12) and 7	6,116	—	10,467	—
2170	Accounts payable	6(12)	70,158	1	57,162	—
2200	Other payables	6(13)	136,526	1	167,775	2
2230	Current income tax liabilities	4 and 6(24)	—	—	88	—
2250	Provision - current	4 and 6(14)	93,701	1	94,737	1
2280	Lease liabilities - current	4 and 6(7)	10,230	—	10,888	—
2322	Long-term borrowings - current portion	6(15)	191,692	2	306,550	3
2365	Refund liabilities - current	4 and 6(19)	—	—	13,871	—
2300	Other current liabilities		50,390	1	47,713	1
21xx	Total current liability		1,758,781	18	1,784,319	16
	Non-current liability					
2540	Long-term borrowings	6(15)	3,618,377	36	3,810,069	33
2570	Deferred tax liabilities	4 and 6(24)	616,426	6	608,065	5
2580	Lease liabilities - non-current	4 and 6(7)	13,298	—	19,918	—
2640	Net defined benefit liability - non-current	4 and 6(16)	29,349	—	39,138	—
2645	Guarantee deposits received		1,707	—	2,095	—
25xx	Total non-current liability		4,279,157	42	4,479,285	38
2xxx	Total liability		6,037,938	60	6,263,604	54
	Total equity	6(17)				
3110	Ordinary share capital		4,733,292	47	4,733,292	41
3200	Capital reserve		156,764	2	156,764	1
	Retained earnings					
3310	Legal reserve		736,014	7	736,014	6
3320	Special reserve		1,913,109	19	1,913,109	17
3350	Undistributed earnings (deficit to be compensated)		(3,179,064)	(31)	(1,823,383)	(15)
3400	Other equity		(196,728)	(2)	(224,736)	(2)
3500	Treasury stock		(183,035)	(2)	(183,035)	(2)
31xx	Total equity attributable to owners of the parent company		3,980,352	40	5,308,025	46
3xxx	Total equity		3,980,352	40	5,308,025	46
	Total liabilities and Equity		\$ 10,018,290	100	\$ 11,571,629	100

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

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li,  
Hsin-Yu

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Comprehensive Income  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6(19)	\$ 1,615,632	100	\$ 1,561,241	100
5000	Operating cost	6 (4 and 25) and 7	(1,646,698)	(102)	(2,296,075)	(147)
5900	Gross profit (loss)		(31,066)	(2)	(734,834)	(47)
6000	Operating expenses	6 (25)				
6100	Marketing expense		(310,528)	(19)	(514,611)	(33)
6200	Management expense		(308,416)	(19)	(467,527)	(30)
6300	R&D expense		(79,078)	(5)	(126,821)	(8)
6450	Expected credit impairment gain or loss	6(3)	263	—	(4,360)	—
	Total operating expenses		(697,759)	(43)	(1,113,319)	(71)
6900	Operating income (loss)		(728,825)	(45)	(1,848,153)	(118)
7000	Non-operating revenues and expenses					
7100	Interest income	6 (20)	10,271	1	5,839	—
7010	Other income	6 (21) and 7	18,997	1	23,889	2
7020	Other gains and losses	6 (6, 22)	(577,224)	(36)	(418,877)	(27)
7050	Financial costs	6 (23)	(77,765)	(5)	(63,641)	(4)
	Total non-operating income and expenses		(625,721)	(39)	(452,790)	(29)
7900	Net income (loss) before tax		(1,354,546)	(84)	(2,300,943)	(147)
7950	Income tax expense	4 and 6(24)	(1,664)	—	(49,021)	(3)
8200	Net income (loss) for the period		(1,356,210)	(84)	(2,349,964)	(150)
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans	4 and 6(16)	529	—	38,008	2
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	4 and 6(17)	—	—	97,993	6
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(17)	28,008	2	(11,970)	(1)
	Other comprehensive income for the period (post-tax profit or loss)		28,537	2	124,031	7
8500	Total comprehensive income for the period		\$ (1,327,673)	(82)	\$ (2,225,933)	(143)
8600	Net income attributable to:					
8610	Owners of parent		\$ (1,356,210)	(84)	\$ (2,349,964)	(150)
8700	Total comprehensive income attributable to:					
8710	Owners of parent		\$ (1,327,673)	(82)	\$ (2,225,933)	(143)
9750	Earnings (loss) per share (NTD) Basic	6(18)	\$ (2.95)		\$ (5.11)	

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

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Changes in Equity  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Item	Attributable to owners of the parent company								Total equity
	Ordinary share capital	Capital reserve	Retained earnings			Other equity items		Treasury stock	
			Legal reserve	Special reserve	Undistributed earnings (deficit to be compensated)	Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income		
Balance on January 1, 2021	\$ 4,733,292	\$ 156,764	\$ 732,944	\$ 1,911,517	\$ 30,708	\$ (212,766)	\$ 374,001	\$ (183,035)	\$ 7,543,425
Appropriation and distribution of earnings:									
Legal reserve	—	—	3,070	—	(3,070)	—	—	—	—
Special reserve	—	—	—	1,592	(1,592)	—	—	—	—
Cash dividends from common stock	—	—	—	—	(9,467)	—	—	—	(9,467)
Net loss for the period	—	—	—	—	(2,349,964)	—	—	—	(2,349,964)
Other comprehensive income or loss 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 equity instruments measured at fair value through other comprehensive income or loss	—	—	—	—	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
Balance on January 1, 2022	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (1,823,383)	\$ (224,736)	\$ —	\$ (183,035)	\$ 5,308,025
Net loss for the period	—	—	—	—	(1,356,210)	—	—	—	(1,356,210)
Other comprehensive income or loss for the period	—	—	—	—	529	28,008	—	—	28,537
Total comprehensive income for the period	—	—	—	—	(1,355,681)	28,008	—	—	(1,327,673)
Balance on December 31, 2022	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (3,179,064)	\$ (196,728)	\$ —	\$ (183,035)	\$ 3,980,352

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

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li, Hsin-Yu



Federal Corporation and Its Subsidiaries  
Consolidated Statements of Cash Flows  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Item	2022	2021
Cash flow from operating activities		
Net income (loss) before tax for the period	\$ (1,354,546)	\$ (2,300,943)
Adjustments:		
Income and expenses		
Depreciation expense	409,979	469,640
Amortization expense	26,403	59,855
Expected credit impairment loss (gain)	(263)	4,360
Net gain on financial assets at fair value through profit or loss	—	(100)
Interest expense	77,765	63,641
Interest income	(10,271)	(5,839)
Dividend income	—	(6,324)
Gain on disposal of property, plant and equipment	8,889	(8,787)
Amount of property, plant and equipment reclassified to expenses	660	4,922
Impairment losses on non-financial assets	621,744	352,008
Gain on adjustment to fair value of investment property	6,470	(22,364)
Lease modification loss (gain)	(52)	77
Changes in assets/liabilities related to operating activities:		
Notes receivable	26,361	(34,300)
Accounts receivable	86,188	736,361
Other receivables	1,008	(12,230)
Inventories	130,241	575,202
Prepayments	16,226	56,440
Other current assets	142	(363)
Contract liabilities	645	(11,997)
Notes payable	(4,351)	(2,139)
Accounts payable	12,996	(241,331)
Other payables	(42,383)	(349,949)
Provision	(1,036)	53,148
Other current liabilities	2,677	2,276
Net defined benefit liability	(9,260)	(69,634)
Cash inflow (outflow) from operations	6,232	(688,370)
Interest received	9,451	5,874
Dividends received	—	6,324
Interest paid	(77,892)	(64,336)
Income tax paid (refunded)	(1,487)	(21,287)
Net cash inflow (outflow) from operating activities	(63,696)	(761,795)

(Continued on next page)

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Cash Flows (Continued)  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Item	2022	2021
Cash flow from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	\$ —	\$ 489,443
Financial assets at amortized cost acquired	(80,431)	(242,313)
Financial assets at amortized cost disposed of	129,949	299,016
Financial assets mandatorily at fair value through profit or loss acquired	—	(45,000)
Financial assets mandatorily at fair value through profit or loss disposed of	—	90,138
Acquisition of non-current assets for sale	(9,943)	—
Property, plant and equipment acquired	(15,192)	(369,391)
Property, plant and equipment disposed of	90,219	54,254
Increase in guarantee deposits paid	(5,839)	(52,837)
Decrease in guarantee deposits paid	6,310	49,370
Intangible assets acquired	(390)	(3,895)
Right-of-use assets acquired	—	(346)
Increase in other non-current assets	(12,055)	(21,855)
Net cash inflow (outflow) from investing activities	102,628	246,584
Cash flow from financing activities:		
Increase in short-term borrowings	124,255	123,040
Long-term borrowings	—	190,510
Repayment of long-term borrowings	(306,550)	(176,755)
Increase in guarantee deposits received	2	105
Decrease in guarantee deposits received	(289)	(1,737)
Repayment of lease principal	(11,448)	(15,077)
Cash dividends paid out	—	(9,455)
Net cash inflow from financing activities	(194,030)	110,631
Effect of changes in exchange rates on cash and cash equivalents	10,667	1,680
Increase (decrease) in cash and cash equivalents in the period	(144,431)	(402,900)
Opening balance of cash and cash equivalents	1,280,779	1,683,679
Ending balance of cash and cash equivalents	\$ 1,136,348	\$ 1,280,779

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

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li,  
Hsin-Yu

Federal Corporation and Its Subsidiaries  
Attachments to the Consolidated Financial Report  
for the Years Ended December 31, 2022 and 2021  
(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. On November 30, 2022, the Company entered a simple merger with its 100% owned subsidiary-TaiCheng Development Co., Ltd. The Company is a surviving company.

The consolidated financial report is 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 14, 2023.

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 2022 onward:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 3, "Indexing the Conceptual Framework	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Value before reaching Intended Use".	January 1, 2022
Amendments to IAS 37, "Loss-making Contracts - Costs of Performance"	January 1, 2022
Annual Improvements for the 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.

(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 2023 onward:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1, "Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8, "Definition of an Accounting Estimate	January 1, 2023
Amendments to IAS 12, "Deferred Income Taxes 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.

(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:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
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
Amendments to IFRS 16 "Lease Liabilities in Sale and Leasebacks"	January 1, 2024
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, 2024
Amendments to IAS 1 (Disclosure of Accounting Policies)	January 1, 2024

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, 2022	December 31, 2021	
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	Note 3
The Company	Federal International Holding, Inc. (FIH)	General investment	100.00	100.00	—
The Company	Rongcheng Development Co., Ltd. (Rongcheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	—
The Company	Fucheng Development Co., Ltd. (Fucheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	—	Note 2 Note 3
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	—	—	Note 1
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 meeting on August 10, 2022, approved the division of Taicheng, a 100%-owned subsidiary, into Fucheng in accordance with the Business Mergers and Acquisitions Act, and set the base date for the division as August 31, 2022, and approved the establishment of Fucheng on October 6, 2022.

Note 3: On November 9, 2022, the Board of Directors approved a simple merger of the Company with its 100%-owned subsidiary, Tai Shing, in accordance with the Company Law and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of November 30, 2022, and completed the merger dissolution registration on February 24, 2023. On November 30, 2022, the Company inherited 800 thousand shares of Fusheng stock held by Tai Shing, and its shareholding percentage was 100% as of December 31, 2022.

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) Criteria for classification of current and non-current assets and 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.

(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.

If the partial disposal of a subsidiary operating overseas does not result in a loss of control, the cumulative translation differences should be reattributed proportionally to the non-controlling interests of that subsidiary, rather than being recognized in the income statement.

(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 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.

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.



(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.

When such assets are completed and reach their expected operating condition, they are classified under the appropriate category of property, plant, and equipment and depreciation is then charged on them in accordance with the schedule.

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 instrument

(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.

The reacquisition of equity instruments issued by the company

itself is recognized and deducted under equity. The purchase, sale, issuance, or cancellation of equity instruments by the company itself is not recognized in the income statement.

(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

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 needs 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 is 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.

(IV) Measurement of Liability Provision

The amount of provision for litigation claims is determined based on an assessment of the risks and uncertainties associated with the obligations and the best estimate of the amount required to settle the obligation as of the balance sheet date. This estimation takes into account factors such as legal advice, historical experience, expert opinions, and any other relevant information available. However, due to the inherent uncertainties in litigation cases, the final outcome or actual compensation amount may differ significantly from the estimated amount. For further details, please refer to Note 6 (14) on provisions in the financial statements.

## VI. Important accounting items and explanation

### (I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 731	\$ 901
Demand deposit and checking deposit	440,440	446,252
Cash equivalents		
Bank time deposit	636,140	438,302
Notes under repurchase agreement	59,037	395,324
Total	<u>\$ 1,136,348</u>	<u>\$ 1,280,779</u>

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 measured at amortized cost

	December 31, 2022	December 31, 2021
Current		
Domestic investments		
Time deposits with original maturity of more than three months	\$ 14,443	\$ 9,937
Bank deposits in reserve accounts	40,000	—
Foreign investments		
Time deposits with original maturities of more than three months	—	86,877
Bank deposits under banker's acceptances and guarantee letters	5,756	10,467
Total	<u>\$ 60,199</u>	<u>\$ 107,281</u>
Interest rate range	<u>0.455%~1.45%</u>	<u>0.18%~2.25%</u>

For information on financial assets measured at amortized cost - current provided guarantees, please refer to Note 8.

(III) Net amounts of notes receivable and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable		
Due to operations	\$ 39,794	\$ 65,674
Accounts receivable		
Measured at amortized cost		
Total carrying amount	\$ 287,617	\$ 385,895
Less: Allowance for losses	(99,718)	(99,210)
	<u>\$ 187,899</u>	<u>\$ 286,685</u>

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

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

December 31, 2022

(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%~ 0.50%	0.50%~ 1.43%	1.00%~ 20.51%	5.00%~ 43.39%	30.00%~ 71.71%	100%	
Total carrying amount	\$ 168,276	\$ 5,132	\$ 56	\$ 20	\$ —	\$ 35,201	\$ 208,685
Allowance for losses (lifetime ECLs).	(432)	(67)	—	—	—	(35,201)	(35,700)
At amortized cost	\$ 167,844	\$ 5,065	\$ 56	\$ 20	\$ —	\$ —	\$ 172,985

(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	57%	100%	0.11~100%	
Total carrying amount	\$ 2,819	\$ 52,996	\$ 23,117	\$ 78,932
Allowance for losses (lifetime ECLs).	(1,602)	(52,996)	(9,420)	(64,018)
At amortized cost	\$ 1,217	\$ —	\$ 13,697	\$ 14,914

Note: The allowance for losses above was NT\$9,420 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, 2021

(1) The operating segment is in the country:

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

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

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

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

	December 31, 2022	
	Notes receivable	Accounts receivable
Not past due	\$ 39,794	\$ 175,484
Less than 30 days	—	5,132
31–90 days	—	2,445
91–180 days	—	7,526
181–365 days	—	245
Over 366 days	—	96,785
Total	<u>\$ 39,794</u>	<u>\$ 287,617</u>

	December 31, 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	<u>\$ 65,674</u>	<u>\$ 385,895</u>

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:

	2022	
	Notes receivable	Accounts receivable
Opening balance	\$ —	\$ 99,210
Provision for impairment loss in this period	—	(263)
Write-off in this period	—	(996)
Effect of exchange rates	—	1,767
Ending balance	<u>\$ —</u>	<u>\$ 99,718</u>

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

7. As of December 31, 2022 and 2021, the collateral held by the Group for accounts receivable were property and time deposits, in the amounts of NT\$15,210 thousand and NT\$29,355 thousand, respectively.

(IV) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 202,051	\$ 229,899
Work in progress	28,267	39,537
Raw materials	103,689	175,718
Supplies	44,271	78,453
Merchandise inventories	34,108	31,236
Goods in transit	12,264	—
Total	<u>\$ 424,650</u>	<u>\$ 554,843</u>

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

	2022	2021
Cost of inventory sold	\$ 1,680,059	\$ 1,556,924
Inventory valuation loss (gain from price recovery)	(120,603)	265,631
Unallocated overhead	75,585	461,927
Others	11,657	11,593
Total	<u>\$ 1,646,698</u>	<u>\$ 2,296,075</u>



1. The recovery of the net realizable value of the Group's inventory in 2022 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. Other gains and losses on inventories include income from sales of tailings, profit or loss on inventories, and scrapping of inventories.
- (V) Group of non-current assets held for sale and disposal

1. Non-current assets held for sales

	December 31, 2022	December 31, 2021
Land	\$ 2,477,768	\$ 2,475,615
Buildings	226,918	226,918
Unfinished Projects	7,790	—
Less: Accumulated depreciation	(181,302)	(181,302)
Total	<u>\$ 2,531,174</u>	<u>\$ 2,521,231</u>

- (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, 2022 and 2021.

- (2) The Company, in order to facilitate the smooth transfer of land ownership in the future rezoning process, approved the establishment of a new subsidiary, Taicheng, by the board meeting on August 10, 2022, which was established on October 6, 2022, in accordance with the Business Merger and Acquisition Act, with a base date of August 31, 2022. On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of November 30, 2022, and completed the dissolution of the merger on February 24, 2023. On November 30, 2022, the Company inherited the land and plant of Chungli Plant held by Taicheng. The above rezoning plan was reviewed and approved by Taoyuan City Government on September 23, 2022 and the rezoning was approved on November 23, 2022.
- (3) Please refer to Note 8 for information on guarantees provided by non-current assets to be for sale or disposal.

## (VI) Property, plant and equipment

2022

Item	Balance on 1 January	Addition	Disposal	Reclassification	Effect of exchange rates	Balance on December 31
<u>Costs</u>						
Land	\$ 1,436,944	\$ —	\$ (26,988)	\$ —	\$ 1,924	\$ 1,411,880
Buildings	1,669,957	86,830	(24,152)	—	7,375	1,740,010
Machinery and Equipment	8,848,864	107,701	(503,156)	11,617	36,200	8,501,226
Office Equipment	296,179	5,991	(31,322)	—	1,141	271,989
Other Equipment	1,835,530	12,087	(197,832)	—	6,269	1,656,054
Unfinished Construction	219,770	(179,371)	—	5,303	—	45,702
Subtotal	14,307,244	33,238	(783,450)	16,920	52,909	13,626,861
<u>Accumulated depreciation</u>						
Buildings	359,889	41,368	(3,530)	—	3,630	401,357
Machinery and equipment	4,900,719	235,715	(386,707)	—	25,238	4,774,965
Office equipment	216,401	22,902	(29,473)	—	1,036	210,866
Other equipment	1,544,437	97,388	(192,551)	—	5,830	1,455,104
Subtotal	7,021,446	397,373	(612,261)	—	35,734	6,842,292
<u>Accumulated impairment</u>						
Machinery and equipment	884,458	602,884	(69,963)	—	8,877	1,426,256
Office equipment	10,251	8,678	(793)	—	104	18,240
Other equipment	63,687	10,182	(1,272)	—	440	73,037
Subtotal	958,396	621,744	(72,028)	—	9,421	1,517,533
Net Total	\$ 6,327,402	\$ (985,879)	\$ (99,161)	\$ 16,920	\$ 7,754	\$ 5,267,036

2021

Item	Balance on 1 January	Addition	Disposal	Reclassification	Effect of exchange rates	Balance on December 31
<u>Costs</u>						
Land	\$ 3,435,926	\$ —	\$ (24,821)	\$(1,972,719)	\$ (1,442)	\$ 1,436,944
Buildings	1,909,086	1,170	(21,079)	(215,868)	(3,352)	1,669,957
Machinery and Equipment	6,327,520	220,400	(122,227)	2,423,171	—	8,848,864
Office Equipment	316,179	1,327	(20,844)	—	(483)	296,179
Other Equipment	1,819,840	64,718	(46,702)	—	(2,326)	1,835,530
Unfinished Construction	173,694	65,745	—	(19,669)	—	219,770
Subtotal	13,982,245	353,360	(235,673)	214,915	(7,603)	14,307,244
<u>Accumulated depreciation</u>						
Buildings	486,056	58,947	(2,553)	(181,302)	(1,259)	359,889
Machinery and equipment	3,090,450	251,397	(122,189)	1,681,051	10	4,900,719
Office equipment	211,068	24,444	(18,723)	—	(388)	216,401
Other equipment	1,474,312	118,680	(46,431)	—	(2,124)	1,544,437
Subtotal	5,261,886	453,468	(189,896)	1,499,749	(3,761)	7,021,446
<u>Accumulated impairment</u>						
Machinery and equipment	—	310,418	(18)	574,045	13	884,458
Office equipment	6,814	3,648	(173)	—	(38)	10,251
Other equipment	25,927	37,942	(42)	—	(140)	63,687
Subtotal	32,741	352,008	(233)	574,045	(165)	958,396
Net Total	\$ 8,687,618	\$ (452,116)	\$ (45,544)	\$ (1,858,879)	\$ (3,677)	\$ 6,327,402

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:

	2022	2021
Capitalized amount	\$ 1,376	\$ 578
Interest rate range	0.55%	0.55%

- The Company's Board of Directors passed a resolution on June 15, 2021 to completely terminate the Zhongli Plant's production. The Board of Directors resolved to temporarily cease production at the Guanyin Plant on February 10, 2023,. The Group has adjusted the carrying amount of the plant based on the expected recoverable amount in the appraisal report and recognized impairment losses of NT\$636,045 thousand and NT\$331,032 thousand in 2022 and 2021, respectively. 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. It belonged to Level 3 fair value measurement.
- Please refer to Note 8 for information on guarantees for property, plant and equipment.

(VII) 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, 2022	December 31, 2021
Carrying amount of the right-of-use assets		
Land	\$ 21,045	\$ 21,599
Buildings	12,513	20,247
Transportation equipment	10,881	10,628
Total	\$ 44,439	\$ 52,474

	2022	2021
Depreciation expense for the right-of-use assets.		
Land	\$ 879	\$ 862
Buildings	6,186	10,256
Transportation equipment	5,541	5,054
Total	<u>\$ 12,606</u>	<u>\$ 16,172</u>

(2)The increases in the Group's right-of-use assets in 2022 and 2021 were NT\$6,148 thousand and NT\$26,632 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 2022 and 2021.

## 2. Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liability		
Current	<u>\$ 10,230</u>	<u>\$ 10,888</u>
Non-current	<u>\$ 13,298</u>	<u>\$ 19,918</u>

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

	December 31, 2022	December 31, 2021
Buildings	1.58%~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

	2022	2021
Short-term lease expenses	\$ 627	\$ 393
Low-value asset lease expenses	\$ 747	\$ 971
Total cash outflow from leases	\$ 13,274	\$ 16,857

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.

#### (VIII) Investment property

##### Investment property at fair value

	Land and buildings
Balance on January 1, 2022	\$ 82,730
Gain on fair value adjustment	(6,470)
Effect of exchange rates	8,834
Balance on December 31, 2022	\$ 85,094

	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

- 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, 2022 and 2021 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, 2022 and 2021.

2. The fair values as of December 31, 2022 and 2021 were NT\$85,094 thousand and NT\$82,730 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 rate as of December 31, 2022 and 2021 was 2.50% .
  - (3) The investment property is mainly office or residence, and the monthly rents for local and similar property were NT\$438–NT\$517 per square meter in 2022; NT\$430–NT\$508 per square meter in 2021.
  - (4) The Group's investment property has not been leased out, and it had no income or expense in 2022 and 2021.

## (IX) Intangible assets

Item	2022					
	Opening balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance
<u>Cost</u>						
Computer software	\$ 115,758	\$ 390	\$ —	\$ 910	\$ —	\$ 117,058
<u>Accumulated amortization</u>						
Computer software	101,158	5,681	—	—	—	106,839
Net amount	<u>\$ 14,600</u>	<u>\$ (5,291)</u>	<u>\$ —</u>	<u>\$ 910</u>	<u>\$ —</u>	<u>\$ 10,219</u>

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

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 2–5 years

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

	2022		2021	
	<u>\$</u>		<u>\$</u>	
Management expense	5,681		5,036	
(X) <u>Other non-current assets</u>				
	December 31,	December 31,		
	2022	2021		
Prepayments for business facilities	\$ 8,492	\$ 7,944		
Unamortized expense	3,581	18,958		
Other assets - other	1,885	2,506		
Total	<u>\$ 13,958</u>	<u>\$ 29,408</u>		



(XI) Short-term borrowings

	December 31, 2022	December 31, 2021
Bank unsecured borrowings	\$ 756,936	\$ 1,050,550
Bank secured borrowings	417,869	—
Total	<u>\$ 1,174,805</u>	<u>\$ 1,050,550</u>
Interest rate range	<u>1.664%~6.1832%</u>	<u>0.6141%~1.414%</u>

Please refer to Note 8 for information regarding assets provided as collateral for short-term borrowings.

(XII) Notes and accounts payable

	December 31, 2022	December 31, 2021
Notes payable	\$ 6,116	\$ 10,467
Accounts payable	70,158	57,162
Total	<u>\$ 76,274</u>	<u>\$ 67,629</u>

Please refer to Note 6(28) for disclosures about the Group's payables and other payables that are exposed to exchange rate and liquidity risks.

(XIII) Other payables

	December 31, 2022	December 31, 2021
Salary and bonus payable	\$ 50,249	\$ 60,944
Freight payable	604	14,465
Business facilities payable	19,308	9,545
Others	66,365	82,821
Total	<u>\$ 136,526</u>	<u>\$ 167,775</u>

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

## (XVI) Provision

	2022		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Opening balance	\$ 32,180	\$ 62,557	\$ 94,737
Increase in this period	3,603	—	3,603
Drawn in this period	(4,267)	—	(4,267)
Unused amount reversed in this period	(375)	—	(375)
Effect of exchange rates	3	—	3
Ending balance	<u>\$ 31,144</u>	<u>\$ 62,557</u>	<u>\$ 93,701</u>
	2021		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
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	<u>\$ 32,180</u>	<u>\$ 62,557</u>	<u>\$ 94,737</u>

### 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. On July 31, 2014, the Group was sued by Jeramy Truhlar in the United States. The injured party and his insurance company claimed that the vehicle was involved in an accident caused by the use of defective tires sold by the Group, and therefore filed a lawsuit against the Group for damages.

The Group has estimated the amount of potential loss in the accounts, and the provision for liabilities is NT\$62,557 thousand as of December 31, 2022 and 2021.

The insurance company that underwrites the Group's product liability insurance has agreed to a settlement offer made jointly by counsel for the plaintiffs in this case on December 20, 2022. It was intended that the settlement amount would be the entire remaining policy limits of the Group's product liability insurance policies. Counsel for the parties concerned is currently in the process of coordinating the allocation of the settlement amount and the contents of the settlement. However, the settlement did not cover the co-defendants' claims for reimbursement of their potential future liability and the costs incurred and to be incurred in defending the case against the Group, as well as the defendants' claims for reimbursement of the costs incurred by the Group in defending the case that was dismissed.

The Group would evaluate the reasonableness of the costs recognized in each financial reporting period based on the nature of the case, the potential loss and materiality of the case, the progress of the case and the opinions of professional advisors, and make necessary adjustments as the Group deems appropriate. However, the final amount will not be determined until the relevant case was concluded.

(XV) Long-term borrowings

	December 31, 2022	December 31, 2021
Bank secured borrowings		
Construction of plant and purchase of equipment	\$ 3,810,069	\$ 4,116,619
Less: Current portion	(191,692)	(306,550)
Long-term borrowings	<u>\$ 3,618,377</u>	<u>\$ 3,810,069</u>
Interest rate range	<u>1.675%~2.1687%</u>	<u>1.05%~1.52%</u>

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, 2022 and 2021, the outstanding amount was both NT\$3,097,656 thousand and 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, 2022 and 2021, the outstanding amount for the two years was NT\$283,932 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, 2022 and 2021, the outstanding amounts were NT\$142,836 thousand and NT\$199,976 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, 2022 and 2021, the outstanding amounts were NT\$91,200 thousand and NT\$121,600 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, 2022 and 2021, the outstanding amounts were NT\$194,445 thousand and NT\$261,111 thousand; the principal was repaid in installments as agreed.
5. The Group signed a mid-term incremental borrowing agreement with Hua Nan Commercial Bank, Ltd. in December 2022 over a period of 5 years with a total facility of NT\$2,400,000 thousand. The loan was secured by a mortgage on the land of Taixin Chungli Plant. As of December 31, 2022, the borrowing facility had not been utilized.
6. Please refer to Note 8 for the information on the assets pledged as collateral for long-term borrowings.

(XVI) Pension

1. Defined contribution plans

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

government, and the Group does not have further obligation except for making a monthly contribution. The pensions recognized by the Group in the consolidated statement of comprehensive income for 2022 and 2021 were NT\$14,460 thousand and NT\$21,320 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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ (76,631)	\$ (78,336)
Fair value of plan asset	47,282	39,198
Net defined benefit liability	\$ (29,349)	\$ (39,138)

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, 2022	\$ (78,336)	\$ 39,198	\$ (39,138)
Service cost			
Current service cost	(1,025)	—	(1,025)
Interest expense (income)	(508)	249	(259)
Service cost in the prior period	292	—	292
liquidation gain or loss	168	(163)	5
Recognized in profit or loss	(1,073)	86	(987)
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	7,297	7,297
Effect of changes in demographic assumptions	—	—	—
Effect of changes in financial assumptions	4,903	—	4,903
Experience adjustments	(11,671)	—	(11,671)
Recognized in other comprehensive income	(6,768)	7,297	529
Contributions to pension	—	10,084	10,084
Pension paid	9,546	(9,383)	163
Balance on December 31, 2022	\$ (76,631)	\$ 47,282	\$ (29,349)
	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)
Prior service costs	53,859	—	53,859
Settlement 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)

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, 2022	December 31, 2021
Discount rate	1.30%~1.40%	0.70%~0.75%
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, 2022 and 2021 would increase (decrease) are as follows:

<u>December 31, 2022</u>	Increase by 0.25%	Decrease by 0.25%
Discount rate	<u>\$ (1,903)</u>	<u>\$ 1,974</u>
Future salary increase rate	<u>\$ 1,952</u>	<u>\$ (1,892)</u>
	Increase by 0.25%	Decrease by 0.25%
<u>December 31, 2021</u>	<u>\$ (2,032)</u>	<u>\$ 2,111</u>
Discount rate	<u>\$ (2,032)</u>	<u>\$ 2,111</u>
Future salary increase rate	<u>\$ 2,076</u>	<u>\$ (2,009)</u>

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, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Estimated amount to be contributed within 1 year	\$ 4,451	\$ 4,457
Average maturity period of defined benefit obligation	8~10 years	8~11 years

(XVII) Equity

1. Ordinary share capital

	December 31, 2022	December 31, 2021
Authorized Capital	\$ 10,000,000	\$ 10,000,000
Outstanding shares	\$ 4,733,292	\$ 4,733,292

As of December 31, 2022 and December 31, 2021 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

	2022			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total
The balance on January 1, 2022 is the balance on December 31, 2022.	\$ 37,860	\$ 107,735	\$ 11,169	\$156,764
	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



- (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

	2022			
	Unrealized revaluation increment	Exchange differences in translation of financial statements of foreign operating entities	Investment property carried at fair value	Total
Balance on January 1, 2022	\$ 1,545,841	\$ 361,927	\$ 5,341	\$ 1,913,109
i.e. balance on December 31, 2022				

	2021			
	Unrealized revaluation increment	Exchange differences in translation of financial statements of foreign operating entities	Investment property carried at fair value	Total
Balance on January 1, 2021	\$ 1,545,841	\$ 361,927	\$ 3,749	\$ 1,911,517
Investment property carried at fair value	—	—	1,592	1,592
Balance on December 31, 2021	\$ 1,545,841	\$ 361,927	\$ 5,341	\$ 1,913,109

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 14, 2023 on the 2022 deficit proposal. Please visit the MOPS for relevant information.
- (6) The Company's general shareholders' meeting passed a resolution on June 15, 2022 for the deficit proposal of 2021. Please visit Taiwan Stock Exchange's MOPS for relevant resolutions by the general shareholders' meeting.

(7) The Company's Board of Directors resolved on March 26, 2021 to distribute cash dividends from the fiscal 2020 earnings and to report to the shareholders' meeting, and the shareholders' meeting resolved on August 31, 2021 to set aside legal reserve and special reserve for fiscal 2020, and the distribution of earnings for fiscal 2020 is as follows:

	Amount	EPS (NT\$)
Legal reserve	\$ 3,070	\$ —
Special reserve	1,592	—
Cash dividends	9,467	0.02
	<u>\$ 14,129</u>	

The relevant information regarding earnings distribution can be obtained by referring to sources such as the Taiwan Stock Exchange's "Public Information Observation System" or other appropriate channels.

#### 4. Other equity items

	Exchange differences on translation of financial statements of foreign operating institutions		
Balance on January 1, 2022			\$ (224,736)
Generated in the current period			
Exchange differences on the conversion of financial statements of foreign operating institutions			28,008
Balance on December 31, 2022			<u>\$ (196,728)</u>
	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	<u>\$ (224,736)</u>	<u>\$ —</u>	<u>\$ (224,736)</u>

In August and September 2021, the Group sold 12,522 shares of CHIHO HO AUTOMOTIVE SALES CO., LTD. and 1,370,172 shares of FORD LIO HO MOTOR CO. LTD. The cumulative gain on disposal was NT\$243,848 thousand and NT\$228,146 thousand, respectively, and the aforementioned cumulative gain on disposal was transferred from other equity to retained earnings.

#### 5. Treasury stock

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

(Unit: In thousand shares)

Reason for redemption	2022			
	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	—	(5,913)	7,842
Acquired by merger	—	5,913	—	5,913
	<u>13,755</u>	<u>5,913</u>	<u>(5,913)</u>	<u>13,755</u>

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

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

Subsidiary	December 31, 2022		
	No. of Shares (thousand)	Carrying amount	Fair value/share
Federex Marketing Co., Ltd.	7,842	\$ 116,469	\$ 156,840

Subsidiary	December 31, 2021		
	No. of Shares (thousand)	Treasury Stock Carrying amount	Treasury Stock Market Value
Federex Marketing Co., Ltd.	7,842	\$ 116,469	\$ 226,242

Taicheng	5,913	66,566	170,590
	<u>13,755</u>	<u>\$ 183,035</u>	<u>\$ 396,832</u>

- (3) On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act. The Company is a surviving company. The base date of the merger is November 30, 2022, and the merger dissolution will be completed on February 24, 2023. On November 30, 2022, the Company inherited 5,913 thousand shares of Taicheng's stock with a carrying amount of NT\$66,566 thousand and a treasury stock price of NT\$118,260 thousand.
- (4) 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.

(XVIII) Earnings (loss) per share

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share (NTD)	\$ (2.95)	\$ (5.11)
Earnings (loss) and weighted average number of ordinary shares used to calculate basic earnings (loss) per share are as follows:		
	<u>2022</u>	<u>2021</u>
Net profit (loss) attributable to owners of the parent company (NTD thousands)	\$ (1,356,210)	\$ (2,349,964)
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)	\$ (2.95)	\$ (5.11)

(XIX) Operation income

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Revenue from sale of goods	\$ 1,615,632	\$ 1,561,241

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

2. Contract balance

	December 31, 2022	December 31, 2021
Notes and accounts receivable (Note 6(3))	\$ 227,693	\$ 352,359
Contract liabilities - current		
Sale of goods	\$ 25,163	\$ 24,518

The amounts of operating income recognized in 2022 and 2021 from contract liabilities at the beginning of the period were NT\$4,709 thousand and NT\$28,584 thousand.

3. Refund liability

As of December 31, 2021, the Group's balances of refund liabilities were NT\$13,871 thousand.

(XX) Interest income

	2022	2021
Interest on bank deposits	\$ 9,079	\$ 4,628
Other interest	1,192	1,211
Total	\$ 10,271	\$ 5,839

(XXI) Other income

	2022	2021
Rental income	\$ 328	\$ 1,423
Dividend income	—	6,324
Others	18,669	16,142
Total	\$ 18,997	\$ 23,889

(XXII) Other gains and losses

	2022	2021
Gain on disposal of property, plant and equipment	\$ (8,889)	\$ 8,787
Lease modification loss	52	(77)
Loss of foreign exchange	62,118	(31,652)
Gain on financial assets at FVTPL	—	100
Adjustment to fair value of investment property - investment property	(6,470)	22,364
Impairment loss on property, plant and equipment	(621,744)	(352,008)
Miscellaneous expenses	(2,291)	(66,391)
Total	\$ (577,224)	\$ (418,877)

(XXIII) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank borrowings	\$ 78,689	\$ 63,803
Lease liabilities	452	416
Less: Capitalized amount of qualifying assets	(1,376)	(578)
Total	<u>\$ 77,765</u>	<u>\$ 63,641</u>

(XXVI) Income tax

1. The adjustment to the Group's income tax expenses recognized in profit or loss for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Income tax calculated at statutory tax rate for pre-tax income (loss)	\$ (284,078)	\$ (480,814)
Effect of income tax on items excluded as per tax law	74,752	104,060
Effect of income tax on loss carryforwards	210,042	430,240
Income tax underestimation for previous years	(3,820)	16,500
Effect of temporary differences in this period	4,768	(20,965)
Income tax expense	<u>\$ 1,664</u>	<u>\$ 49,021</u>

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

	<u>2022</u>	<u>2021</u>
Current income tax		
Generated in this period	\$ (3,104)	\$ 18,975
Deferred tax		
Occurrence and reversal of temporary differences	4,768	30,046
Income tax expense recognized in profit or loss	<u>\$ 1,664</u>	<u>\$ 49,021</u>

2. Current income tax assets and liabilities

(1) Current income tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax refund receivable	\$ 6,077	\$ 1,336

(2) Current income tax liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income tax payable	\$ —	\$ 88

### 3. Deferred tax assets and liabilities

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

	2022		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	\$ 1,339	\$ (1,339)	\$ —
Unrealized inventory valuation losses	52,610	(24,049)	28,561
Pension withdrawal in excess of contribution	18,700	(1,852)	16,848
Amount in excess of allowance for bad debts	6,278	363	6,641
Estimated product warranty expense	6,393	(208)	6,185
Bonus for not on leave	2,314	(25)	2,289
Year-end bonus unpaid	1,620	(1,417)	203
Unrealized sales discount	2,774	(2,774)	—
Unrealized asset impairment	—	17,896	17,896
Provision for litigation claims	—	12,511	12,511
Others	480	64	544
	<u>\$ 92508</u>	<u>\$ (830)</u>	<u>\$ 91,678</u>

	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
Unpaid year-end bonuses	—	—	1,620	1,620
Unrealized sales discount	—	—	2,774	2,774
Others	480	—	—	480
Loss carryforwards	42,694	8,318	(51,012)	—
	<u>\$ 99,811</u>	<u>\$ 8,318</u>	<u>\$ (15,621)</u>	<u>\$ 92,508</u>

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

	2022			
	Opening balance	Recognized in profit or loss	Effect of exchange rates	Ending balance
Temporary difference				
Provision for land value increment tax	\$ 597,856	\$ (2,246)	\$ 3,334	\$ 598,944
Unrealized gain on investment property	10,199	(809)	1,089	10,479
Bonus for not on leave	10	(10)	—	—
Unrealized conversion benefits	—	7,003	—	7,003
	<u>\$ 608,065</u>	<u>\$ 3,938</u>	<u>\$ 4,423</u>	<u>\$ 616,426</u>



	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
	<u>\$ 537,415</u>	<u>\$ 57,523</u>	<u>\$ 14,425</u>	<u>\$ (1,298)</u>	<u>\$ 608,065</u>

4. Items not recognized as deferred tax assets

	December 31, 2022	December 31, 2021
Loss carryforwards	\$ 4,294,868	\$ 3,254,015
Temporary difference	\$ 1,738,399	\$ 1,283,385

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, 2022 was as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2013	Approved amount	2023	\$ 15,269
2014	Approved amount	2024	6,220
2017	Approved amount	2027	144,915
2018	Approved amount	2028	382,586
2019	Approved amount	2029	492,921
2020	Amount filed	2030	18,821
2021	Approved amount	2031	1,627,671
2022	Estimated amount	2032	943,623
2017	Amount filed	2022	118,025
2018	Amount filed	2023	307,850
2019	Amount filed	2024	81,136
2020	Amount filed	2025	29,211
2021	Amount filed	2026	31,242
2022	Estimated amount	2027	95,378
			<u>\$ 4,294,868</u>

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	2020
Federex Marketing Co., Ltd.	2020
Taixin Construction Co., Ltd.	2020
Taicheng Development Co., Ltd.	2020

(XXV) Additional information on the nature of expenses

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

By nature \ By function	2022		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	\$ 198,118	\$ 136,165	\$ 334,283
Post-employment benefits	—	7,420	7,420
Labor and health insurance	21,769	14,210	35,979
Pension	7,854	7,593	15,447
Other employee benefits	18,042	5,680	23,722
Depreciation expense	294,199	115,780	409,979
Amortization expense	18,195	8,208	26,403

By nature \ By function	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

## 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 0.1%~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 2022, so no employee remuneration and directors' remuneration were estimated. The estimated amounts of employee remuneration and directors' remuneration in 2021, so no employee remuneration and directors' remuneration were estimated.
- (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.

### (XXVI) Cash flow information

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

##### Property, plant and equipment

	2022	2021
Increase in this period	\$ 33,238	\$ 353,360
Add: Business facilities payable at the beginning of the period	9,545	145,996
Less: Business facilities payable at the end of the period	(19,308)	(9,545)
Less: Prepayments for business facilities reclassified	(6,907)	(120,420)
Interest Capitalization	(1,376)	—
Cash paid in this period	\$ 15,192	\$ 369,391

	2022	2021
Current disposals	\$ 90,272	\$ 54,254
Less: Ending equipment receivables	(53)	—
Cash recovered during the period	\$ 90,219	\$ 54,254

## 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, 2022	\$ 1,050,550	\$ 4,116,619	\$ 2,095	\$ 30,806	\$ 5,200,070
Changes in financing cash flow	124,255	(306,550)	(287)	(11,448)	(194,030)
Other non-cash changes	—	—	(122)	3,967	3,845
Effect of exchange rate changes	—	—	21	203	224
December 31, 2022	\$ 1,174,805	\$ 3,810,069	\$ 1,707	\$ 23,528	\$ 5,010,109

	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

### (XXVII) 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, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	\$ 4,984,874	\$ 5,167,169
Less: Cash and cash equivalents	(1,136,348)	(1,280,779)
Net debt	3,848,526	3,886,390
Total equity	3,980,352	5,308,025
Total capital	\$ 7,828,878	\$ 9,194,415
Debt-to-equity	49%	42%

(XXVIII) Financial instruments

1. Types of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Cash and cash equivalents	\$ 1,136,348	\$ 1,280,779
Financial assets at amortized cost - current	60,199	107,281
Notes receivable	39,794	65,674
Accounts receivable	187,899	286,685
Other receivables	18,318	14,820
Guarantee deposits paid	44,612	48,022
<u>Financial liabilities</u>		
Short-term borrowings	1,174,805	1,050,550
Notes payable	6,116	10,467
Accounts payable	70,158	57,162
Other payables	136,526	167,775
Long-term borrowings (including the current portion)	3,810,069	4,116,619
Guarantee deposits received	1,707	2,095

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, 2022

(foreign currency: functional currency)	Foreign currency	Exchan ge rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on other comprehensi ve income
<u>Financial assets</u>						
<u>Monetary Items</u>						
U.S. dollar:	\$ 6,928	30.71	\$ 212,762	1%	\$ 2,128	\$ —
New Taiwan dollar						
U.S. dollar: RMB	702	6.9646	21,554	1%	216	—
(Note)						
U.S. dollar:	102	1.3422	3,118	1%	31	
Singapore dollar						
(Note)						
<u>Non-monetary items</u>						
US Dollar: New	109	30.71	3,349			
Taiwan Dollar						
Japanese Yen:	13,040	0.2344	3,057			
New Taiwan Dollar						
Euro: New	228	31.68	7,232			
Taiwan Dollars						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
U.S. Dollar:	3,872	30.71	118,915	1%	1,189	—
New Taiwan Dollar						
<u>Non-monetary items</u>						
U.S. Dollar: New	1,181	30.72	36,272			
Taiwan Dollar						

Note: Since the functional currency of some of the consolidated entities is not the New Taiwan dollar, it must also be considered in the disclosure.

(foreign currency: functional currency))	December 31, 2021					
	Foreign currency	Exchan ge rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on other comprehensi ve income
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 16,914	27.65	\$ 467,672	1%	\$ 4,677	\$ —
USD: RMB	702	6.3757	19,438	1%	194	—
(Note)						
<u>Non-monetary item</u>						
USD: NTD	200	27.88	5,587			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	863	27.68	23,895	1%	239	—
<u>Non-monetary item</u>						
USD: NTD	2,085	27.36	57,305			

Note: Since the functional currency of some of the consolidated entities is not the New Taiwan dollar, it must also be considered in the disclosure.

B. The aggregated total amounts of all exchange gains (losses) (including realized and unrealized) recognized for 2022 and 2021 due to the significant impact of exchange rate fluctuations on the Group's monetary items were NT\$62,118 thousand and NT\$(31,652) thousand, respectively.

(2) 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 arising 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 2022 and 2021, 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\$51,020 thousand and NT\$52,789 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, 2022 and 2021, the Group's money market positions were in the amounts of NT\$1,135,617 thousand and NT\$1,279,878 thousand, respectively, and financial assets measured by amortized cost - current were NT\$14,443 thousand and NT\$95,970 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, 2022	December 31, 2021
Floating rate		
Due after more than one year	\$ 2,400,000	\$ 2,257,068

(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, 2022				Total
	Less than 1 year	2-3 years	4-5 years	5 years or more	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,180,918	\$ —	\$ —	\$ —	\$ 1,180,918
Notes payable	6,116	—	—	—	6,116
Accounts payable	70,158	—	—	—	70,158
Other payables	136,526	—	—	—	136,526
Lease liabilities	10,519	10,870	2,666	—	24,055
Long-term borrowings (including the current portion)	193,625	869,024	570,028	2,678,287	4,310,964
Total	<u>\$ 1,597,862</u>	<u>\$ 879,894</u>	<u>\$ 572,694</u>	<u>\$ 2,678,287</u>	<u>\$ 5,728,737</u>

	December 31, 2021				Total
	Less than 1 year	2-3 years	4-5 years	5 years or more	
<u>Non-derivative financial liabilities</u>					
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 (including non-current)	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	<u>\$ 1,608,007</u>	<u>\$ 852,104</u>	<u>\$ 688,922</u>	<u>\$ 2,647,288</u>	<u>\$ 5,796,321</u>

(XXIX ) 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, 2022 and 2021 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, 2022			
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				
Investment property	\$ —	\$ —	\$ 85,094	\$ 85,094

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

4. Valuation technique and assumptions for fair value

The fair value assessment technique for investment properties measured at fair value by the merging company is conducted in accordance with the regulations of the Financial Reporting Standards for Issuers of Securities. It is calculated using the income approach through the engagement of external appraisers. The relevant assumptions and input values for the assessment 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 2022 and 2021.

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

	2022						
	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
Investment property	\$ 82,730	\$ —	\$ (6,470)	\$ —	\$ —	\$ 8,834	\$ 85,094

	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

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 are 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
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(8) for the discount rate range.

## 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

<u>Name of related party</u>	<u>Relations with the Group</u>
Nankang Rubber Tire Corp., Ltd.	Investor with material influence
Nangang (Zhangjiagang Free Trade Zone) Rubber Industry Limited	Other related parties (subsidiaries of investors with significant influence)

### (II) Significant transactions with related parties

#### 1. Deduction of operating costs - selling price of raw materials

<u>Related party category</u>	<u>2022</u>	<u>2021</u>
Investor with material influence	\$ 1,027	\$ 3,109

There are no other transactions with the same circumstances as the sale of raw materials by the above related parties.

#### 2. Net Purchases

<u>Related party category</u>	<u>2022</u>	<u>2021</u>
Other related party	\$ 1,162	\$ —

The purchase transactions with the aforementioned related parties are conducted under normal purchase terms.

#### 3. Other revenue

<u>Related party category</u>	<u>2022</u>	<u>2021</u>
Related party category	\$ 25	\$ —

#### 4. Other receivables

<u>Related party category</u>	<u>2022</u>	<u>2021</u>
Investor with material influence	\$ —	\$ 3,265

#### 5. Notes payable

<u>Related party category</u>	<u>2022</u>	<u>2021</u>
Other related party	\$ 1,309	\$ —

(III) Remuneration for key management personnel

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

	<u>2022</u>	<u>2021</u>
Salary and other short-term benefits	\$ 9,735	\$ 14,470
Post-retirement benefits	95	165
Total	<u>\$ 9,830</u>	<u>\$ 14,635</u>

VIII. Assets pledged

Item	Content	Carrying amount	
		December 31, 2022	December 31, 2021
Financial assets at amortized cost - current	Bank time deposit - export guarantee and bank acceptance bill guarantee account	\$ 45,756	\$ 11,311
Non-current assets for sale	Collateral to financial institutions for long-term loans	508,962	—
Property, plant and equipment	Collateral to financial institutions for long-term loans	4,223,692	5,001,832
Guarantee deposits paid	For participation in bidding, lease deposit, electricity fee deposit, after-sales service deposit, supplier deposit, and customs deposit	44,612	48,022
Total		<u>\$ 4,823,022</u>	<u>\$ 5,061,165</u>

IX. Material contingent liabilities and unrecognized contractual commitments

Except for described in Note 6(14) and other notes, the Group's material commitments and contingencies on the balance sheet date are as follows:

- (I) As of December 31, 2022 and 2021, 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\$29,420 thousand and NT\$252,782 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) On February 8, 2018, the Group was sued by 176 persons, including Wu, Zhen-Lu, who claimed that a fire occurred in the Group's Zhongli factory on January 17, 2017, which affected the health of local residents significantly. As the case is still under trial, it is difficult to assess the impact on the Group. If there is any additional impact arising from this incident, the Group will assess and record the impact in accordance with accounting principles and disclose it in the financial statements. The Group handled the case in accordance with accounting principles.
- (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 period

- (1) On January 16, 2023, the Board of Directors approved the Group's proposal to apply for a medium-term financing line of NT\$1,500,000 thousand from Antai Commercial Bank, using the land in its own rezoning area as collateral security. The loan agreement was signed on February 3, 2023, with a three-year term and the maximum term of each appropriation shall not exceed 90 days.

- (2) On February 10, 2023, the board of directors resolved to temporarily suspend the production of the Group's Guanyin Plant, as described in Note 12(3).
- (3) On February 10, 2023, the Board of Directors resolved to pre-sell part of the rezoned land acquired upon completion of the rezoning, and authorized the chairman of the Company and the land subsidiaries involved to handle the pre-sale and tender planning. On March 14, 2023, the Board of Directors of the Group resolved to appoint Cushman & Wakefield Taiwan to conduct the public tender process and related matters.
- (4) On February 24, 2023, the Group signed a contract with XT TYRE Vietnam for the OEM production of tires for sale to the U.S. and neighboring markets in Southeast Asia through the Vietnam plant. Under the OEM contract, XT TYRE Vietnam will manufacture the Group's products from 2024 onwards in accordance with the Group's order instructions and operating regulations. In respect of the quality agreement, the Group must comply with the quality requirements and audit rights of the Group, assume the responsibility of confidentiality and non-infringement of intellectual property rights in respect of business technology, and guarantee the after-sales service of the products. In addition, without the consent of the Group, orders from the Group may not be transferred to a third party for manufacturing and production.

## 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(4) 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 (6).

(III) Termination of the Guanyin Plant's operation

Besides the impact on the U.S. market due to the implementation of the aforementioned U.S. anti-dumping case, the Group's operations have been affected by the epidemic, inflation and the pressure of interest rate hikes due to the tightening monetary policy of the U.S. Federal Reserve, etc. In order to survive in the face of the current situation and to pursue sustainable operation of the Company, and in consideration of the best interests of the Company and its shareholders, the Group decided to temporarily suspend production at the Guanyin Plant at the Board of Directors' meeting on February 10, 2023.



1. The Group will cease production in early March 2023, and will submit applications to the competent authorities for mass dismissal of employees in accordance with the labor laws and regulations in order to reduce various expenses.
2. As the temporary suspension of production will have an impact on consolidated revenue and profit and loss, the measures to address the impact are as follows:
  - (1) The Group will significantly adjust its order acceptance policy to focus on profitable orders. Orders received from former customers will be kept in stock and shipped on schedule, without affecting customers' rights and interests, and organizational optimization and manpower streamlining will be implemented to reduce expenses.
  - (2) During the period of production suspension, the operating expenses can be reduced and the cash outflow can be reduced. However, the Group will continue to sell to other OEM tires in the short term to maintain customers and the normal operation of the Company.
  - (3) The Group will continue to grasp the channel resources in the next 2 years, and when there is a strong demand from customers, the Group will be able to resume the production and supply from Guanyin factory again.
3. The Group has sought overseas OEM cooperation for its production program and has been actively re-engaging with willing factories to gradually resume sales in the United States. During the temporary suspension period, the Group will continue to stock tires from inventory and accept sales from other manufacturers for OEM or parallel import tires, while implementing the overseas OEM co-production program.
4. The Group has negotiated with its customers on the contracts that cannot be completed due to the temporary suspension of production, and the balance of accounts receivable from these customers as of December 31, 2022 is NT\$34,950 thousand.

Due to the shutdown of the Guanyin plant, the Group's various production equipment was impaired. Please refer to Note 6 (6).

### 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: Table 2.
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 3.
8. Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital: Table 4.
9. Trading in Derivative Instruments: None.
10. Business relationships and significant transactions between the parent and subsidiaries and between the subsidiaries and their amounts: Table 5.

(II) Information on investees:

Names, Locations, and Other Information on Investees: Table 6.

(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 7.
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 8.

#### 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

	2022			
	Domestic	Asia	America	Total
Income from external clients	\$ 1,524,518	\$ 16,398	\$ 74,716	\$ 1,615,632
Intersegment income	50,141	—	—	50,141
Segment income	<u>\$ 1,574,659</u>	<u>\$ 16,398</u>	<u>\$ 74,716</u>	<u>\$ 1,665,773</u>
Segment income or loss	<u>\$ (683,107)</u>	<u>\$ (61,753)</u>	<u>\$ (15,217)</u>	<u>\$ (760,077)</u>
Segment income or loss includes: Depreciation and amortization	<u>\$ 395,279</u>	<u>\$ 39,787</u>	<u>\$ 1,316</u>	<u>\$ 436,382</u>
	2021			
	Domestic	Asia	America	Total
Income from external clients	\$ 1,245,471	\$ 53,152	\$ 262,618	\$ 1,561,241
Intersegment income	27,140	—	—	27,140
Segment income	<u>\$ 1,272,611</u>	<u>\$ 53,152</u>	<u>\$ 262,618</u>	<u>\$ 1,588,381</u>
Segment income or loss	<u>\$ (1,674,087)</u>	<u>\$ (84,254)</u>	<u>\$ (130,748)</u>	<u>\$ (1,889,089)</u>
Segment income or loss includes: Depreciation and amortization	<u>\$ 481,062</u>	<u>\$ 44,810</u>	<u>\$ 3,623</u>	<u>\$ 529,495</u>

##### (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:

	2022	2021
Income or loss of reportable segments	\$ (760,077)	\$ (1,889,089)
Elimination upon consolidation	22,845	204,803
Non-operating revenues and expenses	(617,314)	(616,657)
Net income (loss) before tax	<u>\$ (1,354,546)</u>	<u>\$ (2,300,943)</u>

(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 2022 and 2021 is as follows:

	2022		2021	
	Income	Non-current assets	Income	Non-current assets
Domestic	\$1,524,518	\$5,049,426	\$1,245,471	\$6,069,827
Asia	16,398	370,993	53,152	389,452
America	74,716	327	262,618	47,335
Total	<u>\$1,615,632</u>	<u>\$5,420,746</u>	<u>\$1,561,241</u>	<u>\$6,506,614</u>

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 Group has no sales from a single customer amounted to more than 10% of total operating income in 2022 and 2021.

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, 9 and 10)	Aggregate maximum amount (Notes 7, 9 and 10)
													Name	Value		
0	The Company	Federal Tire North America LLC.	Other receivables	Yes	\$ 224,200	\$ 184,260	\$ 119,476	1.88%~4.54%	The need for short-term financing	\$ —	For working capital	\$ —	N/A	N/A	\$ 796,070	\$ 1,592,141
0	The Company	Taixin Construction Co. Ltd.	Other receivables	Yes	100,000	100,000	—	2.17%	The need for short-term financing	—	For working capital	—	N/A	N/A	796,070	1,592,141
1	Federal International Holding, Inc.	The Company	Other receivables	Yes	76,088	—	—	0.84%~3.58%	The need for short-term financing	—	For working capital	—	N/A	N/A	201,262	402,524
2	Amberg Investments Pte. Ltd.	The Company	Other receivables	Yes	32,215	30,710	30,710	0.84%~3.58%	The need for short-term financing	—	For working capital	—	N/A	N/A	202,981	405,962

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 remark's 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.

Note 10: Federal International Holding, Inc. and Amberg Investments Pte. Ltd. loaned funds to others as follows:

The total amount of capital loaned by the Company to others shall not exceed 40% of the Company's net worth. The limits for a single borrower are as follows:

A. When short-term financing is necessary for a related company: up to 20% of the Company's net value.

B. Companies or firms with which the Company has business dealings: Not to exceed 20% of the borrower's net worth, and not to exceed the total amount of business dealings between the two parties in the most recent year (the amount of business dealings refers to the higher of the amount of goods purchased or sold between the two parties).

C. The Company may authorize the Chairman of the Board of Directors to make loans or to circulate the loan during the loan period if the loan does not exceed 10% of the Company's most recent financial statements.

If the loan is made to a foreign company that is 100% owned directly or indirectly by the Company's uppermost parent company, the total amount of the loan shall not exceed 200% of the Company's latest net financial statements.

Table 2

Endorsements/Guarantees for Others

Unit: NT\$1,000

No. (Note 1)	Company Name of Endorser	Endorsements/Guarantees		Endorsement guarantee limit for a single business (Note 3, Note 8)	Maximum endorsement guarantee balance (Note 4)	Endorsement guarantee balance at the end of the period (Note 5)	Actual expenditures (Note 6)	Amount of guarantee by endorsement of property	Ratio of accumulated endorsement guarantee to net worth of the most recent financial statements (%)	The maximum amount of endorsement guarantee (Note 3, Note 8)	Parent company endorsement of subsidiary (Note 7)	Subsidiary's endorsement of parent company (Note 7)	The endorsement is for mainland China (Note 7)
		Company Name	Relationship (Note 2)										
1	Taixin Construction Co. Ltd.	The Company	3	\$ 4,750,150	\$ 2,880,000	\$ 2,880,000	\$ —	\$ 2,880,000	606.3%	\$ 4,750,150	—	Y	—

Note 1: The description of the number column is as follows:

A. The issuer is entered as 0.

B. The investee companies are numbered according to the Company, starting from the Arabic number 1.

Note 2: There are 7 types of relationships between the endorsee and the endorser, and the types can be indicated as follows

1. Companies with business dealings.

2. Companies in which the Company directly or indirectly holds more than 50% of the voting shares.

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

4. Companies in which the Company directly or indirectly holds more than 90% of the voting shares.

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

6. A company that is guaranteed by all contributing shareholders in proportion to their shareholding due to joint investment.

7. Interbank companies that engage in performance guarantee and joint guarantee for pre-sale contracts in accordance with the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee limits and maximum endorsement and guarantee limits for individual parties in accordance with the endorsement and guarantee procedures should be entered, and the calculation of the individual parties and total endorsement and guarantee limits should be stated in the Remarks column.

Note 4: The maximum amount of endorsement and guarantee for others in the current year.

Note 5: The amount approved by the Board of Directors should be included. However, if the Board of Directors authorizes the chairman of the Board of Directors to make the decision in accordance with Article 12, Paragraph 8 of the Guidelines Governing the Lending of Funds and Endorsements by Public Companies, the amount of the decision of the chairman of the Board of Directors shall be included.

Note 6: The actual amount to be expended by the endorsee within the balance of the endorsement guarantee should be entered.

Note 7: "Y" should be entered for the listed parent company to subsidiary company endorsement and guarantee, subsidiary company to listed parent company endorsement and guarantee, and mainland China endorsement and guarantee.

Note 8: The endorsement and guarantee practices of Taixin Construction Co., Ltd. are as follows:

The total amount of the Company's external endorsement and guarantee is limited to ten times the net value of the Company's most recent financial statements; the limit of the Company's endorsement and guarantee to a single enterprise is as follows

A. The parent company holding 100% of the Company's shares shall not exceed ten times the Company's most recent net financial statements.

B. The endorsement and guarantee for other related companies shall be limited to the net value of the Company's most recent financial statements.

C. For non-affiliated companies with business transactions, the amount shall not exceed the total amount of business transactions between the two parties in the most recent year and shall not exceed the Company's latest net financial statements (the amount of business transactions refers to the higher amount of purchase or sale between the two parties).

Table 3

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

Unit: NT\$1,000

Company	Transaction counterpart	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	\$ 217,915	15%	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	\$ 17,050	9%	
Federex Marketing Co., Ltd.	The Company	Parent company	Monetary amount of purchase	217,915	89%	"	—	—	17,050	74%	

Note 1: If the transaction term with related parties is 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 remark's 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 4

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

Unit: NT\$1,000

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 \$ 2,564 Other receivables \$ 121,052	0.38	\$ 119,476	Payments are being collected	\$ 5,430	\$ —

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 5

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts  
From January 1, 2022 to December 31, 2022

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	\$ 217,915	Payment by wire transfer after 120 days from the 1st day of the following month	13%	
0	The Company	Federal Tire North America LLC.	1	Other receivables Sales income	121,052 50,141	Note 5 The credit period is net 180 days after the end of the month	1% 3%	
0	The Company	Taixin Construction Co., Ltd.	1	Operating expenses	31,115		2%	
0	The Company	Taicheng Development Co., Ltd.	1	Operating expenses	29,686		2%	
2	Amberg Investments Pte. Ltd.	Taifeng Tire (Jiangxi) Limited.	3	Other receivables	552,746	Note 6	6%	

Table 5-1

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 Sales income	135,928 27,140	Note 5 Net 180 days after the end of the month	1% 2%	
0	The Company	Taixin Construction Co., Ltd.	1	Operating expenses	33,941		2%	
0	The Company	Taicheng Development Co., Ltd.	1	Manufacturing expenses	32,385		2%	
1	Federal International Holding, Inc.	FEDERAL CORP	2	Other receivables	69,408	Note 5	1%	

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.

Note 6: The transaction was mainly in the nature of capital reduction receivables, so it is not applicable.

Table 6

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

Unit: NTD thousand

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%	\$ 230,941	\$ 9,713	\$ 9,713	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%	475,025	10,585	10,585	Subsidiary
"	Taicheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	—	150,000	—	—	—	2,886	2,886	Subsidiary (Note 5)
"	Rongcheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	10,000	10,000	1,000,000	100%	171,327	(1,682)	(1,682)	Subsidiary
"	Fucheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	8,000	—	800,000	100%	84,515	(138)	(138)	Subsidiary (Note 5)
"	Federal International Holding Inc.	Cayman Islands	General investment	2,067,609	2,149,877	62,831,062	100%	998,475	(44,081)	(44,081)	Subsidiary (Note 4)
Federal International Holding Inc.	Amberg Investments Pte. Ltd.	Singapore	General investment	2,072,937	2,072,937	103,587,418	100%	1,022,723	(37,384)	(37,384)	Sub-subsidiary
"	Federal Tire North America LLC.	USA	Distribution of tires	6,437	6,437	—	100%	(73,343)	(3,416)	(3,416)	Sub-subsidiary
"	Karroy Development Limited	Hong Kong	Commercial building rental business	74,566	74,566	2,000,000	100%	44,374	(3,718)	(3,718)	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 remark's 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 valued 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: On October 18, 2022, Federal International Holding Inc. resolved to reduce its capital by USD2,500,000 in cash and completed the capital change registration on the same date.

Note 5: On November 9, 2022, the Board of Directors approved a simple merger with Taicheng Company, a 100%-owned subsidiary, in accordance with the Company Law and the Business Mergers and Acquisitions Act. On November 30, 2022, the Company inherited 800 thousand shares of Fucheng Company held by Taicheng Company, and its shareholding percentage was 100% as of December 31, 2022.

Table 7

Information on investments in the Mainland Area

Unit: NTD thousand

Investee Company Name	Principal business	Paid-in capital (Note 5)	Investment method	Cumulative investment remitted from Taiwan, beginning of this period	The investment amount remitted from Taiwan or recovered in this period		Cumulative investment remitted from Taiwan, end of this period	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 (Jiangxi) Ltd.	Tire Co., Production and sales of various tires and rubber products	\$ 2,149,974	Note 1	\$ 2,149,974	\$ —	\$ —	\$ 2,149,974	100%	\$ (84,710)	\$ 422,184	\$ —

Cumulative outward remittances for investment in mainland China as of the end of this period	Investment amount approved by Investment Commission, MOEA	Limit on investment amount stipulated by Investment Commission, MOEA (Note 3)
\$ 2,149,974	\$ 2,149,974	\$ 2,388,211

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 8

Information on major shareholders

Major shareholders	Shares	Number of shares held (shares)	Percentage of Shares Held
Nankang Rubber Tire Corp., Ltd.		148,768,000	31.43%
Zhikai Development Co., Ltd.		26,928,000	5.68%
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 Parent Company Only Balance Sheetss of Federal Corporation (the "Company") for the years ended December 31,2022 and 2021 and the relevant Parent Company Only 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 "Parent Company Only financial statements").

In our opinion, the accompanying Parent Company Only financial report presents fairly, in all material respects, the Parent Company Only financial position of the Company as of December 31,2022 and 2021 and for the years then ended, and its Parent Company Only financial performance and Parent Company Only 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 Parent Company Only 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 Parent Company Only financial report of the Company for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the Parent Company Only 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 Parent Company Only financial report of the Company for the year ended December 31, 2022, are stated as follows:

Valuation of inventories



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

#### Assessment of impairment of property, plant and equipment

Please refer to Note 4(10) to the Parent Company Only financial report for the accounting policy on impairment of non-financial assets; please refer to Note 5 to the Parent Company Only financial report for the uncertainty of accounting estimates and assumptions of impairment of non-financial assets; please refer to Note 6(7) to the Parent Company Only 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 and the Board of Directors resolved on February 10, 2023 to temporarily stop production at the Guanyin Plant, which had 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.

#### **Responsibilities of the management and the governing bodies for the Parent Company Only financial report**

The responsibilities of the management are to prepare the Parent Company Only 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 Parent Company Only 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 Parent Company Only financial report**

Our objectives are to obtain reasonable assurance on whether the Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Parent Company Only financial report (including relevant notes), and whether the Parent Company Only 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 Parent Company Only 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 Parent Company Only financial report for the year ended December 31, 2023. 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 14, 2023

Federal Corporation  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Unit: NTD thousand

Assets		Note	December 31, 2022		December 31, 2021	
Code	Account		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6(1)	\$ 336,452	4	\$ 591,340	6
1136	Financial assets at amortized cost - current	4, 6(2), and 8	40,000	1	844	—
1150	Notes receivable, net	4 and 6(3)	2,714	—	2,583	—
1170	Accounts receivable, net	4 and 6(3)	134,736	1	246,337	2
1181	Accounts receivable - related party	4 and 7	19,604	—	25,511	—
1200	Other receivables	4 and 7	135,678	1	150,792	1
1220	Current income tax assets	4 and 6(24)	890	—	175	—
130x	Inventories	4 and 6(4)	392,064	4	519,294	5
1410	Prepayments		46,794	1	81,314	1
1460	Non-current assets held for sales	4 and 6(5)	1,690,146	17	—	—
11xx	Total current assets		2,799,078	29	1,618,190	15
	Non-current assets					
1550	Investment under equity method	4 and 6(6)	1,843,814	19	3,190,168	29
1600	Property, plant and equipment	4, 6(7), and 8	5,002,183	51	5,996,071	55
1755	Right-of-use assets	4 and 6(8)	2,508	—	3,928	—
1780	Intangible assets	4 and 6(9)	10,219	—	14,600	—
1840	Deferred tax assets	4 and 6(24)	91,132	1	91,893	1
1920	Guarantee deposits paid	7 and 8	37,334	—	44,750	—
1900	Other non-current assets	6(10)	13,958	—	27,790	—
15xx	Total non-current assets		7,001,148	71	9,369,200	85
1xxx	Total assets		\$ 9,800,226	100	\$ 10,987,390	100

(Continued on next page)

Federal Corporation  
Parent Company Only Balance Sheets (Continued)  
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity		Note	December 31, 2022		December 31, 2021	
Code	Account		Amount	%	Amount	%
	Current liability					
2100	Short-term borrowings	6 (11)	\$ 1,174,805	12	\$ 1,048,607	10
2130	Contract liabilities - current	4 and 6 (19)	23,950	—	22,930	—
2170	Accounts payable	6 (12) and 7	63,133	1	55,934	1
2200	Other payables	6 (13) and 7	165,477	2	259,057	2
2250	Provision - current	4 and 6(14)	93,083	1	93,781	1
2280	Lease liabilities - current	4 and 6(8)	1,510	—	1,958	—
2322	Long-term borrowings - current portion	6(15)	191,692	2	306,550	3
2365	Refund liabilities - current	4 and 6(19)	—	—	13,871	—
2300	Other current liabilities		21,439	—	24,248	—
21xx	Total current liability		1,735,089	18	1,826,936	17
	Non-current liability					
2540	Long-term borrowings	6(15)	3,618,377	37	3,810,069	35
2570	Deferred income tax liabilities	4 and 6(24)	435,378	4	—	—
2580	Lease liabilities - non-current	4 and 6(8)	1,032	—	2,010	—
2640	Net defined benefit liability - non-current	4 and 6(16)	28,291	—	38,643	—
2645	Guarantee deposits received		1,707	—	1,707	—
25xx	Total non-current liability		4,084,785	41	3,852,429	35
2xxx	Total liability		5,819,874	59	5,679,365	52
	Total equity					
3110	Ordinary share capital	6(17)	4,733,292	48	4,733,292	43
3200	Capital reserve		156,764	2	156,764	1
	Retained earnings					
3310	Legal reserve		736,014	8	736,014	7
3320	Special reserve		1,913,109	20	1,913,109	18
3350	Undistributed earnings (deficit to be compensated)		(3,179,064)	(33)	(1,823,383)	(17)
3400	Other equity		(196,728)	(2)	(224,736)	(2)
3500	Treasury stock		(183,035)	(2)	(183,035)	(2)
3xxx	Total equity		3,980,352	41	5,308,025	48
	Total liabilities and Equity		\$ 9,800,226	100	\$ 10,987,390	100

(Please refer to the Notes to the Parent Company Only Financial Report)

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li,  
Hsin-Yu

**Federal Corporation**  
**Parent Company Only Statements of Comprehensive Income**  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4, 6(19), and 7	\$ 1,493,801	100	\$ 1,190,691	100
5000	Operating cost	6 (4 and 25) and 7	(1,590,986)	(107)	(1,895,492)	(159)
5900	Gross profit (loss)		(97,185)	(7)	(704,801)	(59)
6000	Operating expenses	6(25) and 7				
6100	Marketing expense		(243,270)	(16)	(460,704)	(39)
6200	Management expense		(251,645)	(17)	(383,063)	(32)
6300	R&D expense		(79,078)	(5)	(126,821)	(10)
6450	Expected credit impairment gain	6(3)	(1,671)	—	4,832	—
	Total operating expenses		(575,664)	(38)	(965,756)	(81)
6900	Operating income (loss)		(672,849)	(45)	(1,670,557)	(140)
7000	Non-operating revenues and expenses					
7100	Interest income	6(20) and 7	7,464	1	2,681	—
7010	Other income	6 (21) and 7	13,301	1	20,194	2
7020	Other gains and losses	6 (7 and 22)	(595,120)	(40)	(426,946)	(36)
7050	Financial costs	6(23) and 7	(78,562)	(5)	(63,573)	(5)
7070	Share of profit or loss of subsidiaries recognized using the equity method	4	(22,717)	(2)	(204,803)	(17)
	Total non-operating income and expenses		(675,634)	(45)	(672,447)	(56)
7900	Net income (loss) before tax		(1,348,483)	(90)	(2,343,004)	(196)
7950	Income tax expense	4 and 6(24)	(7,727)	(1)	(6,960)	(1)
8200	Net income (loss) for the period		(1,356,210)	(91)	(2,349,964)	(197)
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans	4 and 6(16)	1,462	—	38,211	3
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	4 and 6(17)	—	—	97,993	8
8331	Remeasurement of defined benefit plans of subsidiaries recognized using the equity method	4	(933)	—	(203)	—
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(17)	28,008	2	(11,970)	(1)
	Other comprehensive income for the period (post-tax profit or loss)		28,537	2	124,031	10
8500	Total comprehensive income for the period		\$ (1,327,673)	(89)	\$ (2,225,933)	(187)
9750	Earnings (loss) per share (NTD)	6(18)				
	Basic		\$ (2.95)		\$ (5.11)	

(Please refer to the Notes to the Parent Company Only Financial Report)

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation  
Parent Company Only Statements of Changes in Equity  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Item	Ordinary share capital	Capital reserve	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Undistributed earnings (deficit to be compensated)	Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income		
Balance on January 1, 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 profits	—	—	—	—	(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
Balance on January 1, 2022	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (1,823,383)	\$ (224,736)	\$ —	\$ (183,035)	\$ 5,308,025
Current net loss	—	—	—	—	(1,356,210)	—	—	—	(1,356,210)
Other comprehensive income for the period	—	—	—	—	529	28,008	—	—	28,537
Total comprehensive income for the period	—	—	—	—	(1,355,681)	28,008	—	—	(1,327,673)
Balance on December 31, 2022	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (3,179,064)	\$ (196,728)	\$ —	\$ (183,035)	\$ 3,980,352

(Please refer to the Notes to the Parent Company Only Financial Report)

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li, Hsin-Yu



Federal Corporation  
Parent Company Only Statements of Cash Flows  
for the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

Item	2022	2021
Cash flow from operating activities		
Net income (loss) before tax for the period	\$ (1,348,483)	\$ (2,343,004)
Adjustments:		
Income and expenses		
Depreciation expense	360,011	407,522
Amortization expense	25,229	57,327
Expected credit impairment gain	1,671	(4,832)
Net gain on financial assets at fair value through profit or loss	—	(100)
Interest expense	78,562	63,573
Interest income	(7,464)	(2,681)
Dividend income	—	(6,324)
Share of profit or loss of subsidiaries recognized using the equity method	22,717	204,803
Loss (gain) on disposal of property, plant and equipment	17,245	(1,208)
Amount of property, plant and equipment reclassified to expenses	660	4,922
Impairment losses on non-financial assets	636,045	331,032
Lease modification gain	(3)	(31)
Changes in assets/liabilities related to operating activities:		
Notes receivable	(131)	(142)
Accounts receivable	91,156	1,003,609
Other receivables	23,873	(23,875)
Inventories	127,278	302,271
Prepayments	15,847	36,708
Contract liabilities	1,016	(9,390)
Accounts payable	7,199	(237,777)
Other payables	(105,700)	(144,669)
Provision	(698)	54,960
Other current liabilities	3,080	2,847
Net defined benefit liability	(8,890)	(68,998)
Cash inflow (outflow) from operations	(59,780)	(373,457)
Interest received	6,508	1,282
Dividends received	—	6,324
Cash dividends from investments recognized using the equity method	8,910	17,149
Interest paid	(78,594)	(64,012)
Income tax paid (refunded)	(199)	(14)
Net cash inflow (outflow) from operating activities	(123,155)	(412,728)

(Continued on next page)

Federal Corporation

Parent Company Only Statements of Cash Flows (Continued)

for the Years Ended December 31,2022 and 2021

Unit: NTD thousand

Item	2022	2021
Cash flow from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	\$ —	\$ 489,443
Financial assets at amortized cost acquired	(40,140)	—
Financial assets at amortized cost disposed of	984	312
Financial assets mandatorily at fair value through profit or loss acquired	—	(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	80,000	—
Acquisition of non-current assets held for sale	(9)	—
Property, plant and equipment acquired	(15,192)	(369,391)
Property, plant and equipment disposed of	34,253	1,594
Increase in guarantee deposits paid	(5,087)	(45,344)
Decrease in guarantee deposits paid	6,856	13,482
Intangible assets acquired	(390)	(3,895)
Increase in other non-current assets	(10,795)	(21,770)
Net cash inflow (outflow) from investing activities	50,480	109,569
Cash flow from financing activities:		
Increase in short-term borrowings	126,198	122,166
Long-term borrowings	—	190,510
Repayment of long-term borrowings	(306,550)	(176,755)
Increase in guarantee deposits received	2	3
Decrease in guarantee deposits received	(2)	(955)
Repayment of lease principal	(1,861)	(5,118)
Cash dividends paid out	—	(9,455)
Net cash inflow from financing activities	(182,213)	120,396
Increase (decrease) in cash and cash equivalents in the period	(254,888)	(182,763)
Opening balance of cash and cash equivalents	591,340	774,103
Ending balance of cash and cash equivalents	\$ 336,452	\$ 591,340

(Please refer to the Notes to the Parent Company Only Financial Report)

Chairman: Chen,Heng-Kuan

Manager: Chen,Heng-Kuan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation  
Notes to Standalone Financial Report  
for the Years Ended December 31, 2022 and 2021  
(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. On November 30, 2022, the Company entered into a simple merger with its 100% owned subsidiary, Taicheng Development Co., Ltd. The Company is a surviving company. The standalone financial report is 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 14, 2023.

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 2022 onward:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 3, "Indexing the Conceptual Framework	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Value before reaching Intended Use".	January 1, 2022
Amendments to IAS 37, "Loss-making Contracts - Costs of Performance"	January 1, 2022
Annual Improvements for the 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.

(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 2023 onward:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IAS No. 1	January 1, 2023
Amendments to IAS No. 8	January 1, 2023
Amendments to IAS No. 12 "Deferred Income Taxes on 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.

(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
Amendments to IFRS 16, "Lease Liabilities in Sale and Leasebacks"	January 1, 2024
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 17".	January 1, 2023
Amendments to IFRS 17 "First-time application of IFRS 17 and IFRS 9 - Comparative information"	January 1, 2024
Amendments to IAS 1, "Current or non-current classification of liabilities"	January 1, 2024

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

(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.

### for classification of current and non-current assets and 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.

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.

The reacquisition of equity instruments issued by the company itself is recognized and deducted under equity. The purchase, sale, issuance, or cancellation of equity instruments by the company itself is not recognized in the income statement.

### (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 needs 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 is 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.

#### (XVII) Income tax

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

##### 1. Current income tax

The company determines its current income (loss) in accordance with the Income Tax Act of the Republic of China (Taiwan) and uses it to calculate the provision for income tax payable (recoverable).

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.

### (XVIII) Reorganization

In accordance to the Q&A section in the IFRS, "Doubts about Retroactive Restatement of Comparative Financial Statements under Organizational Reorganization," issued by the Accounting Research and Development Foundation on January 30, 2019. The Company uses the book value method for business combinations under common control and has elected not to restate prior period comparative information as if they were initial consolidations.

## 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(3) 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.

(IV) Measurement of Provision for Liabilities

The amount of the provision for litigation is the best estimate of the amount required to settle the obligation at the balance sheet date, taking into account the risk and uncertainty of the obligation. Due to the high degree of uncertainty in litigation, the final outcome or the actual amount of compensation may differ materially from the estimated amount, please refer to Note 6 (14) for the provision for liabilities.

VI. Important accounting items and explanation

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ —	\$ 200
Demand deposit and checking deposit	96,760	101,171
Cash equivalents		
Bank time deposit	193,627	124,609
Notes under repurchase agreement	46,065	365,360
Total	<u>\$ 336,452</u>	<u>\$ 591,340</u>

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, 2022	December 31, 2021
<u>Current</u>		
Domestic Investment		
Time deposits with original maturities of more than three months	\$ —	\$ 844
Bank deposits in reserve accounts	40,000	—
Total	<u>\$ 40,000</u>	<u>\$ 844</u>
Interest rate range	<u>0.455%</u>	<u>0.18%~0.28%</u>

Please refer to Note 8 for information on financial assets- current measured at amortized cost provided as a guarantee.

(III) Financial assets at FVTOCI

Investment in equity instruments

	December 31, 2022	December 31, 2021
<u>Notes receivable</u>		
Receivables arising from operations	\$ 2,714	\$ 2,583
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 169,445	\$ 280,371
Less: Allowance for losses	(34,709)	(34,034)
	<u>\$ 134,736</u>	<u>\$ 246,337</u>

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, 2022						
		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%	50.18%~ 71.71%	100%	
Total carrying amount	\$	129,784	\$ 5,133	\$ 56	\$ 20	\$ —	\$ 34,452	\$ 169,445
Allowance for losses (lifetime ECLs).		(190)	(67)	—	—	—	(34,452)	(34,709)
At amortized cost	\$	129,594	\$ 5,066	\$ 56	\$ 20	\$ —	\$ —	\$ 134,736

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

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

		2022	
		Notes receivable	Accounts receivable
Opening balance	\$	—	\$ 34,034
Reversal of impairment loss for this period		—	1,671
Write-off in this period		—	(996)
Ending balance	\$	—	\$ 34,709

		2021	
		Notes receivable	Accounts receivable
Opening balance	\$	—	\$ 60,749
Reversal of impairment loss for this period		—	(4,832)
Actual elimination for the period		—	(21,883)
Ending balance	\$	—	\$ 34,034

(IV) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 200,700	\$ 224,015
Work in progress	28,267	39,537
Raw materials	103,689	175,718
Supplies	44,271	78,453
Merchandise inventories	2,873	1,571
Goods in transit	12,264	—
Total	<u>\$ 392,064</u>	<u>\$ 519,294</u>

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

	2022	2021
Cost of inventory sold	\$ 1,624,455	\$ 1,163,648
Inventory valuation loss (gain from price recovery)	(119,885)	258,428
Unallocated overhead	75,585	461,927
Others	10,831	11,489
Total	<u>\$ 1,590,986</u>	<u>\$ 1,895,492</u>

1. The recovery of the net realizable value of the Company's inventory in 2022 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. Other gains and losses on inventories include income from sales of tailings, profit or loss on inventories, and scrapping of inventories.

(V) Non-current assets held for sales

	December 31, 2022	December 31, 2021
Land	\$ 1,636,740	\$ —
Buildings	226,918	—
Unfinished construction	7,790	—
Less: Accumulated depreciation	(181,302)	—
Total	<u>\$ 1,690,146</u>	<u>\$ —</u>

1. 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.

2. The Company determined that, in order to facilitate the smooth transfer of land ownership in the future rezoning process, the Board of Directors approved on August 10, 2022 to establish Fucheng Development Co. ('Fucheng'), with a base date of August 31, 2022, and the establishment was approved on October 6, 2022. On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act, and set the base date for the merger as November 30, 2022, and completed the dissolution of the merger on February 24, 2023. On November 30, 2022, the Company succeeded to Taicheng's land and buildings in Zhongli Plant. The above rezoning plan was approved by Taoyuan City Government on September 23, 2022 and the rezoning was approved on November 23, 2022. The Company adopted the book value method to recognize the above land and plant held by Taishin as non-current assets held for sale.

No impairment loss should be recognized for the land and buildings classified as non-current assets held for sale, and there was no impairment loss as of December 31, 2022.

(VI) Investment under equity method

Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-publicly listed companies		
Federex Marketing Co., Ltd.	\$ 230,941	\$ 222,161
Taixin Construction Co., Ltd.	475,025	433,550
Taicheng Development Co., Ltd.	—	1,449,935
Rongcheng Development Co., Ltd.	171,327	173,009
Fucheng Development Co., Ltd.	84,515	—
Federal International Holding Inc.	998,475	1,094,548
Subtotal	<u>1,960,283</u>	<u>3,373,203</u>
Add: The Company's stocks held by subsidiaries, regarded as treasury shares	(116,469)	(183,035)
Total	<u>\$ 1,843,814</u>	<u>\$ 3,190,168</u>

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

Subsidiary	Percentage of the Companies of ownership interest	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Federex Marketing Co., Ltd.	100%	100%
Taixin Construction Co., Ltd.	100%	100%
Taicheng Development Co., Ltd.	—	100%
Rongcheng Development Co., Ltd.	100%	100%
Fucheng Development Co., Ltd.	100%	—
Federal International Holding Inc.	100%	100%



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. The Company's Board of Directors approved on August 10, 2022 that Taicheng, a 100%-owned subsidiary, would divide its business under the Business Mergers and Acquisitions Act and establish a new Fucheng, and set the base date for the division as August 31, 2022, and approved its establishment on October 6, 2022.
4. The Company's Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, on November 9, 2022, in accordance with the Company Act and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of November 30, 2022, and completed the merger dissolution registration on February 24, 2023. On November 30, 2022, the Company inherited 800 thousand shares of Fucheng stock held by Taicheng, and its shareholding percentage was 100% as of December 31, 2022. The Company recognized the assets and liabilities of Taicheng using the book value method as of November 30, 2022:

	November 30, 2022
<b>Assets</b>	
Current income tax assets	\$ 516
Prepayments	20
Non-current assets held for sale	1,690,137
Other current assets	5,869
Investments accounted for under the equity method	7,872
Property, plant and equipment	1,703
Other non-current assets	1,704
	\$ 1,707,821
<b>Liabilities</b>	
Contract liabilities	\$ 4
Other payables	4,073
Deferred income tax liabilities	428,412
Deposits to security deposits	5,658
	\$ 438,147

5. Please refer to Table 6 for the details of the Company's indirect investment subsidiaries.



per the years of useful lives below:

Buildings	8–50 years
Machinery and equipment	2–25 years
Transportation equipment	3–11 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:

	2022	2021
Capitalized amount	\$ 1,376	\$ 578
Interest rate range	0.55%	0.55%

3. 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 2022 and 2021 in the amount of NT\$636,045 thousand and 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. This is a Level 3 fair value measurement.

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

(VIII) 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of the right-of-use assets		
Transportation equipment	\$ 2,508	\$ 3,928

	2022	2021
Depreciation expense on right-of-use assets		
Buildings	\$ —	\$ 1,708
Transportation equipment	1,858	3,382
Total	<u>\$ 1,858</u>	<u>\$ 5,090</u>

(2) The increases in the Company's right-of-use assets in 2022 and 2021 were NT\$563 thousand and NT\$1,238 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 2022 and 2021.

#### 2. Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liability		
Current	<u>\$ 1,510</u>	<u>\$ 1,958</u>
Non-current	<u>\$ 1,032</u>	<u>\$ 2,010</u>

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

	December 31, 2022	December 31, 2021
Buildings	—	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

	2022	2021
Short-term lease expenses	<u>\$ 60,878</u>	<u>\$ 66,454</u>
Low-value asset lease expenses	<u>\$ 747</u>	<u>\$ 972</u>
Total cash outflow from leases	<u>\$ 63,538</u>	<u>\$ 72,647</u>

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.

(IX) Intangible assets

Item	2022				
	Opening balance	Addition	Disposal	Reclassification	Ending balance
<u>Cost</u>					
Computer software	\$ 115,758	\$ 390	\$ —	\$ 910	\$ 117,058
<u>Accumulated amortization</u>					
Computer software	101,158	5,681	—	—	106,839
Net amount	<u>\$ 14,600</u>	<u>\$ (5,291)</u>	<u>\$ —</u>	<u>\$ 910</u>	<u>\$ 10,219</u>

Item	2021				
	Opening balance	Addition	Disposal	Reclassification	Ending balance
<u>Cost</u>					
Computer software	\$ 106,653	\$ 3,895	\$ —	\$ 5,210	\$ 115,758
<u>Accumulated amortization</u>					
Computer software	96,122	5,036	—	—	101,158
Net amount	<u>\$ 10,531</u>	<u>\$ (1,141)</u>	<u>\$ —</u>	<u>\$ 5,210</u>	<u>\$ 14,600</u>

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 2–5 years

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

	2022	2021
Management expense	<u>\$ 5,681</u>	<u>\$ 5,036</u>

(X) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for business facilities	\$ 8,492	\$ 7,944
Unamortized expense	3,581	17,340
Other assets - other	1,885	2,506
Total	<u>\$ 13,958</u>	<u>\$ 27,790</u>

(XI) Short-term borrowings

	December 31, 2022	December 31, 2021
Bank unsecured borrowings	\$ 756,936	\$ 1,048,607
Bank secured borrowings	417,869	—
Total	<u>\$ 1,174,805</u>	<u>\$ 1,048,607</u>
Interest rate rang	<u>1.664% ~ 6.1832%</u>	<u>0.6141% ~ 1.35%</u>

Please refer to Note 8 for information regarding assets provided as collateral for short-term borrowings.

(XII) Accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	<u>\$ 63,133</u>	<u>\$ 55,934</u>

Please refer to Note 6 (28) for disclosures about the Company's payables and other payables that are exposed to exchange rate and liquidity risks.

(XIII) Other payables

	December 31, 2022	December 31, 2021
Salary and bonus payable	\$ 45,215	\$ 55,758
Freight payable	587	10,723
Insurance payable	5,490	5,076
Business facilities payable	19,308	9,545
Others	51,308	69,158
Other payables - related party	43,569	108,797
Total	<u>\$ 165,477</u>	<u>\$ 259,057</u>

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

(XIV) Provision

	2022		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Opening balance	\$ 31,224	\$ 62,557	\$ 93,781
Increase in this period	3,528	—	3,528
Drawn in this period	(4,226)	—	(4,226)
Ending balance	<u>\$ 30,526</u>	<u>\$ 62,557</u>	<u>\$ 93,083</u>

	2021		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
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	<u>\$ 31,224</u>	<u>\$ 62,557</u>	<u>\$ 93,781</u>

#### 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. On July 31, 2014, the company was sued by Jeramy Truhlar in the United States. The plaintiff and their insurance company claim that an accident occurred in their vehicle due to defects in the tires sold by the company. As a result, they have filed a lawsuit against the company seeking 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, 2022.

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.

(XV) Long-term borrowings

	December 31, 2022	December 31, 2021
Bank secured borrowings		
Construction of plant and purchase of equipment	\$ 3,810,069	\$ 4,116,619
Less: Current portion	(191,692)	(306,550)
Long-term borrowings	<u>\$ 3,618,377</u>	<u>\$ 3,810,069</u>
Interest rate range	<u>1.675%~2.1687%</u>	<u>1.05% ~ 1.52%</u>

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, 2022 and 2021, the outstanding amount was NT\$3,097,656 thousand and 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, 2022 and 2021, the outstanding amounts were both NT\$283,932 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, 2022 and 2021, the outstanding amounts were NT\$142,836 thousand and NT\$199,976 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, 2022 and 2021, the outstanding amounts were NT\$91,200 thousand and NT\$121,600 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, 2022 and 2021, the outstanding amounts were NT\$194,445 thousand and NT\$261,111 thousand; the principal was repaid in installments as agreed.
5. In December 2022, the Company entered into a medium-term loan agreement with Huan Nan Bank for a period of 5 years with a total amount of NT\$2,400,000 thousand, which was secured by a mortgage on the land of the subsidiary Taixin Zhongli Plant.
6. Please refer to Note 8 for the information on the assets pledged as collateral for long-term borrowings.

(XVI) 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 2022 and 2021 were NT\$12,128 thousand and NT\$19,735 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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ (67,303)	\$ (67,858)
Fair value of plan asset	39,012	29,215
Net defined benefit liability	\$ (28,291)	\$ (38,643)

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, 2022	\$ (67,858)	\$ 29,215	\$ (38,643)
Service cost			
Current service cost	(947)	—	(947)
Interest expense (income)	(466)	209	(257)
Service cost in the prior period	292	—	292
Liquidation gain or loss	168	(163)	5
Recognized in profit or loss	(953)	46	(907)
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	6,312	6,312
Effect of changes in demographic assumptions	—	—	—
Effect of changes in financial assumptions	4,503	—	4,503
Experience adjustments	(9,353)	—	(9,353)
Recognized in other comprehensive income	(4,850)	6,312	1,462
Contributions to pension	—	9,634	9,634
Pension paid	6,358	(6,195)	163
Balance on December 31, 2022	\$ (67,303)	\$ 39,012	\$ (28,291)

	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
Balance on December 31, 2021	(67,858)	29,215	(38,643)

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, 2022	December 31, 2021
Discount rate	1.30%	0.70%
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, 2022 and 2021 would increase (decrease) are as follows:

December 31, 2022	Increase by 0.25%	Decrease by 0.25%
Discount rate	\$ (1,746)	\$ 1,813
Future salary increase rate	\$ 1,795	\$ (1,739)

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)

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, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Estimated amount to be contributed within 1 year	\$ 4,101	\$ 4,067
Average maturity period of defined benefit obligation	10 years	11 years

(XVII) Equity

1. Ordinary share capital

	December 31, 2022	December 31, 2021
Authorized Capital	\$ 10,000,000	\$ 10,000,000
Outstanding shares	\$ 4,733,292	\$ 4,733,292

As of December 31, 2022 and December 31, 2021, 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

	2022			Total
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	
The balance on January 1, 2022 is the balance on December 31, 2022.	\$ 37,860	\$ 107,735	\$ 11,169	\$156,764

	2021			Total
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	
The balance on January 1, 2021 is the balance on December 31, 2021.	\$ 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

	2022			
	Unrealized revaluation increment	Exchange differences on translation of financial statements of foreign operating institutions	Investment property is measured using the fair value model.	Total
Opening balance that is ending balance	\$ 1,545,841	\$ 361,927	\$ 5,341	\$ 1,913,109
	2021			
	Unrealized revaluation increment	Exchange differences on translation of financial statements of foreign operating institutions	Investment property is measured using the fair value model.	Total
Opening balance	\$ 1,545,841	\$ 361,927	\$ 3,749	\$ 1,911,517
investment property recognized at fair value	—	—	1,592	1,592
Ending balance	\$ 1,545,841	\$ 361,927	\$ 5,341	\$ 1,913,109

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 14, 2023 on the 2022 deficit proposal. Please visit the MOPS for relevant information.
- (6) On June 15, 2022, the Company's Annual General Meeting of Shareholders resolved to approve a loss for fiscal 2021. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange for the status of the resolution.
- (7) 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
	<u>\$ 14,129</u>	

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

#### 4. Other equity items

	Exchange differences on translation of financial statements of foreign operating institutions
Balance on January 1, 2022	<u>\$ (224,736)</u>
Current period	
Differences in the conversion of financial statements of foreign operating institutions	28,008
Balance on December 31, 2022	<u>\$ (196,728)</u>

	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			
Differences in the conversion of financial statements of foreign operating institutions	(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	<u>\$ (224,736)</u>	<u>\$ —</u>	<u>\$ (224,736)</u>

In August and September 2021, the company made the decision to sell its holdings in Jiuhua Motors Co., Ltd., comprising 12,522 shares, and Ford Liuhua Motors Co., Ltd., comprising 1,370,172 shares. The fair values of the assets at the time of disposal were 255,232 thousand and 234,211 thousand, respectively. The accumulated gains from the disposals amounted to 243,848 thousand and 228,146 thousand, respectively. These accumulated gains were transferred from other equity to retained earnings.

#### 5. Treasury stock

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

Reason for redemption	(Unit: In thousand shares)			
	2022			
	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	—	(5,913)	7,842
Acquired by merger	—	5,913	—	5,913
	<u>13,755</u>	<u>5,913</u>	<u>(5,913)</u>	<u>13,755</u>
	2021			
	Number of shares at the beginning of the period	Increase in this period	Decrease in this period	Number of shares at the end of the period
Parent company's shares held by subsidiaries	13,755	—	—	13,755

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



Subsidiary	No. of Shares (thousand)	December 31, 2022	
		Treasury shares Par Value	Treasury shares market price
Federex Marketing Co., Ltd.	7,842	\$ 116,469	\$ 156,840
December 31, 2021			
Subsidiary	No. of Shares (thousand)	Treasury Stock Par Value	Treasury Stock market price
Federex Marketing Co., Ltd.	7,842	\$ 116,469	\$ 226,242
Taicheng	5,913	66,566	170,590
	13,755	\$ 183,035	\$ 396,832

- (3) The Company's Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, on November 9, 2022, in accordance with the Company Act and the Business Mergers and Acquisitions Act. The Company inherited 5,913 thousand shares of the Company's stock held by Taicheng on November 30, 2022, with a carrying amount of NT\$66,566 thousand in treasury stock and a treasury stock price of NT\$118,260 thousand.
- (4) 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.

(XVIII) Earnings (loss) per share

	2022	2021
Basic earnings (loss) per share (NTD)	\$ (2.95)	\$ (5.11)

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

	2022	2021
Net income (loss) for the period (NTD thousand)	\$ (1,356,210)	\$ (2,349,964)
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)	\$ (2.95)	\$ (5.11)

(XIX) Operation income

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Revenue from sale of goods	\$ 1,493,801	\$ 1,190,691
1. Please refer to Note 4(13) for the description of the Company's income.		
2. Contract balance		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivable (Notes 6(3) and 7)	\$ 157,054	\$ 274,431
Contract liabilities - current		
Sale of goods	\$ 23,950	\$ 22,930

The amounts of operating income recognized in 2022 and 2021 from contract liabilities at the beginning of the period were NT\$3,974 thousand and NT\$24,592 thousand.

3. Refund liabilities

As of December 31, 2021, the balance of refund liabilities for the company amounted to NT\$13,871 thousand.

(XX) Interest income

	<u>2022</u>	<u>2021</u>
Interest on bank deposits	\$ 2,846	\$ 204
Other interest	4,618	2,477
Total	\$ 7,464	\$ 2,681

(XXI) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 27	\$ —
Dividend income	—	6,324
Others	13,274	13,870
Total	\$ 13,301	\$ 20,194

(XXII) Other gains and losses

	<u>2022</u>	<u>2021</u>
Loss (gain) on disposal of property, plant and equipment	\$ (17,245)	\$ 1,208
Lease modification gain	3	31
Loss of foreign exchange	60,331	(31,912)
Gain on financial assets at FVTPL	—	100
Impairment loss on property, plant and equipment	(636,045)	(331,032)
Miscellaneous expenses	(2,164)	(65,341)
Total	<u>\$ (595,120)</u>	<u>\$ (426,946)</u>

(XXIII) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank borrowings	\$ 78,736	\$ 63,792
Lease liabilities	52	103
Loans from related party	1,150	256
Less: Capitalized amount of qualifying assets	(1,376)	(578)
Total	<u>\$ 78,562</u>	<u>\$ 63,573</u>

(XXIV) Income tax

1. The adjustment to the Company's income tax expenses recognized in profit or loss for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Income tax calculated at statutory tax rate for pre-tax income (loss) (20%)	\$ (269,697)	\$ (468,601)
Effect of income tax on items excluded as per tax law	79,578	145,476
Effect of income tax on loss carryforwards	190,119	365,819
Effect of temporary differences in this period	7,727	(35,734)
Income tax expense	<u>\$ 7,727</u>	<u>\$ 6,960</u>

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

	2022	2021
Current income tax		
Generated in this period	\$ —	\$ —
Deferred tax		
Occurrence and reversal of temporary differences	7,727	6,960
Income tax expense recognized in profit or loss	\$ 7,727	\$ 6,960
2. Current income tax assets		
	December 31, 2022	December 31, 2021
Tax refund receivable	\$ 890	\$ 175

3. Deferred tax assets

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

	2022		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	\$ 1,313	\$ (1,313)	\$ —
Unrealized inventory valuation losses	52,498	(23,977)	28,521
Pension withdrawal in excess of contribution	18,458	(1,778)	16,680
Amount in excess of allowance for bad debts	6,190	368	6,558
Estimated product warranty expense	6,245	(139)	6,106
Bonus for not on leave	2,315	(138)	2,177
Year-end bonus unpaid	1,620	(1,417)	203
Unrealized sales discount	2,774	(2,774)	—
Unrealized asset impairment	—	17,896	17,896
Preparation for litigation compensation	—	12,511	12,511
other	480	—	480
	\$ 91,893	\$ (761)	\$ 91,132

	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
Unpaid year-end bonuses	—	1,620	1,620
Unrealized sales discount	—	2,774	2,774
Others	480	—	480
Loss carryforwards	42,695	(42,695)	—
	<u>\$ 98,853</u>	<u>\$ (6,960)</u>	<u>\$ 91,893</u>

(2) The deferred income tax liabilities are analyzed as follows:

	2022			
	Opening Balance	Reclassificatio n	Recognized in profit or loss	Ending Balance
Temporary differences				
Provision for land appreciation tax	\$ —	\$ 428,412	\$ —	\$ 428,412
Unrealized exchange benefits	—	—	6,966	6,966
	<u>\$ —</u>	<u>\$ 428,412</u>	<u>\$ 6,966</u>	<u>\$ 435,378</u>

4. Items not recognized as deferred tax assets

	December 31, 2022	December 31, 2021
Loss carryforwards	<u>\$ 3,561,747</u>	<u>\$ 2,587,187</u>
Temporary difference	<u>\$ 1,640,675</u>	<u>\$ 1,184,849</u>

The last valid year for the Company's loss carryforwards is 2032.

5. The Company's profit-seeking enterprise income tax returns up to 2020 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, 2022 is as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2017	Approved amount	2027	\$ 144,915
2018	Approved amount	2028	378,220
2019	Approved amount	2029	469,305
2021	Estimated amount	2031	1,627,622
2022	Estimated amount	2032	941,685
			\$ 3,561,747

(XXV) Additional information on the nature of expenses

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

By nature \ By function	2022		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	\$ 198,118	\$ 90,006	\$ 288,124
Post-employment benefits	—	6,228	6,228
Labor and health insurance	21,769	10,510	32,279
Pension	7,854	5,181	13,035
Remuneration to directors	—	3,740	3,740
Other employee benefits	18,042	1,221	19,263
Depreciation expense	294,198	65,813	360,011
Amortization expense	18,195	7,034	25,229

By nature \ By function	2021		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	\$ 287,910	\$ 117,250	\$ 405,160
Separation Benefits	—	202,985	202,985
Labor and health insurance	39,886	14,378	54,264
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

(1) The average number of the Company's employees in 2022 and

2021 was 474 and 758 respectively, of which the number of directors who were serving as employees concurrently was 8.

- (2) The Company's average employee benefit expenses in 2022 and 2021 were NT\$770 thousand and NT\$881 thousand, respectively, and the average employee salary expenses were NT\$618 thousand and NT\$540 thousand, respectively. The adjustment to and changes in the average employee salary expenses are 14 %.
- (3) In 2022 and 2021, 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 0.1%~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 2022, so no employee remuneration and directors' remuneration were estimated.

The estimated amounts of employee remuneration and directors' remuneration in 2021, so no employee remuneration and directors' remuneration were estimated.

(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.

(XXVI) Cash flow information

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

Property, plant and equipment

	2022	2021
Increase in this period	\$ 33,238	\$ 353,360
Add: Business facilities payable at the beginning of the period	9,545	145,996
Less: Business facilities payable at the end of the period	(19,308)	(9,545)
Less: Prepayments for business facilities reclassified	(6,907)	(120,420)
Less: Interest Capitalization	(1,376)	—
Cash paid in this period	<u>\$ 15,192</u>	<u>\$ 369,391</u>
	2022	2021
Disposal in the current period	\$ 34,306	\$ 1,594
Less: Ending equipment receivables	(53)	—
Cash recovered during the period	<u>\$ 34,253</u>	<u>\$ 1,594</u>

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, 2022	\$ 1,048,607	\$ 4,116,619	\$ 1,707	\$ 3,968	\$ 5,170,901
Changes in financing cash flow	126,198	(306,550)	—	(1,861)	(182,213)
Other non-cash changes	—	—	—	435	435
December 31, 2022	<u>\$ 1,174,805</u>	<u>\$ 3,810,069</u>	<u>\$ 1,707</u>	<u>\$ 2,542</u>	<u>\$ 4,989,123</u>
	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	<u>\$ 1,048,607</u>	<u>\$ 4,116,619</u>	<u>\$ 1,707</u>	<u>\$ 3,968</u>	<u>\$ 5,170,901</u>



(XXVII) 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, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	\$ 4,984,874	\$ 5,165,226
Less: Cash and cash equivalents	(336,452)	(591,340)
Net debt	4,648,422	4,573,886
Total equity	3,980,352	5,308,025
Total capital	\$ 8,628,774	\$ 9,881,911
Debt-to-equity	54%	46%

(XXVIII) Financial instruments

1. Types of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Cash and cash equivalents	\$ 336,452	\$ 591,340
Financial assets at amortized cost - current	40,000	844
Notes receivable	2,714	2,583
Accounts receivable	154,340	271,848
Other receivables	135,678	150,792
Guarantee deposits paid	37,334	44,750
<u>Financial liabilities</u>		
Short-term borrowings	1,174,805	1,048,607
Accounts payable	63,133	55,934
Other payables	165,477	259,057
Long-term borrowings (including the current portion)	3,810,069	4,116,619
Guarantee deposits received	1,707	1,707

## 2. Financial risk management policy

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

## 3. Market risk

### (1) Foreign currency exchange rate risk

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

- A. The Company's business involves a number of non-functional currencies. Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

Unit: In thousands of dollars for foreign currencies; NTD thousand  
December 31, 2022

(foreign currency: functional currency)	Foreign currency	Exchan ge rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on equity
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 10,692	30.71	\$ 328,389	1%	\$ 3,284	\$ —
<u>Non-monetary item</u>						
USD: NTD	109	30.71	3,349			
JPN: NTD	13,040	0.2344	3,057			
EUR: NTD	228	31.68	7,232			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	5,284	30.71	162,279	1%	1,623	—
<u>Non-monetary item</u>						
USD: NTD	1,181	30.72	36,272			

(foreign currency: functional currency)	December 31, 2021					
	Foreign currency	Exchan ge rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on equity
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 21,979	27.66	\$ 607,919	1%	\$ 6,079	\$ —
<u>Non-monetary item</u>						
USD: NTD	109	27.69	3,020			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	4,675	27.69	129,443	1%	1,294	—
<u>Non-Monetary item</u>						
USD: NTD	2,085	27.36	57,305			

- B. The aggregated total amounts of all exchange losses (including realized and unrealized) recognized for 2022 and 2021 due to the significant impact of exchange rate fluctuations on the Company's monetary items were NT\$60,331 thousand and NT\$(31,912) thousand, respectively.

(2) 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 arising 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 2022 and 2021, 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\$51,020 thousand and NT\$52,771 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, 2022 and 2021, the Company's money market positions were in the amounts of NT\$336,452 thousand and NT\$591,140 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, 2022	December 31, 2021
Floating rate		
Due after more than one year	\$ 2,400,000	\$ 2,257,068

(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, 2022				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,180,918	\$ —	\$ —	\$ —	\$ 1,180,918
Accounts payable	63,133	—	—	—	63,133
Other payables	165,477	—	—	—	165,477
Lease liabilities	1,540	1,044	—	—	2,584
Long-term borrowings (including the current portion)	193,625	869,024	570,028	2,678,287	4,310,964
Total	<u>\$ 1,604,693</u>	<u>\$ 870,068</u>	<u>\$ 570,028</u>	<u>\$ 2,678,287</u>	<u>\$ 5,723,076</u>

	December 31, 2021				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
<u>Non-derivative financial liabilities</u>					
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	<u>\$ 1,676,349</u>	<u>\$ 838,545</u>	<u>\$ 684,190</u>	<u>\$ 2,647,288</u>	<u>\$ 5,846,372</u>

#### (XXIX) Fair value information

- 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.
- 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. There were no transfers in the fair value hierarchy in fiscal 2022 and 2021.

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

	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)	\$ —

## 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
Rongcheng Development Co., Ltd. (Rongcheng)	Subsidiary
Fucheng Development Co. Ltd. (Fucheng)	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	2022	2021
Federex Marketing Co., Ltd.	\$ 217,915	\$ 129,992
FTNA	50,141	27,140
Total	\$ 268,056	\$ 157,132

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 150 days at the end of the month, while net 30 to 120 days at the end of the month for regular clients.

#### 2. Operating costs

Accounting Item	Name of Related Party	2022	2021
Net Purchases	Federex Marketing Co., Ltd.	\$ 7,173	\$ 4,879
Manufacturing costs - after-sales service warranty fees	Federex Marketing Co., Ltd.	\$ 105	\$ 140
Operating costs - selling price of raw materials sold	Nankang Rubber Tire	\$ 1,027	\$ 3,109

The Company's purchase transactions with Federex Marketing Co., Ltd. were conducted under normal purchase terms. There are no comparable transactions with Nankang Rubber Tire for the sale of raw materials.

#### 3. Operating Expenses

Accounting Item	Name of Related Party	2022	2021
Operating expenses	FTNA	\$ —	\$ 6,880
Operating expenses	Federex Marketing Co., Ltd.	\$ —	\$ 6,317
Operating Expenses	Federex Marketing Co., Ltd.	\$ 4,253	\$ —

Operating expenses-commission expenses are mainly commission expenses paid to subsidiaries for domestic sales.

Operating expenses-other expenses were mainly paid to the subsidiaries for the Company's advance.

#### 4. Other income

Accounting Item	Name of Related Party	2022	2021
Other income - management consulting services income	Federex Marketing Co., Ltd.	\$ 114	\$ 114
Other revenue - Other	Nankang Rubber Tire	\$ 25	\$ —

Other income - Management consulting service income is mainly

income received from supporting the maintenance of information system software and computer equipment of subsidiaries.

#### 5. Accounts Receivable

Name of Related Party	December 31, 2022	December 31, 2021
FTNA	\$ 2,564	\$ 10,810
Federex Marketing Co., Ltd.	17,040	14,701
Total	<u>\$ 19,604</u>	<u>\$ 25,511</u>

#### 6. Other Receivables

##### (1) Loaning funds to others

Name of Related Party	December 31, 2022			
	Actual expenditures	Interest rate range	Interest income	Ending interest receivable
FTNA	\$ 119,476	1.88% ~ 4.54%	\$ 3,562	\$ 1,576

Name of Related Party	December 31, 2021			
	Actual expenditures	Interest rate range	Interest income	Ending interest receivable
FTNA	\$ 134,514	1.88%	\$ 1,414	\$ 1,414

##### (2) Other

Name of Related Party	December 31, 2022	December 31, 2021
Federex Marketing Co., Ltd.	\$ 10	\$ 10
Nankang Rubber Tire	—	3,265
Total	<u>\$ 10</u>	<u>\$ 3,275</u>

#### 7. Accounts payable

Name of Related Party	December 31, 2022	December 31, 2021
Federex Marketing Co., Ltd.	\$ 65	\$ 139

#### 8. Other payables

##### (1) Access to Finance

Name of Related Party	December 31, 2022			
	Actual expenditures	Interest rate range	Interest expense	Ending interest payable
FIH	\$ —	0.84% ~ 3.58%	\$ 614	\$ —
Amberg	30,710	0.84% ~ 3.58%	536	351
Total	<u>\$ 30,710</u>		<u>\$ 1,150</u>	<u>\$ 351</u>

Name of Related Party	December 31, 2021			
	Actual expenditures	Interest rate range	Interest expense	Ending interest payable
FIH	\$ 69,225	0.84%	\$ 183	\$ 183



Amberg	27,690	0.84%	73	73
Total	<u>\$ 96,915</u>		<u>\$ 256</u>	<u>\$ 256</u>

(2) Purchase of equipment

Name of Related Party	December 31, 2022	December 31, 2021
Federal Tire (Jiangxi)	<u>\$ 12,302</u>	<u>\$ 11,093</u>

(3) Other

Name of Related Party	December 31, 2022	December 31, 2021
Federex Marketing Co., Ltd.	<u>\$ 206</u>	<u>\$ 533</u>

9. Obtain endorsement guarantee

Name of Related Party	December 31, 2022	
	Endorsement guarantee amount	Actual expenditures
Taixin	<u>\$ 2,880,000</u>	<u>\$ —</u>

10. Lease agreements

(1) Guarantee deposits paid

Name of related party	December 31, 2022	December 31, 2021
Taixin	\$ —	\$ 1,414
Taicheng	—	5,659
Total	<u>\$ —</u>	<u>\$ 7,073</u>

(2) Operating expenses – rent

Name of related party	2022	2021
Taixin	\$ 31,115	\$ 33,941
Taicheng	29,686	—
Total	<u>\$ 60,801</u>	<u>\$ 33,941</u>

(3) Manufacturing overhead - rent

Name of related party	2022	2021
Taicheng	<u>\$ —</u>	<u>\$ 32,385</u>

(4) Interest income - deposit setting interest

Name of related party	2022	2021
Taixin	\$ 10	\$ 8
Taicheng	40	44
Total	\$ 50	\$ 52

(III) Remuneration for key management personnel

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

	December 31, 2022	December 31, 2021
Salary and other short-term benefits	\$ 9,735	\$ 12,554
Post-retirement benefits	95	165
Total	\$ 9,830	\$ 12,719

VIII. Assets pledged

Item	Content	Carrying amount	
		December 31, 2022	December 31, 2021
Financial assets at amortized cost - current	Bank time deposit - export guarantee	\$ 40,000	\$ 844
Property, plant and equipment	Collateral to financial institutions for long-term loans	4,223,692	5,001,832
Guarantee deposits paid	For participation in bidding, lease deposit, electricity fee deposit, and customs deposit	37,334	44,750
Total		\$ 4,301,026	\$ 5,047,426

IX. Material contingent liabilities and unrecognized contractual commitments

Except for described in Note 6(14) and other notes, the Company's material commitments and contingencies on the balance sheet date are as follows:

- (I) As of December 31, 2022 and 2021, 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\$29,294 thousand and NT\$252,782 thousand, respectively

- (II) On February 8, 2018, the Company was sued by 176 persons, including Wu, Chen-Lu, who claimed that the fire at the Company's Zhongli plant on January 17, 2017 had a significant impact on the health of local residents. Therefore, they filed a civil lawsuit against the Company for compensation. As the case is still under trial, it is difficult to assess the impact on the Company. If there is any additional impact arising from this incident in the future, the Company will assess the impact in accordance with accounting principles and disclose it in the financial statements.
- (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:

- (I) The Board of Directors resolved on January 16, 2023 to apply for a medium-term financing line of NT\$1,500,000 thousand from Entai Commercial Bank using the land in its own rezoning area as collateral security, and signed a loan agreement on February 3, 2023.

- (II) On February 10, 2023, the Board of Directors resolved to temporarily suspend the production of the Company's Guanyin Plant, please refer to Note 12(3).
- (III) On February 10, 2023, the Board of Directors of the Company resolved to pre-sell part of the rezoned land acquired upon completion of the rezoning and authorized the chairman of the Company and the subsidiaries of the land involved to handle the pre-sale and tender planning. On March 14, 2023, the Board of Directors of the Company resolved to appoint Cushman & Wakefield Limited to conduct the public tender procedures and related matters.
- (IV) On February 24, 2023, the Company signed a contract with XT TYRE Vietnam for the OEM production of tires through the Vietnam plant for sale to the United States and neighboring markets in Southeast Asia. According to the OEM contract, XT TYRE Vietnam will manufacture the Company's products from 2024 onwards in accordance with the Company's order instructions and operating regulations. In terms of the quality agreement, the Company's quality requirements and audit rights must be complied with, and the business technology will be under the responsibility of confidentiality and non-infringement of intellectual property rights, and after-sales service of the products must be guaranteed. In addition, the Company shall not transfer the Company's orders to a third party for production without the Company's consent.

## 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(4) 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(7).

(III) Closure of Guanyin Plant

In addition to the aforementioned impact on the U.S. market due to the implementation of the U.S. anti-dumping case, the Company's operations have been affected by the epidemic, inflation and the pressure of interest rate hikes due to the tightening monetary policy of the U.S. Federal Reserve. In order to survive in the face of the current situation and to pursue sustainable operation of the Company, and in consideration of the best interests of the Company and its shareholders, the Company's Board of Directors resolved on February 10, 2023 to temporarily cease production at the Guanyin Plant.

1. The Company will cease production in early March 2023, and will submit applications to the competent authorities for mass dismissal of employees in accordance with the labor laws and regulations in order to reduce various expenses.
  2. As the temporary suspension of production will have an impact on consolidated revenue and profit and loss, the measures to address the impact are as follows:
    - (1). The Company will substantially adjust its order acceptance policy to focus on profitable orders. Orders received from former customers will be kept in stock and shipped on schedule without affecting customers' rights and interests, and organizational optimization and manpower streamlining will be carried out to reduce expenses.
    - (2). During the period of production suspension, the operating expenses can be reduced and the cash outflow can be reduced, but the Company will continue to sell other OEM tires in the short term to maintain customers and normal operation of the Company.
    - (3). In the next 2 years, the Company will continue to grasp the channel resources, and when there is strong demand from customers, the Company will be able to resume production and supply from the Guanyin plant again.
  3. The Company has sought overseas OEM cooperation for production plans and has actively re-engaged with willing factories to gradually resume sales in the United States. During the period of temporary suspension, the Company will continue to stock the tires and accept sales of OEM or parallel tires from other manufacturers, while implementing the overseas OEM co-production program
  4. The Company has negotiated the contracts with the customers that could not be completed due to the temporary suspension of production, and the accounts receivable from these customers amounted to NT\$27,521 thousand as of December 31, 2022. The Company is still negotiating with these customers and has not yet been able to assess the potential loss from default.
- Please refer to Note 6(7) for the impairment loss of the Company's production equipment due to the shutdown of the Guanyin plant.

### 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.
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 6.
2. Loan to Others: Table 1.
3. Endorsements/Guarantees Provided to Others: Table 2.
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 3.
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 7.
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 8.

XIV. Department information

Please refer to the 2022 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, 10)	Aggregate maximum amount (Notes 7 and 9, 10)
													Name	Value		
0	The Company	Federal Tire North America LLC.	Other receivables	Yes	\$ 224,200	\$ 184,260	\$ 119,476	1.88%~4.54%	The need for short-term financing	\$ —	For working capital	\$ —	N/A	N/A	\$ 796,070	\$ 1,592,141
0	The Company	Taixin Construction Co., Ltd.	Other receivables	Yes	100,000	100,000	—	2.17%	The need for short-term financing	—	For working capital	—			796,070	1,592,141
1	Federal International Holding, Inc.	The Company	Other receivables	Yes	76,088	—	—	0.84%~3.58%	The need for short-term financing	—	For working capital	—	N/A	N/A	201,262	402,524
2	Amberg Investments Pte. Ltd.	The Company	Other receivables	Yes	32,215	30,710	30,710	0.84%~3.58%	The need for short-term financing	—	For working capital	—	N/A	N/A	202,981	405,962

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 remark's 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 Lending 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 Lending 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.

Note 10: Federal International Holding, Inc. and Amberg Investments Pte. Ltd. loaned funds to others as follows:

The total amount of funds loaned by the Company to others shall not exceed 40% of the Company's net worth. The limits for a single borrower are as follows:

A. When short-term financing is necessary for a related company: up to 20% of the Company's net value.

B. Companies or firms with which the Company has business dealings: Not to exceed 20% of the borrower's net worth and not to exceed the total amount of business dealings between the two parties in the most recent year (the amount of business dealings refers to the higher of the amount of goods purchased or sold between the two parties).

C. The Company may authorize the Chairman of the Board of Directors to make loans or to circulate the loan during the loan period if the loan does not exceed 10% of the Company's most recent financial statements.

If the loan is made to a foreign company that is 100% owned directly or indirectly by the Company's uppermost parent company, the total amount of the loan shall not exceed 200% of the Company's latest net financial statements.

Table 2

Endorsement for others

Unit: NTD thousand

No. (Note 1)	Company Name of Endorser	Endorsement Guarantee		Guarantee limit for single enterprise endorsement (Note 3, Note 8)	Maximum endorsement for the period Guarantee balance (Note 4)	End of Period Endorsement Guaranteed Balance (Note 5)	Actual expenditures (Note 6)	Amount of endorsement guarantee by property guarantee	Ratio of accumulated endorsement guarantee to net value of the most recent financial statements (%)	Maximum endorsement guarantee (Note 3, Note 8)	Parent company endorsement of subsidiary (Note 7)	Subsidiary's endorsement of parent company (Note 7)	Endorsement for Mainland China region (Note 7)
		Company Name	Relationship (Note 2)										
1	Taixin Construction Co. Ltd.	The Company	3	\$ 4,750,150	\$ 2,880,000	\$ 2,880,000	\$ —	\$ 2,880,000	606.3%	\$ 4,750,150	—	Y	—

Note 1: The description of the number column is as follows:

A. The issuer is entered as 0.

B. The investee companies are numbered according to the Company, starting from the number 1.

Note 2: There are 7 types of relationships between the endorsee and the endorser, and the types can be indicated as follows

1. Companies with business dealings.

2. Companies in which the Company directly or indirectly holds more than 50% of the voting shares.

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

4. Companies in which the Company directly or indirectly holds more than 90% of the voting shares.

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

6. A company that is guaranteed by all contributing shareholders in proportion to their shareholding due to joint investment.

7. Interbank companies that engage in performance guarantee and joint guarantee for pre-sale contracts in accordance with the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee limits and maximum endorsement and guarantee limits for individual parties in accordance with the endorsement and guarantee procedures should be entered, and the calculation of the individual parties and total endorsement and guarantee limits should be stated in the Remarks column.

Note 4: The maximum amount of endorsement and guarantee for others in the current year.

Note 5: The amount approved by the Board of Directors should be included. However, if the Board of Directors authorizes the chairman of the Board of Directors to make the decision in accordance with Article 12, Paragraph 8 of the Guidelines Governing the Lending of Funds and Endorsements by Public Companies, the amount of the decision of the chairman of the Board of Directors shall be included.

Note 6: The actual amount to be expended by the endorsee within the balance of the endorsement guarantee should be entered.

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

Note 8: The endorsement and guarantee practices of Taixin Construction Co:

The total amount of the Company's external endorsement and guarantee is limited to ten times the net value of the Company's most recent financial statements; the limit of the Company's endorsement and guarantee to a single enterprise is as follows

A. The parent company holding 100% of the Company's shares shall not exceed ten times the Company's most recent net financial statements.

B. The endorsement and guarantee for other related companies shall be limited to the net value of the Company's most recent financial statements.

C. For non-affiliated companies with business transactions, the amount shall not exceed the total amount of business transactions between the two parties in the most recent year and shall not exceed the Company's latest net financial statements (the amount of business transactions refers to the higher amount of purchase or sale between the two parties).

Table 3

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

Unit: NTD thousand

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	\$ 217,915	15%	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 30 to 180 days after the end of the month	\$ 17,050	9%	
Federex Marketing Co., Ltd.	The Company	Parent company	Monetary amount of procurement	217,915	89%	"	—	—	17,050	74%	

Note 1: If the transaction term with related parties is 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 remark's 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 4

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

Unit: NTD thousand

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 \$ 2,564 Other receivables \$ 121,052	0.38	\$ 119,476	Payments are being collected	\$ 5,430	\$ —

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 5

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts  
From January 1 to December 31, 2022

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	\$ 217,915	Payment by wire transfer after 120 days from the 1st day of the following month	13%	
0	The Company	Federal Tire North America LLC.	1	Other receivables Sales income	121,052 50,141	Note 5  The credit period is net 180 days after the end of the month	1% 3%	
0	The Company	Taixin Construction Co., Ltd.	1	Operating expenses	31,115		2%	
0	The Company	Taicheng Development Co., Ltd.	1	Operating expenses	29,686		2%	
2	Amberg Investments Pte. Ltd.	Federal Jiangxi	3	Other receivables	552,746	Note 6	6%	

Table 5-1

**Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts**  
For the Year Ended 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 Sales income	135,928 27,140	Note 5 Net 180 days after the end of the month	1% 2%	
0	The Company	Taixin Construction Co. Ltd.	1	Operating expense	33,941	-	2%	
0	The Company	Taicheng Development Co. Ltd.	1	Manufacturing expense	32,385	-	2%	
1	Federal International Holding. Inc.	Federal Corporation	2	Other receivable	69,408	Note 5	1%	

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.

Note 6: The transaction primarily pertains to the nature of a reduction in receivable capital, and therefore it is not applicable.

Table 6

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

Unit: NTD thousand

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%	\$ 230,941	\$ 9,713	\$ 9,713	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%	475,025	10,585	10,585	Subsidiary
"	Taicheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	—	150,000	—	—	—	2,886	2,886	Subsidiary (Note 5)
"	Rongcheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	10,000	10,000	1,000,000	100%	171,327	(1,682)	(1,682)	Subsidiary
"	Fucheng Development Co. Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	8,000	—	800,000	100%	84,515	(138)	(138)	Subsidiary (Note 5)
"	Federal International Holding Inc.	Cayman Islands	General investment	2,067,609	2,149,877	62,831,062	100%	998,475	(44,081)	(44,081)	Subsidiary (Note 4)
Federal International Holding Inc.	Amberg Investments Pte. Ltd.	Singapore	General investment	2,072,937	2,072,937	103,587,418	100%	1,022,723	(37,384)	(37,384)	Sub-subsidiary
"	Federal Tire North America LLC.	USA	Distribution of tires	6,437	6,437	—	100%	(73,343)	(3,416)	(3,416)	Sub-subsidiary
"	Karroy Development Limited	Hong Kong	Commercial building rental business	74,566	74,566	2,000,000	100%	44,374	(3,718)	(3,718)	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 remark's 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 valued 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: Federal International Holding Inc. was resolved by the Board of Directors to reduce its capital by USD2,500,000 on October 18, 2022, and the capital change was registered on the same day.

Note 5: On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act. On November 30, 2022, the Company acquired 800 thousand shares of Fucheng stock held by Taicheng, and its shareholding percentage was 100% as of December 31, 2022.



Table 7

Information on investments in the Mainland Area

Unit: NTD thousand

Investee	Principal business	Paid-in capital	Investment method	Cumulative investment remitted from Taiwan, beginning of this period	The investment amount remitted from Taiwan or recovered in this period		Cumulative investment remitted from Taiwan, end of this period	Shareholding ratio in direct or indirect investment	Investment income or loss recognized in this period (Note 2)	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 (Jiangxi) Ltd.	Tire Co., Production and sales of various tires and rubber products	\$ 2,149,974	Note 1	\$ 2,149,974	\$ —	\$ —	\$ 2,149,974	100%	\$ (84,710)	\$ 422,184	\$ —

Cumulative outward remittances for investment in mainland China as of the end of this period	Investment amount approved by Investment Commission, MOEA	Limit on investment amount stipulated by Investment Commission, MOEA (Note 3)
\$ 2,149,974	\$ 2,149,974	\$ 2,388,211

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 8

Information on major shareholders

Major shareholders	Shares	Number of shares held (shares)	Percentage of Shares Held
Nankang Rubber Tire Corp., Ltd.		148,768,000	31.43%
Zhikai Development Co., Ltd.		26,928,000	5.68%
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.

**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. Review of Financial Conditions, Operating Results, and Risk Matters

### I. Financial Position

Financial position comparison and analysis

Unit: NTD thousand; %

Item \ Year	2022	2021	Difference		
			Amount	%	Explanation
Current assets	4,461,254	4,924,485	(463,231)	(9)	
Property, plant and equipment	5,267,036	6,327,402	(1,060,366)	(17)	
Intangible assets	10,219	14,600	(4,381)	(30)	2022 amortization fee for softwares: 5681 thousand
Other assets	279,781	305,142	(25,361)	(8)	
Total assets	10,018,290	11,571,629	(1,553,339)	(13)	
Current liability	1,758,781	1,784,319	(25,538)	(1)	
Non-current liability	4,279,157	4,479,285	(200,128)	(4)	
Total liability	6,037,938	6,263,604	(225,666)	(4)	
Share capital	4,733,292	4,733,292	-	-	
Capital reserve	156,764	156,764	-	-	
Retained earnings	(529,941)	825,740	(1,355,681)	(164)	2022 Net profit or Loss for the Period: 1,356,210 thousand
Other equity	(196,728)	(224,736)	28,008	12	
Treasury stock	(183,035)	(183,035)	-	-	
Sum of shareholders' equity	3,980,352	5,308,025	(1,327,673)	(25)	

### II. Financial Performance

Financial performance comparison and analysis

Unit: NTD thousand; %

Item \ Year	2022	2021	Increase (decrease) in amount	Percentage of change (%)	Reason for difference
Net operating revenue	1,615,632	1,561,241	54,391	3	
Cost of sales	(1,646,698)	(2,296,075)	(649,377)	(28)	Current in 2022 increased by inventories net realizable (selling out the past listed Inventory Falling Price Loss), decreased by pause production in Guan Yin factory.
Operation gross profit (loss)	(31,066)	(734,834)	703,768	96	
Operating expenses	(697,759)	(1,113,319)	(415,560)	(37)	Current in 2022 reduced by severance pay and expert pay.
Operating profit (loss)	(728,825)	(1,848,153)	1,119,328	61	
Non-operating revenues and expenses	(625,721)	(452,790)	(172,931)	(38)	Currently in 2022 increased by loss

Item \ Year	2022	2021	Increase (decrease) in amount	Percentage of change (%)	Reason for difference
					reduction of property, plant buildings, and equipment.
Income or loss before tax of continuing operations.	(1,354,546)	(2,300,943)	946,397	41	
Income tax expense	(1,664)	(49,021)	(47,357)	(97)	
Income or loss in this period (loss)	(1,356,210)	(2,349,964)	993,754	42	

### III. Cash flows

#### (I) Liquidity analysis for the last two years

Item \ Year	2022	2021	Increase/Decrease (%)
Cash flow ratio (%)	(3.62)	(42.69)	(92)
Cash flow adequacy ratio (%)	44.68	1.16	3,752
Cash re-investment ratio (%)	(0.38)	(4.41)	(91)

#### (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
1,136,348	(373,550)	191,692	571,106	Not applicable	Not applicable

Description: 1 Cash flow analysis for the year:

- a. Operating activities: Estimate net cash inflows (outflows) from operating activities based on the annual budget.
  - b. Investing activities: Mainly capital expenditures for the purchase of fixed assets.
  - c. 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\$762,798 thousand, which is greater than the net cash outflow of NT\$191,692 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: None.
- (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:
- The implementation of rate on U.S. anti-dumping law affects market in U.S. Additionally, the pandemic, inflation, and tight monetary policy enacted by The Federal Reserve System which leads to a raise of interest rates, all three bring impacts on the Company's operation and production. To conquer those impacts, struggle for survival, peruse sustainable operation, and protect shareholders' benefits, the Company has decided through the Board of Directors to pause production in GuanYin factory on February 10, 2023. The influences and responses for the production pause in GuanYin factory are as follows:
- (1) The production has been fully paused since early March, 2023, 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.
  - (2) Responses on impacts on operation and loss/profit due to the termination of the GuanYin Plant's are below:
    - A. The Company will make a wide range of adjustments to order policy. Orders which are profitable are mainly focused by the Company. As for customers who have already placed orders, their rights would be protected through on-time receiving inventory in stock. Organization optimization and manpower streamlining are also undergoing for austerity of expenses.
    - B. In the duration of pause production, expenses related to operation and cash flow would both be reduced. However, at such short notice, the Company would continue to sell outsourced tires from other manufacturers for maintaining the normal operation of the Company with clients.
    - C. In the next 2 years, the Company would continue sustaining sales channels. In the future, if strong requirements from the customers emerge, GuanYin Factory will restore producing.
  - (3) The Company is working on oversea OEM project and production plan. Currently, plants with willingness is contacting with the Company. Marketing in the U.S. would take a turn for the better. In the period of pause production, the company would undertake the outsourced tires from other manufacturers or sell tires that are parallel imported, and simultaneously implement production plan in oversea OEM.

- (4) The Company has negotiated with customers having incomplete contracts due to pause production. The balance of trade receivables on December 31, 2022 for those customers is NTD 34,950 thousand. The Company is still negotiating with customers because possible amount of loss due to breach of contract has not been evaluated.
- (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) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: None.
- (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) On February 8, 2018, the Company was accused by Wu, Jen-Tuo and others total 176 people. Those people claimed that the Company's Zhongli factory had a fire on January 17, 2017 and the fire seriously influenced health of the local people; thus, they asked for compensations for civil liability. The case is still on trial. Impacts to the Company is uncertain. If there is any further influences from this case, the Company would follow accounting principles to record on the book through an assessment and disclose it in 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**

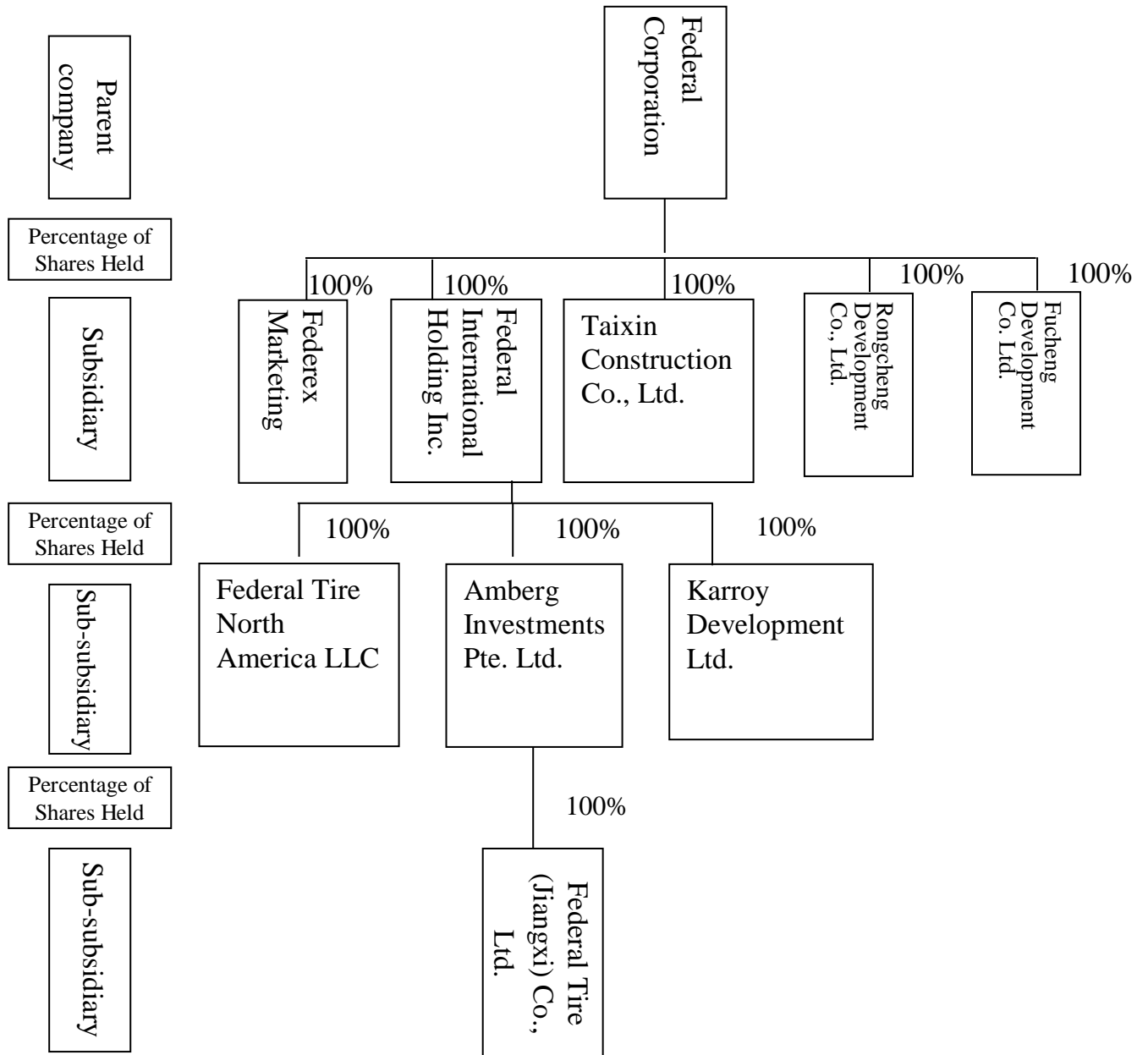
## Eight. Special Disclosure

### 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, Huanxi Road, Guanyin District, Taoyuan City	TWD 330,000	Contracting of builders to build residential and commercial buildings for lease and sale
Rongcheng Development Co., Ltd.	2021.09.14	No. 369, Huanxi Road, Guanyin District, Taoyuan City	TWD 10,000	Contracting of builders to build residential and commercial buildings for lease and sale
Federal International Holding Ltd.	2004.04.27	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	USD 62,831,062	General investment
Amberg Investments 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 394,174,430.01	Production and sales of various tires and rubber products
Karroy Development Ltd.	2007.11.12	Room 1401, 14/F., Kowloon Center, 29 Ashley Road, Sim 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
FU CHEN CERAMIC CO., LTD.	2022.10.06	No. 369, Huanxi Road, Guanyin District, Taoyuan City	TWD 8000	Contracting of builders to build residential and commercial buildings for lease and sale

(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%
Rongcheng Development Co., Ltd.	Chairman	Representative of Federal Corporation: Lu, Heng-Chih	1,000,000	100%
Federal International Holding Ltd.	Director	Representative of Federal Corporation: Chiang, Ching-Hsing	USD 62,831,062	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 394,174,430.01	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%
Fucheng Development Co., Ltd	Chairman	Representative of Federal Corporation: Guo, Lin-Liang	800,000	100%

## (6) Operations of affiliates

December 31, 2022  
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	335,157	56,379	278,778	310,151	8,650	9,713	0.51
Taixin Construction Co., Ltd.	330,000	537,337	62,322	475,015	-	(20,639)	10,585	0.32
Amberg Investments Pte. Ltd.	2,369,977	1,014,907	-	1,014,907	-	(303)	(37,384)	
Federal Tire (Jiangxi) Co., Ltd.	1,737,836	1,007,508	568,601	438,907	16,398	(60,744)	(84,710)	
Federal International Holding Ltd.	1,929,542	1,006,311	-	1,006,311	-	(354)	(44,081)	
Fucheng Development Co., Ltd	8,000	113,569	29,054	84,515	-	(257)	(266)	(0.33)
Rongcheng Development Co., Ltd.	10,000	218,561	47,233	171,328	-	(1,687)	(1,682)	(1.68)
Karroy Development Limited	7,874	87,107	42,733	44,374	-	(352)	(3,718)	
Federal Tire North. America. LLC	6,142	51,202	124,545	(73,343)	74,716	(15,217)	(3,416)	
Taicheng Development Co., Ltd.	-	-	-	-	29,734	3,675	2,886	

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, 2022 and at the annual average exchange rate.

Note 2: On November 9, 2022, the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. conducted short form merger based on Company Act and Business Mergers and Acquisitions Act. The Company was the surviving company. The reference date of the merger was arranged on November 30, 2022 and finished the merger/division registration on February 24, 2023.

(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, 2022, 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: Chen, Heng-Kuan

March 14, 2023

(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
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

Note 1: On November 9, 2022, the Board of Directors passed that the 100% equity of the subsidiary Taicheng Development Co., Ltd. conducted short form merger based on Company Act and Business Mergers and Acquisitions Act. The Company was the surviving company. The reference date of the merger was arranged on November 30, 2022 and finished the merger/division registration on February 24, 2023. The Company inherited 5,913 thousand shares from Taicheng Development Co., Ltd. on November 30, 2022. The amount of Treasury stock on the book is 66,566 thousand NTD.

**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: Chen, Heng-Kuan