Stock Code: 2102

Federal Corporation

Standalone financial reports and auditor's report

for the Years Ended December 31,2022 and 2021

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Federal Corporation

Table of Contents of Standalone Financial Report for the Years Ended December 31,2022 and 2021

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:

<u>Valuation of inventories</u>

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 Amount	2022 %	2021 Amount	2021 %
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)
	Earnings (loss) per share (NTD)	6(18)				
9750	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 it 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 it 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 it 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	$ 336,452	$ 591,340

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
Current		
Domestic Investment		
Time deposits with original maturities of more than three months	$ —	$ 844
Bank deposits in reserve accounts	40,000	—
Total	$ 40,000	$ 844
Interest rate range	0.455%	0.18%～0.28%

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

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	$ 392,064	$ 519,294

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	$ 1,590,986	$ 1,895,492

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	$ 1,690,146	$ —

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

	December 31, 2022	December 31, 2021
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	1,960,283	3,373,203
Add: The Company's stocks held by subsidiaries, regarded as treasury shares	(116,469)	(183,035)
Total	$ 1,843,814	$ 3,190,168

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	
	December 31, 2022	December 31, 2021
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
Assets		
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
Liabilities		
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.

(VII) Property, plant and equipment

Item	2022 Opening balance	Addition	Disposal	Reclassification	Ending balance
Cost					
Land	$ 1,410,176	$ —	$ —	$ 1,703	$ 1,411,879
Buildings	1,270,203	86,830	—	—	1,357,033
Machinery and equipment	6,280,127	107,701	(503,156)	11,617	5,896,289
Transportation equipment	156,940	1,550	—	—	158,490
Office equipment	219,966	5,991	(25,751)	—	200,206
Other equipment	1,220,458	10,537	(189,811)	—	1,041,184
Unfinished construction	290,874	(179,371)	—	5,303	116,806
Subtotal	10,848,744	33,238	(718,718)	18,623	10,181,887
Accumulated depreciation					
Buildings	126,620	28,623	—	—	155,243
Machinery and equipment	3,128,927	209,273	(386,707)	—	2,951,493
Transportation equipment	100,669	19,829	—	—	120,498
Office equipment	147,288	22,896	(23,902)	—	146,282
Other equipment	1,018,371	77,532	(184,530)	—	911,373
Subtotal	4,521,875	358,153	(595,139)	—	4,284,889
Cumulative impairment					
Machinery and equipment	293,280	617,186	(69,963)	—	840,503
Transportation equipment	5,439	237	—	—	5,676
Office equipment	3,263	8,677	(793)	—	11,147
Other equipment	28,816	9,945	(1,272)	—	37,489
Subtotal	330,798	636,045	(72,028)	—	894,815
Net amount	$ 5,996,071	$ (960,960)	$ (51,551)	$ 18,623	$ 5,002,183

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

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

per the years of useful lives below:

Buildings	8–50 years
Machinery and equipment	2–25 years
Transportation equipment	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. It 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:

	December 31, 2022	December 31, 2021
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	$ 1,858	$ 5,090

(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	$ 1,510	$ 1,958
Non-current	$ 1,032	$ 2,010

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	$ 60,878	$ 66,454
Low-value asset lease expenses	$ 747	$ 972
Total cash outflow from leases	$ 63,538	$ 72,647

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
Cost					
Computer software	$ 115,758	$ 390	$ —	$ 910	$ 117,058
Accumulated amortization					
Computer software	101,158	5,681	—	—	106,839
Net amount	$ 14,600	$ (5,291)	$ —	$ 910	$ 10,219

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

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	$ 5,681	$ 5,036

(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	$ 13,958	$ 27,790

(XI) Short-term borrowings

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

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	$ 63,133	$ 55,934

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	$ 165,477	$ 259,057

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
Current			
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	$ 30,526	$ 62,557	$ 93,083

	2021					
	Warranty liabilities		Short-term liabilities pending conclusion of the legal proceedings		Total	
Current						
Opening balance	$	38,821	$	–	$	38,821
Increase in this period		772		62,557		63,329
Drawn in this period		(8,369)		–		(8,369)
Ending balance	$	31,224	$	62,557	$	93,781

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	$ 3,618,377	$ 3,810,069
Interest rate range	1.675%~2.1687%	1.05%～1.52%

1. The Company re-signed a long-term loan agreement with Hua Nan Commercial Bank, Ltd. in January 2018 over a period of 20 years with a total facility of NT$3,250,000 thousand and took out a loan of NT$3,250,000 thousand to repay all borrowings recognized in long-term borrowings. As of December 31,2022 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			
	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 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
	$ 14,129	

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	$ (224,736)
Current period	
Differences in the conversion of financial statements of foreign operating institutions	28,008
Balance on December 31, 2022	$ (196,728)

	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 s	(11,970)	–	(11,970)
Valuation adjustment	–	97,993	97,993
Disposal of investment in equity instruments at fair value through other comprehensive income	–	(471,994)	(471,994)
Balance on December 31, 2021	$ (224,736)	$ –	$ (224,736)

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:

(Unit: In thousand shares)

	2022			
Reason for redemption	Number of shares at the beginning of the period	Increase in this period	Decrease in this period	Number of shares at the end of the period
Parent company’s shares held by subsidiaries	13,755	–	(5,913)	7,842
Acquired by merger	–	5,913	–	5,913
	13,755	5,913	(5,913)	13,755

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

(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)	Treasury shares Par Value		Treasury shares market price	
Federex Marketing Co., Ltd.	7,842	$	116,469	$	156,840

Subsidiary	December 31, 2021 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

	2022	2021
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

	December 31, 2022	December 31, 2021
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 in2022 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

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

(XXI) Other income

	2022	2021
Rental income	$ 27	$ —
Dividend income	—	6,324
Others	13,274	13,870
Total	$ 13,301	$ 20,194

(XXII) Other gains and losses

	2022	2021
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	$ (595,120)	$ (426,946)

(XXIII) Financial costs

	2022	2021
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	$ 78,562	$ 63,573

(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:

	2022	2021
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	$ 7,727	$ 6,960

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)	—
	$ 98,853	$ (6,960)	$ 91,893

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

	2022			
	Opening Balance	Reclassification	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
	$ —	$ 428,412	$ 6,966	$ 435,378

4. Items not recognized as deferred tax assets

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

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 function / By nature	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 function / By nature	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	$ 15,192	$ 369,391

	2022	2021
Disposal in the current period	$ 34,306	$ 1,594
Less: Ending equipment receivables	(53)	—
Cash recovered during the period	$ 34,253	$ 1,594

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	$ 1,174,805	$ 3,810,069	$ 1,707	$ 2,542	$ 4,989,123

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2021	$ 926,441	$ 4,102,864	$ 2,659	$ 9,495	$ 5,041,459
Changes in financing cash flow	122,166	13,755	(952)	(5,118)	129,851
Other non-cash changes	—	—	—	(409)	(409)
December 31, 2021	$ 1,048,607	$ 4,116,619	$ 1,707	$ 3,968	$ 5,170,901

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

	December 31, 2021					
				Sensitivity analysis		
(foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Degree of change	Effect on profit or loss	Effect on equity
Financial assets						
Monetary item						
USD: NTD	$ 21,979	27.66	$ 607,919	1%	$ 6,079	$ —
Non-monetary item						
USD: NTD	109	27.69	3,020			
Financial liabilities						
Monetary item						
USD: NTD	4,675	27.69	129,443	1%	1,294	—
Non-Monetary item						
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
Non-derivative financial liabilities					
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	$ 1,604,693	$ 870,068	$ 570,028	$ 2,678,287	$ 5,723,076

	December 31, 2021				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
Non-derivative financial liabilities					
Short-term borrowings	$ 1,050,531	$ —	$ —	$ —	$ 1,050,531
Accounts payable	55,934	—	—	—	55,934
Other payables	259,057	—	—	—	259,057
Lease liabilities	2,010	1,949	91	—	4,050
Long-term borrowings (including the current portion)	308,817	836,596	684,099	2,647,288	4,476,800
Total	$ 1,676,349	$ 838,545	$ 684,190	$ 2,647,288	$ 5,846,372

(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, 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. 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

(I) Names of related parties and relations

Name of related party	Relationship with the Company
Federex Marketing Co., Ltd. (Federex)	Subsidiary
Taixin Construction Co., Ltd. (Taixin)	Subsidiary
Taicheng Development Co., Ltd. (Taicheng)	Subsidiary
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

(II) 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	$ 19,604	$ 25,511

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	$ 10	$ 3,275

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	$ 30,710		$ 1,150	$ 351

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	$	96,915		$	256	$	256

(2) Purchase of equipment

Name of Related Party	December 31, 2022		December 31, 2021	
Federal Tire (Jiangxi))	$	12,302	$	11,093

(3) Other

Name of Related Party	December 31, 2022		December 31, 2021	
Federex Marketing Co., Ltd.	$	206	$	533

9. Obtain endorsement guarantee

Name of Related Party	December 31, 2022			
	Endorsement guarantee amount		Actual expenditures	
Taixin	$	2,880,000	$	—

10. Lease agreements

(1) Guarantee deposits paid

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

(2) Operating expenses – rent

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

(3) Manufacturing overhead - rent

Name of related party	2022		2021	
Taicheng	$	—	$	32,385

(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	Carrying amount 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. <u>Losses due to major disasters</u>: None.

XI. <u>Material events after the balance sheet date</u>:

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

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

Note 4: 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 Tire (Jiangxi) Co., Ltd.	Production and sales of various tires and rubber products	$ 2,149,974	Note 1	$ 2,149,974	$ —	$ —	$ 2,149,974	100%	$ (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

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

Federal Corporation
Table of Contents of Statements of Important Accounting Titles
2022

(Unit: In NTD thousands, unless stated otherwise)

Statement of cash and cash equivalents
December 31, 2022

Statement 1

Item	Summary		Amount
Bank deposits			
Checking deposit			12
Demand deposit			53,118
Foreign-currency demand deposit	USD	1,391,902.71	43,630
	EUR	27,034.08	
	RMB	0.51	
Cash equivalents			
Foreign-currency time deposit	USD	6,305,000	193,627
Notes under repurchase agreement	USD	1,500,000	46,065
Total			$ 336,452

Exchange rate: USD 30.71
EUR 32.72
RMB 4.408

Statement of accounts receivable

December 31, 2022

Statement 2

Client	Summary	Amount	Remark
Non-related party:			
Company A		$ 31,687	
Company B		24,289	
Company C		24,241	
Company D		16,619	
Company E		16,302	
Company F		15,073	
Others	(Each with an amount accounting for less than 5%)	41,234	
Total		169,445	
Less: Allowance for losses		(34,709)	
Net amount		134,736	
Related party:			
Federal Tire North America LLC.		2,564	
Federex Marketing Co., Ltd.		17,040	
Total		19,604	
Less: Allowance for losses		—	
Net amount		$ 19,064	

Statement of other receivables

December 31, 2022

Statement 3

Item	Summary	Amount
Non-related party:		
Business tax refundable		$ 8,785
Interest receivable		839
Equipment receivable		53
Other receivables - others		4,939
Subtotal		14,616
Related party:		
Federal Tire North America LLC.		121,052
Federex Marketing Co., Ltd.		10
Subtotal		121,062
Total		$ 135,678

<u>Statement of inventories</u>
December 31, 2022

Statement 4

Item	Summary	Amount		Remark
		Cost	Net realizable value	
Finished goods		$ 285,709	$ 210,717	
Work in progress		28,266	24,395	
Raw materials		114,672	108,908	
Supplies		90,787	46,534	
Merchandise inventories		2,969	2,947	
Inventories in transportation		12,264	12,264	
Subtotal		534,667	$ 405,765	
Allowance for valuation loss		(142,603)		
Total		$ 392,064		

<u>Statement of prepayments</u>
December 31, 2022

Statement 5

Item	Summary	Amount
Prepayment for insurance	Liability insurance of TransGlobe Life Insurance Inc.	$ 12,763
Prepayment for machine and equipment relocation		13,531
Other prepayments	Others	6,810
Prepayment of goods		1,685
Input tax		10,101
Tax credit		1,904
Total		$ 46,794

Statement of changes in investment under equity method

From January 1 to December 31, 2022

Statement 6

Name	Opening balance		Increase (decrease) in this period		Investment income or loss recognized using the equity method	Cash dividends	Exchange loss recognized using the equity method	Others	Ending balance			Market price or net equity		Collateral or pledge	Remark
	Number	Amount	Number	Amount					Number	Percentage of Shares Held	Amount	Unit price (NTD)	Total price		
Federex Marketing Co., Ltd.	19,000,000	$ 222,161	–	$ –	$ 9,713	$ –	$ –	$ (933)	19,000,000	100%	$ 230,941	–	$ 230,941	N/A	Note 1
Taixin Construction Co., Ltd.	33,000,000	433,550	–	–	10,585	–	–	30,890	33,000,000	100%	475,025	–	475,025	〃	
Taicheng Development Co., Ltd.	15,000,000	1,449,935	(15,000,000)	(1,336,240)	2,886	(8,910)	–	(107,671)	–	–	–	–	–	〃	Note 2
Rongcheng Development Co., Ltd.	1,000,000	173,009	–	–	(1,682)	–	–	–	1,000,000	100%	171,327	–	171,327	〃	
Fucheng Development Co., Ltd.	–	–	800,000	7,872	(138)	–	–	76,781	800,000	100%	84,515	–	84,515	〃	Note 2
Federal International Holding.Inc.	65,331,062	1,094,548	(2,500,000)	(80,000)	(44,081)	–	28,008	–	62,831,062	100%	998,475	–	998,475	〃	Note 3
Less: The Company's stocks held by subsidiaries, regarded as treasury shares	–	(183,035)	–	66,566	–	–	–	–	–	–	(116,469)	–	(116,469)		
Total		$ 3,190,168		$ (1,341,802)	$ (22,717)	$ (8,910)	$ 28,008	$ (933)			$ 1,843,814		$ 1,843,814		

Note 1: Others are remeasurement of defined benefit plans of subsidiaries recognized using the equity method in the amount of NT$933thousand.

Note 2: 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 set the base date for the merger as 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 held by Taicheng, and its shareholding percentage was 100% as of December 31, 2022.

Note 3: 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.

Statement of changes in right-of-use assets
From January 1 to December 31, 2022

Statement 7

Item	Opening balance	Addition	Disposal	Reclassification	Ending balance
Cost: Transportation equipment	7,894	563	(3,109)	—	5,348
Subtotal	7,894	563	(3,109)	—	5,348
Accumulated depreciation: Transportation equipment	3,966	1,858	(2,984)	—	2,840
Subtotal	3,966	1,858	(2,984)	—	2,840
Net amount	$ 3,928	$ (1,295)	$ (125)	$ —	$ 2,508

Statement of short-term borrowings

December 31, 2022

Statement 8

Type of borrowings	Creditor	Ending balance	Repayment deadline for the amount drawn	Interest rate range	Financing facility	Mortgage or collateral	Remark
Unsecured borrowings	Chang Hwa Bank	$ 100,000	2023.3.12	2.050%	$ 100,000		
〃	Chang Hwa Bank	50,000	2023.4.3	2.050%	50,000		
〃	First Commercial Bank	100,000	2023.3.29	2.125%	100,000		
〃	Taiwan Business Bank	150,000	2023.3.8	1.664%	150,000		
〃	Antai Commercial Bank	100,000	2023.3.30	2.176%	100,000		
〃	The Export-Import Bank of the Republic of China	60,000	2023.1.19	2.0096%	60,000		
〃	Taiwan Cooperative Bank	150,000	2023.3.30	1.801%	150,000		
Borrowings for purchases of materials	Chang Hwa Bank	13,795	2023.2.8～2023.3.15	5.7173%～5.8020%	155,556		
〃	Taiwan Business Bank	33,141	2023.1.14～2023.3.5	3.7586%～6.0344%	250,000		
〃	Hua Nan Commercial Bank	67,869	2023.1.6～2023.6.20	4.0551%～6.1832%	200,000	Note 8	
Guaranteed Loans	Hua Nan Commercial Bank	150,000	2023.5.25	1.96%	150,000	〃	
〃	Taiwan Land Bank	200,000	2023.3.22	2.1%	200,000	〃	
	Total	$ 1,174,805					

Statement of accounts payable
December 31, 2022

Statement 9

Client	Summary	Amount	Remark
Related party:			
Federex Marketing Co., Ltd.		$ 65	
Non-related party:			
Company A		15,646	
Company B		9,891	
Company C		6,814	
Company D		5,896	
Others	Payments to suppliers (Each with an amount accounting for less than 5%)	24,821	
Total		$ 63,133	

Statement of lease liabilities

December 31, 2022

Statement 10

Item	Lease term	Discount rate	Amount
Transportation equipment	3–5 years	1.54%～1.88%	$ 2,542
Less: Recognized as current			(1,510)
Lease liabilities - non-current			$ 1,032

Statement of other current liabilities

December 31, 2022

Statement 11

Item	Summary	Amount
Receivables in advance		$ 54
Temporary credits		18,541
Receipts under custody		2,844
Total		$ 21,439

Statement of long-term borrowings

December 31, 2022

Statement 12

Creditor	Amount of borrowings	Contract period	Interest rate	Mortgage or collateral	Remark
Hua Nan Commercial Bank					
Medium- and long-term secured borrowings	$ 3,097,656	The principal is amortized and repaid every 3 months from November 22, 2022, and the interest is accrued and paid on a monthly basis.	1.875%～1.915%	Property, plant and equipment	
Plant mortgage loan	62,748	The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis.	1.675%	〃	
Secured loan for machinery and equipment	221,184	The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis.	1.675%	〃	
Bank SinoPac					
Long-term secured borrowings	142,836	The first installment of NT$6,024 thousand was repaid for the principal on November 4, 2021, and the remaining principal is amortized and repaid every 3 months, with the repayment of principal of NT$14,285 thousand per installment, and the interest is paid monthly.	2.1036%	〃	
Taiwan Shin Kong Commercial Bank					
Medium-term secured borrowings	91,200	The principal is amortized and repaid every 3 months from October 23, 2018, and the interest is paid on a monthly basis.	2.1687%	〃	
Chang Hwa Bank					
Medium-term secured borrowings	194,445	The principal is amortized and repaid every month from November 9, 2018, and the interest is paid on a monthly basis.	2%	〃	
Subtotal	3,810,069				
Less: Long-term borrowings - current portion	(191,692)				
Total	$ 3,618,377				

Statement of operating income
From January 1 to December 31, 2022

Statement 13

Item	Summary	Amount	Remark
Revenue from sale of goods	Outer cover tire	$ 1,493,332	
	Inner tire	370	
	Chafing strip	99	
Total		$ 1,493,801	

<u>Statement of operating cost</u>

From January 1 to December 31, 2022

Statement 14

Item	Amount	Remark
Goods at the beginning of the period	$1,678	
Add: Net purchases in this period	13,031	
Less: Goods at the end of the period	(2,969)	
Cost of sales and purchases	11,740	
Direct consumption of raw materials		
Raw materials at the beginning of the period	176,328	
Add: Net purchases in this period	728,365	
Inventory profit	85	
Less: Inventory at the end of the period	(126,936)	
Raw materials sold	(8,264)	
Reclassified to expenses	(3,322)	
	766,256	
Indirect consumption of raw materials		
Raw materials at the beginning of the period	80,878	
Add: Net purchases in this period	41,880	
Work in progress transferred in	8,440	
Inventory profit	18	
Less: Inventory at the end of the period	(90,787)	
Supplies sold	(270)	
Reclassified to expenses	(40,159)	
	—	
Direct labor	158,138	
Manufacturing overhead	501,603	
Manufacturing cost	1,425,997	
Add: Work in process at the beginning of the period	39,537	
Purchase in this period	1,502	
Less: Work in progress at the end of the period	(28,266)	
Reclassified to supplies	(8,440)	
Inventory loss	(2,329)	
Reclassified to expenses	(9,353)	
Cost of finished goods	1,418,648	
Add: Finished goods at the beginning of the period	483,361	
Less: Finished goods at the end of the period	(285,709)	
Scrapped	(782)	
Inventory loss	(1,542)	
Reclassified to expenses	(1,261)	
Cost of sales of self-made goods	1,612,715	
Inventory valuation losses	(119,885)	
Unallocated fixed overhead	75,585	
Others	10,831	
Operating cost	$1,590,986	

Statement of operating expenses

From January 1 to December 31, 2022

Statement 15

Item	Summary	Marketing expense	Management expense	R&D expense	Expected credit impairment loss	Remark
Salary and wages		$ 34,072	$ 37,313	$ 33,770	$ －	
Rental expenses		－	61,547	44	－	
Freight		71,837	－	－	－	
Repair expenses		453	6,694	4,311	－	
Utilities expenses		－	18,231	－	－	
Insurance		19,592	7,336	3,534	－	
Depreciation		30,331	11,639	23,843	－	
Export costs		24,060	－	－	－	
Goods tax		26,540	－	－	－	
Expected credit impairment benefit	Accounts receivable	－	－	－	1,671	
Other expenses	(Each with an amount accounting for less than 5%)	36,385	108,885	13,576	－	
Total		$ 243,270	$ 251,645	$ 79,078	$ 1,671	