

Federal Corporation and the Subsidiaries  
Consolidated financial statements  
With independent auditor's report  
for the Years Ended December 31, 2023 and 2022

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**Notice to readers**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**Federal Corporation and Its Subsidiaries**  
**Table of Contents of Consolidated financial statements**  
**for the Years Ended December 31, 2023 and 2022**

Item	Page
I. Cover	1
II. Table of Contents	2
III. Representation Letter	3
IV. Auditor's Report	4~11
V. Consolidated Balance Sheets	12~13
VI. Consolidated Statements of Comprehensive Income	14
VII. Consolidated Statements of Changes in Equity	15
VIII. Consolidated Statements of Cash Flows	16~17
IX. Notes to Consolidated Financial Statements	18~93
(I) Company history	18
(II) Approval date and procedures of the consolidated financial statements	18
(III) New standards, amendments and interpretations adopted	18~19
(IV) Summary of significant accounting policies	19~32
(V) Critical accounting judgments and key source of estimation and uncertainty	32~34
(VI) Significant accounting items and explanation	34~75
(VII) Related party transaction	76~77
(VIII) Assets pledged	77
(IX) Material contingent liabilities and unrecognized contractual commitments	78~79
(X) Losses due to major disasters	79
(XI) Significant subsequent events	79
(XII) Others	79~80
(XIII) Additional disclosures	80~81
1. Information on significant transactions	81
2. Information on investees	81
3. Information on investments in Mainland China	81
4. Information on major shareholders	81
(XIV) Segment information	82~83

# Representation Letter

The associates that are required to be included in Federal Corporation's consolidated financial statements as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements of associates is included in said consolidated financial statements. Consequently, a separate set of combined financial statements of associates will not be prepared.

It is hereby declared.

Federal Corporation

Person in Charge: Kuo, Lin-Liang

March 6, 2024

## Auditor's Report

NO. 23931120CA

To Federal Corporation,

### **Opinion**

We have reviewed the accompanying consolidated balance sheets of Federal Corporation (the "Company") and its subsidiaries (collectively, the "Group") for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022 and for the years then ended, and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for audit opinion**

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

of audit opinion.

### **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2023, are stated as follows:

#### Valuation of inventories

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

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

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

The audit procedures we mainly conducted:

1. Evaluated the reasonableness of the Company's accounting policies, such as the policy of inventory valuation loss or obsolescence.

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

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

Please refer to Note 4(11) to the consolidated financial statements for the accounting policy on impairment of non-financial assets; please refer to Note 5 to the consolidated financial statements for the uncertainty of accounting estimates and assumptions of impairment of non-financial assets; please refer to Note 6(6) to the consolidated financial statements 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 the US Department of Commerce (DOC) and the effect of temporary cease of production at the Guanyin Plant have caused an impact on the Group's operations. As the assessment of impairment of property, plant and equipment requires an estimation of recoverable amounts through forecasting and discounting of future cash flows and this process itself is highly uncertain, the assessment of impairment of property, plant and equipment is one of our key audit matters.

The audit procedures we mainly conducted:

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

### Assessment of fair value of investment properties

Please refer to Note 4(9) to the consolidated financial statements for the accounting policy on investment properties; please refer to Note 5 to the consolidated financial statements for the uncertainty of accounting estimates and assumptions of impairment of investment properties; please refer to Note 6(8) to the consolidated financial statements for the description of the accounting of investment properties.

Investment properties held by the Group are measured at fair value. In supporting the management to make reasonable estimation, the Company utilizes appraisal report from independent appraisal institutions. As the valuation methods and inputs used in valuation involve many significant judgements and estimations, assessment of fair value of investment properties is identified as one of the key audit matters.

The audit procedures we mainly conducted:

1. Assess the professionalism, competence, and objectivity of the real estate appraisers, who are in charge for fair value measurement, entrusted by the management.
2. Review the fair value valuation report, obtain an understanding to whether the valuation methods and assumptions are in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and Regulations on Real Estate Appraisal, and assess the relevance and reliability of the data resource and significant inputs adopted with the rationality of the valuation results.

### **Other matters**

We have also audited the parent company only financial statements of the Company as of and for the year ended December 31, 2023 on which we have issued an unqualified opinion.

We have also audited the parent company only financial statements of the Company as of and for the year ended December 31, 2022 on which we have issued an unqualified opinion on March 14, 2023. As the Company merged the subsidiary, Federex Marketing Co., Ltd., by means of absorption by a short

form merger on August 31, 2023, in accordance with the regulations in IFRS Q&A (107) No. 401 “Business Combinations under Common Control-Accounting for business combinations under common control” issued by Accounting Research and Development Foundation on October 26, 2018, the merger is regarded as a merger from beginning. Therefore, the parent company only financial statements for the year ended December 31, 2022 was retrospectively restated, on which we have issued an unqualified opinion with the emphasis of matter paragraph.

### **Responsibilities of the management and the governing bodies for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast

significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said report within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Group.

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

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements 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: \_\_\_\_\_

Peng, Li-Chen

Certified Public Accountant: \_\_\_\_\_

Chou, Yin-Lai

Approval Document No.: Jin-Guan-Zheng-Shen No.  
1050025873

(80) Tai-Cai-Zeng-(VI) No. 53585

March 6, 2024

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: NTD thousand

Assets		Note	December 31, 2023		December 31, 2022	
Code	Account		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6(1)	\$ 654,572	5	\$ 1,136,348	11
1136	Financial assets at amortized cost - current	4, 6(2) and 8	430,082	3	60,199	1
1150	Notes receivables, net	4, 6(3)	5,351	—	39,794	—
1170	Accounts receivables, net	4, 6(3)	43,212	—	187,899	2
1200	Other receivables	4	11,181	—	18,318	—
1220	Current income tax assets	4 and 6(24)	6,489	—	6,077	—
130x	Inventories	4 and 6(4)	74,519	1	424,650	4
1410	Prepayments		33,980	—	56,574	1
1460	Non-current assets held for sale	4, 6 (5), and 8	—	—	2,531,174	25
1470	Other current assets		—	—	221	—
11xx	Total current assets		1,259,386	9	4,461,254	44
	Non-current assets					
1600	Property, plant and equipment	4, 6(6), 7, and 8	4,371,942	32	5,267,036	53
1755	Right-of-use assets	4 and 6(7)	27,588	—	44,439	1
1760	Investment properties	4, 6(8), and 8	5,952,678	43	85,094	1
1780	Intangible assets	4 and 6(9)	6,257	—	10,219	—
1840	Deferred tax assets	4 and 6(24)	81,929	1	91,678	1
1920	Guaranteed deposits paid	8	41,332	—	44,612	—
1900	Other non-current assets	6(10)	2,034,283	15	13,958	—
15xx	Total non-current assets		12,516,009	91	5,557,036	56
1xxx	Total assets		\$ 13,775,395	100	\$ 10,018,290	100

(Continued on next page)

Federal Corporation and Its Subsidiaries  
Consolidated Balance Sheets (Continued)

December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity		Note	December 31, 2023		December 31, 2022	
Code	Account		Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(11)	\$ 400,000	3	\$ 1,174,805	12
2130	Contract liabilities - current	4 and 6(19)	22,179	—	25,163	—
2150	Notes payables	6(12) and 7	—	—	6,116	—
2170	Accounts payables	6(12) and 7	27,432	—	70,158	1
2200	Other payables	6(13)	50,589	—	136,526	1
2250	Provision - current	4 and 6(14)	92,176	1	93,701	1
2280	Lease liabilities - current	4 and 6(7)	3,357	—	10,230	—
2322	Long-term borrowings - current portion	6(15)	117,100	1	191,692	2
2300	Other current liabilities		21,907	—	50,390	1
21xx	Total current liability		734,740	5	1,758,781	18
	Non-current liabilities					
2540	Long-term borrowings	6(15)	3,827,003	28	3,618,377	36
2570	Deferred tax liabilities	4 and 6(24)	957,001	7	616,426	6
2580	Lease liabilities - non-current	4 and 6(7)	4,440	—	13,298	—
2640	Net defined benefit liabilities - non-current	4 and 6(16)	—	—	29,349	—
2645	Guaranteed deposits received		2,489	—	1,707	—
2670	Other non-current liabilities	6(5)	1,060,099	8	—	—
25xx	Total non-current liabilities		5,851,032	43	4,279,157	42
2xxx	Total liabilities		6,585,772	48	6,037,938	60
	Total equity	6(17)				
3110	Ordinary share capital		4,733,292	34	4,733,292	47
3200	Capital surplus		164,221	1	156,764	2
	Retained earnings					
3310	Legal reserve		736,014	5	736,014	7
3320	Special reserve		1,912,816	14	1,913,109	19
3350	Accumulated deficit		(4,908,070)	(36)	(3,179,064)	(31)
3400	Other equity		4,734,385	35	(196,728)	(2)
3500	Treasury stock		(183,035)	(1)	(183,035)	(2)
31xx	Total equity attributable to owners of the parent company		7,189,623	52	3,980,352	40
3xxx	Total equity		7,189,623	52	3,980,352	40
	Total liabilities and Equity		\$ 13,775,395	100	\$ 10,018,290	100

(Please refer to the Notes to the Consolidated financial statements)

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Comprehensive Income  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6(19)	\$ 478,402	100	\$ 1,615,632	100
5000	Operating cost	6 (4 and 25) and 7	(775,144)	(162)	(1,646,698)	(102)
5900	Gross loss		(296,742)	(62)	(31,066)	(2)
6000	Operating expenses	6 (25)				
6100	Marketing expense		(156,743)	(33)	(310,528)	(19)
6200	Management expense		(571,522)	(120)	(308,416)	(19)
6300	R&D expense		(49,555)	(10)	(79,078)	(5)
6450	Expected credit impairment gain (loss)	6(3)	(2,319)	—	263	—
	Total operating expenses		(780,139)	(163)	(697,759)	(43)
6900	Operating loss		(1,076,881)	(225)	(728,825)	(45)
7000	Non-operating revenue and expenses					
7100	Interest income	6 (20)	39,830	8	10,271	1
7010	Other income	6 (21) and 7	12,358	3	18,997	1
7020	Other gains and losses	6 (6, 8, 13, 22) and 7	(604,888)	(126)	(577,224)	(36)
7050	Financial costs	6 (23)	(99,023)	(21)	(77,765)	(5)
	Total non-operating revenue and expenses		(651,723)	(136)	(625,721)	(39)
7900	Net loss before tax		(1,728,604)	(361)	(1,354,546)	(84)
7950	Income tax expense	4 and 6(24)	(695)	—	(1,664)	—
8200	Net loss for the period		(1,729,299)	(361)	(1,356,210)	(84)
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans	4 and 6(16)	—	—	529	—
8312	Gains on revaluation of properties	4, and 6(8, 17)	5,287,301	1,105	—	—
8349	Income tax related to items not reclassified to profit or loss	4 and 6(17, 24)	(364,102)	(76)	—	—
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)	7,914	2	28,008	2
	Other comprehensive income for the period (net of tax)		4,931,113	1,031	28,537	2
8500	Total comprehensive income for the period		\$ 3,201,814	670	\$ (1,327,673)	(82)
8600	Net income attributable to:					
8610	Owners of parent		\$ (1,729,299)	(361)	\$ (1,356,210)	(84)
8700	Total comprehensive income attributable to:					
8710	Owners of parent		\$ 3,201,814	670	\$ (1,327,673)	(82)
9750	Losses per share (NTD) Basic losses per share	6(18)	\$ (3.76)		\$ (2.95)	

(Please refer to the Notes to the Consolidated financial statements)

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Changes in Equity  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	Attributable to owners of the parent company								Total equity
	Ordinary share capital	Capital reserve	Retained earnings			Other equity items		Treasury stock	
			Legal reserve	Special reserve	Undistributed earnings (deficit to be compensated)	Exchange differences on translation of the financial statements of foreign operations	Gains on revaluation of properties		
Balance on January 1, 2022	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (1,823,383)	\$ (224,736)	\$ —	\$ (183,035)	\$ 5,308,025
Net loss for the period	—	—	—	—	(1,356,210)	—	—	—	(1,356,210)
Other comprehensive income 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
Balance on January 1, 2023	\$ 4,733,292	\$ 156,764	\$ 736,014	\$ 1,913,109	\$ (3,179,064)	\$ (196,728)	\$ —	\$ (183,035)	\$ 3,980,352
Appropriation and distribution of earnings:									
Reversal of special reserve	—	—	—	(293)	293	—	—	—	—
Net loss for the period	—	—	—	—	(1,729,299)	—	—	—	(1,729,299)
Other comprehensive income for the period	—	—	—	—	—	7,914	4,923,199	—	4,931,113
Total comprehensive income for the period	—	—	—	—	(1,729,299)	7,914	4,923,199	—	3,201,814
Organizational restructuring	—	7,457	—	—	—	—	—	—	7,457
Balance on December 31, 2023	\$ 4,733,292	\$ 164,221	\$ 736,014	\$ 1,912,816	\$ (4,908,070)	\$ (188,814)	\$ 4,923,199	\$ (183,035)	\$ 7,189,623

(Please refer to the Notes to the Consolidated financial statements)

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries  
Consolidated Statements of Cash Flows  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	2023	2022
Cash flow from operating activities		
Net income (loss) before tax for the period	\$ (1,728,604)	\$ (1,354,546)
Adjustments:		
Income and expenses		
Depreciation expense	354,892	409,979
Amortization expense	11,048	26,403
Expected credit impairment loss (gain)	2,319	(263)
Interest expense	99,023	77,765
Interest income	(39,830)	(10,271)
Loss on disposal of property, plant and equipment	8,714	8,889
Amount of property, plant and equipment transferred to expenses	563	660
Impairment loss on non-financial assets	525,364	621,744
Loss on changes in fair value of investment properties	3,661	6,470
Gain on lease modification	(257)	(52)
Changes in assets/liabilities related to operating activities:		
Notes receivable	34,443	26,361
Accounts receivable	142,534	86,188
Other receivables	8,420	1,008
Inventories	350,131	130,241
Prepayments	22,594	16,226
Other current assets	221	142
Contract liabilities	(2,984)	645
Notes payable	(6,116)	(4,351)
Accounts payable	(42,726)	12,996
Other payables	(65,881)	(42,383)
Provision	(1,525)	(1,036)
Other current liabilities	(21,026)	2,677
Net defined benefit liability	(29,349)	(9,260)

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Federal Corporation and Its Subsidiaries  
Consolidated Statements of Cash Flows (Continued)  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	2023	2022
	\$	\$
Cash inflow (outflow) from operations	(374,371)	6,232
Interest received	38,494	9,451
Interest paid	(99,771)	(77,892)
Income tax paid (refunded)	(14,838)	(1,487)
Net cash outflow from operating activities	(450,486)	(63,696)
Cash flow from investing activities:		
Acquisition of financial assets at amortized cost	(425,176)	(80,431)
Disposal of financial assets at amortized cost	55,216	129,949
Acquisition of non-current assets for sale	(70,100)	(9,943)
Acquisition of property, plant and equipment	(59,721)	(15,192)
Disposal of property, plant and equipment	66,781	90,219
Increase in guaranteed deposits paid	(1,521)	(5,839)
Decrease in guaranteed deposits paid	4,798	6,310
Acquisition of intangible assets	—	(390)
Increase in other non-current assets	(25,409)	(12,055)
Increase in other non-current liabilities	1,060,099	—
Net cash inflow from investing activities	604,967	102,628
Cash flow from financing activities:		
Increase (decrease) in short-term borrowings	(774,805)	124,255
Increase in long-term borrowings	1,100,000	—
Repayment of long-term borrowings	(965,966)	(306,550)
Increase in guaranteed deposits received	800	2
Decrease in guaranteed deposits received	(18)	(289)
Repayment of lease principal	(8,731)	(11,448)
Net cash outflow from financing activities	(648,720)	(194,030)
Effect of changes in exchange rates on cash and cash equivalents	12,463	10,667
Decrease in cash and cash equivalents in the period	(481,776)	(144,431)
Beginning balance of cash and cash equivalents	1,136,348	1,280,779
Ending balance of cash and cash equivalents	\$ 654,572	\$ 1,136,348

(Please refer to the Notes to the Consolidated financial statements)

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li,  
Hsin-Yu

Federal Corporation and Its Subsidiaries  
Attachments to the Consolidated financial statements  
for the Years Ended December 31, 2023 and 2022  
(Unit: In NTD thousands, unless stated otherwise)

I. Company history

Federal Corporation (hereinafter referred to as the “Company”) was incorporated in November 1955, formerly known as Federal Rubber Industry Co., Ltd., and was renamed Federal Corporation in October 1969. The Company's stock has been listed on the Taiwan Stock Exchange since July 1979. The Group's principal business is the manufacturing and sales of automobile tires and rubber. The Company merged the subsidiary-TaiCheng Development Co., Ltd. on November 30, 2022 and the subsidiary, Federex Marketing Co., Ltd. on August 31, 2023 by short form mergers. The Company is the surviving company. The registered address of the Company is No. 369, Huanxi Rd., Guanyin Dist., Taoyuan City.

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

II. Approval date and procedures of the parent company only financial statements

The consolidated financial statements were approved by the Board of Directors on March 6, 2024.

III. New standards, amendments and interpretations adopted

(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 2023 onward:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 "Property, Plant and Equipment: Value before reaching Intended Use".	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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

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

The table lists the newly, revised, and amended standards and interpretations of the IFRSs endorsed by the FSC that apply in 2024 onward:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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

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

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

IV. Summary of significant accounting policies

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

(I) Statement of compliance

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

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties 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 IFRSs requires the use of certain critical accounting estimate values. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

The consolidated financial statements include the financial reports of the Company and the entities (subsidiaries) controlled by the Company.

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

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

Transactions between entities, account balances, and income and losses have all been eliminated when the consolidated financial statements were prepared.

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

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

## 2. Subsidiaries included in the consolidated financial statements:

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

Investor	Subsidiary	Nature of business	Percentage of equity held (%)		Explanation
			December 31, 2023	December 31, 2022	
The Company	Federex Marketing Co., Ltd. (Federex)	Sales of various vehicle tire wheels and spare parts	—	100.00	Note 3
The Company	Taixin Construction Co., Ltd. (Taixin)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	—
The Company	Taicheng Development Co., Ltd. (Taicheng)	Contracting of builders to build residential buildings and lease and sale of property	—	—	Note 2
The Company	Federal International Holding, Inc.(FIH)	General investment	100.00	100.00	—
The Company	Rongcheng Development Co., Ltd. (Rongcheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	—
The Company	Fucheng Development Co. Ltd. (Fucheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	Note 1 Note 2
FIH	Federal Tire North America LLC. (FTNA)	Distribution of tires	100.00	100.00	—
FIH	Karroy Development Limited (Karroy)	Commercial building rental business	100.00	100.00	—
FIH	Amberg Investments Pte. Ltd. (Amberg)	General investment	100.00	100.00	—
Amberg	Federal Tire (Jiangxi) Co., Ltd. (Federal Tire (Jiangxi))	Production and sales of various tires and rubber products	100.00	100.00	—

Note1: The Company's Board meeting on August 10, 2022, approved the division of Taicheng, a 100%-owned subsidiary, into Fucheng in accordance with the Business Mergers and Acquisitions Act, and set the base date for the division as August 31, 2022, and approved the establishment of Fucheng on October 6, 2022.

Note 2: On November 9, 2022, the Board of Directors approved a simple merger of the Company with its 100%-owned subsidiary, Taicheng, in accordance with the Company Law and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of November 30, 2022, and completed the merger dissolution registration on February 24, 2023. On November 30, 2022, the Company inherited 800 thousand shares of Fusheng stock held by Taicheng, and its shareholding percentage became 100%.

Note 3: On June 13, 2023, the Board of Directors approved a simple merger of the Company with its 100%-owned subsidiary, Federex, in accordance with the Company Law and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of August 31, 2023, and completed the merger dissolution registration on October 3, 2023.

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

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

5. Significant restrictions: None.

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

(IV) Criteria for classification of current and non-current assets and liabilities

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

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

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

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

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

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

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

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

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

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

(V) Foreign currencies

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

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

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

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

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

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

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

(VI) Inventories

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

(VII) Non-current assets held for sale

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

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

(VIII) Property, plant and equipment

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

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

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

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

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

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

(IX) Investment property

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

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

When an item of property which is classified as non-current assets held for sale does not meet the definition of non-current assets held for sale anymore, the difference between the original carrying amount and the fair value shall be recognized in other comprehensive income, and accumulated under the gains on reevaluation in equity, and shall be directly transferred to retained earnings at derecognition.

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

(X) Intangible assets

1. Separate acquisition

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

2. Derecognition

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

(XI) Impairment of non-financial assets

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

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

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

## (XII) Financial instruments

All regular way purchases or sales of financial assets classified by the same way are recognized and derecognized on a trade date basis.

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

### 1. Financial assets

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

#### (1) Measurement types

Financial assets held by the Group are financial assets at amortized cost.

A financial asset held by the Group is measured at amortized cost if both of the following conditions are met :

- A. The financial asset is held in a business model whose objective is achieved by collecting contractual cash flows ;  
and
- B. The cash flows occur at specific dates based on the contractual terms. The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, refundable deposits, and other financial assets) shall be measured after initial recognition at amortized cost calculated by total carrying amount determined by effective interest method minus the impairment loss. Any resulting foreign exchange differences shall be recognized in profit or loss.

Interest income shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for :

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Cash equivalents are highly liquid time deposits and bills

with repurchase agreement due within 3 months after acquisition that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value, that the Group holds them for the purpose of short-term cash commitment.

(2) Impairment of financial assets

- A. At each reporting date, the Group shall assess the impairment losses of financial assets at amortized cost (including accounts receivables), by expected credit loss.
- B. The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables. If the credit risk on other financial assets has not increased significantly since initial recognition, the Group shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Group shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses.
- C. Expected credit losses are the weighted average credit losses with the probability of default as the weight. 12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit loss is the expected credit losses that result from all possible default events over the expected life of a financial instrument.  
All the impairment losses of financial assets decrease the carrying amounts by allowances.

(3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss.

2. Financial liabilities and equity instrument

(1) Classification of liabilities or equity

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

Equity instrument is any contract that recognizes the Group's remaining equity after the assets have been deducted from all of

its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

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

(2) Financial liabilities

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

(3) Derecognition of financial liabilities

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

(XIII) Provision

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

(XIV) Revenue recognition

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

Revenue from sale of goods

1. Revenue from the sale of goods comes from the manufacturing and sales of tires and relevant products. Revenue from the sale of goods is recognized when the control over goods has been passed to the customer, i.e. when the goods have been delivered to the customer and the Group has no outstanding performance obligations that could affect the customer's acceptance of the goods. When the goods arrive at the place designated by the customer, the customer has the right to set the price and the way the goods are used, while bearing the main responsibility for resale and the risk of obsolescence, upon which the Group recognized such goods in revenue and account receivable. Advance receipts received prior to the delivery of goods are recognized as contract liabilities.

2. Revenue from the sale of goods is measured at fair value of the consideration received or receivable, less estimated customer returns, discounts, and other similar discounts. The Group, based on historical experience and other known reasons, estimates potential sales returns and discounts and recognizes them in refund liabilities and right to products returned by customers.
3. The Group provides standard warranty for the products it sells and is obliged to refund the defective goods, and recognizes them in provision when the goods are sold.

(XV) Lease

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

1. The Group as a lessor

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

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

2. The Group as a lessee

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

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

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

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

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

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term or

changes in indices or rates used to determine lease payments lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group shall account for the remeasurement of the lease liability by decreasing the carrying amount of the lease for lease modifications that decrease the scope of the lease. The Group shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XVI) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plans

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

(2) Defined benefit plan

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

### 3. Post-employment benefits

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

#### (XVII) Borrowing costs

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

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

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

#### (XVIII) Income tax

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

##### 1. Current income tax

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

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

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

##### 2. Deferred tax

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

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

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

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

### 3. Current and deferred tax

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

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

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

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

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

(I) Inventory valuation

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

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

(II) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Group's assumptions about default rate and expected loss ratio. The Group considers historical experience, current market conditions, and forward-looking information to develop assumptions and select inputs for impairment assessments. Please refer to Note 6(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 Group needs to rely on subjective judgment and determine the independent cash flow of a specific asset group, the years of asset useful life, and potential future income and expenses based on asset use patterns and industry characteristics. Any changes in estimates due to changes in financial position or corporate strategies may result in a material impairment or reversal of recognized impairment losses in the future.

(IV) Assessment of fair value of investment properties

As the investment property held by the Group is land, the Group shall entrust professionals to determine the fair value of investment properties at the balance sheet day by professional judgements and estimations. The Group shall adjust the carrying amount to fair value according to the real estate appraisal report issued by professionals. As the valuation of investment properties is primarily based on the real estate appraisal report issued by the professionals, estimated total sales amount, profit margin, overall asset interest rate, current lease contracts, market prices of rents in the neighborhood during a specific period in the future and changes in professionals' judgements and estimations may affect the measurement of fair value.

(V) Measurement of Provision

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

VI. Significant accounting items and explanations

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 131	\$ 731
Demand deposit and checking deposit	433,879	440,440
Cash equivalents		
Bank time deposit	183,746	636,140
Notes under repurchase agreement	36,816	59,037
Total	<u>\$ 654,572</u>	<u>\$ 1,136,348</u>

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

(II) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Current		
Domestic investments		
Time deposits with original maturity of more than three months	\$ 418,077	\$ 14,443
Bank deposits in reserve accounts	12,005	40,000
Foreign investments		
Bank deposits under banker's acceptances and guarantee letters	—	5,756
Total	<u>\$ 430,082</u>	<u>\$ 60,199</u>
Interest rate range	<u>0.55% ~ 5.398%</u>	<u>0.455% ~ 1.45%</u>

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

(III) Net amounts of notes receivable and accounts receivable

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Notes receivables</u>		
Arising from operation	\$ 5,351	\$ 39,794
<u>Accounts receivables</u>		
Measured at amortized cost		
Total carrying amount	\$ 144,275	\$ 287,617
Less: loss allowances	(101,063)	(99,718)
	<u>\$ 43,212</u>	<u>\$ 187,899</u>

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

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

December 31, 2023

(1) The operating segment is in the country:

	Not past due	1-30 days	31-90 days	91-180 days	181-365 days	Over 365 days	Total
ECLs	0.21%	2.03%	11.50%~ 22.34%	33.30%~ 47.55%	52.65%~ 75.75%	100%	
Total carrying amount	\$ 34,039	\$ 1,845	\$ 7	\$ 4,167	\$ 6,546	\$ 35,197	\$ 81,801
Allowance for losses (lifetime ECLs).	(74)	(37)	(1)	(1,688)	(3,447)	(35,197)	(40,444)
At amortized cost	\$ 33,965	\$ 1,808	\$ 6	\$ 2,479	\$ 3,099	\$ —	\$ 41,357

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

	Group A	Group B	Group C	Total
ECLs	—	100%	0.21%~100%	
Total carrying amount	\$ —	\$ 51,201	\$ 11,273	\$ 62,474
Allowance for losses (lifetime ECLs).	—	(51,201)	(9,418) (Note)	(60,619)
At amortized cost	\$ —	\$ —	\$ 1,855	\$ 1,855

Note: The allowance for losses above was NT\$9,418 thousand on the accounts of specific clients. After the recoverability of these accounts has been individually assessed, the full amount has been provided for the allowance for such losses.

December 31, 2022

(1) The operating segment is in the country:

	Not past due	1-30 days	31-90 days	91-180 days	181-365 days	Over 365 days	Total
ECLs	0.11%~ 0.50%	0.50%~ 1.43%	1.00%~ 20.51%	5.00%~ 43.39%	30.00%~ 71.71%	100%	
Total carrying amount	\$ 168,276	\$ 5,132	\$ 56	\$ 20	\$ —	\$ 35,201	\$ 208,685
Allowance for losses (lifetime ECLs).	(432)	(67)	—	—	—	(35,201)	(35,700)
At amortized cost	\$ 167,844	\$ 5,065	\$ 56	\$ 20	\$ —	\$ —	\$ 172,985

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

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

Note: The allowance for losses above was NT\$9,420 thousand on the accounts of specific clients. After the recoverability of these accounts has been individually assessed, the full amount has been provided for the allowance for such losses.

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

December 31, 2023

	Notes receivable	Accounts receivable
Not past due	\$ 5,351	\$ 34,039
Less than 30 days	—	1,844
31–90 days	—	88
91–180 days	—	4,252
181–365 days	—	6,546
Over 366 days	—	97,506
Total	<u>\$ 5,351</u>	<u>\$ 144,275</u>

December 31, 2022

	Notes receivable	Accounts receivable
Not past due	\$ 39,794	\$ 175,484
Less than 30 days	—	5,132
31–90 days	—	9,971
91–180 days	—	245
181–365 days	—	—
Over 366 days	—	96,785
Total	<u>\$ 39,794</u>	<u>\$ 287,617</u>

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

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

	2023	
	Notes receivable	Accounts receivable
Beginning balance	\$ —	\$ 99,718
Provision of impairment loss in this period	—	2,319
Effect of exchange rates	—	(974)
Ending balance	<u>\$ —</u>	<u>\$ 101,063</u>

2022

	Notes receivable	Accounts receivable
Beginning balance	\$ —	\$ 99,210
Reversal of impairment loss in this period	—	(263)
Write-off in this period	—	(996)
Effect of exchange rates	—	1,767
Ending balance	\$ —	\$ 99,718

7. As of December 31, 2023 and 2022, the collateral held by the Group for accounts receivable were property and time deposits, in the amounts of NT\$14,929 thousand and NT\$15,210 thousand, respectively.

(IV) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 33,611	\$ 202,051
Work in progress	—	28,267
Raw materials	10,060	103,689
Supplies	—	44,271
Merchandise inventories	30,848	34,108
Inventories in transit	—	12,264
Total	\$ 74,519	\$ 424,650

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

	2023	2022
Cost of inventory sold	\$ 454,614	\$ 1,680,059
Gain from price recovery of inventories	(84,419)	(120,603)
Unallocated overhead	271,140	75,585
Others	133,809	11,657
Total	\$ 775,144	\$ 1,646,698

1. The recovery of the net realizable value of the Group's inventory in 2023 and 2022 was mainly due to the sale of the inventory that had been recognized in inventory valuation loss in previous years.

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

(V) Non-current assets held for sale

1. Non-current assets held for sale

	December 31, 2023	December 31, 2022
Land	\$ —	\$ 2,477,768
Buildings	—	226,918
Unfinished Projects	—	7,790
Less: Accumulated depreciation	—	(181,302)
Total	<u>\$ —</u>	<u>\$ 2,531,174</u>

(1) The Group's extraordinary shareholders' meeting on October 15, 2021, to accelerate the prosperity of Zhongli and revitalize the Company's assets, originally planned to dispose of the entire equity of the subsidiaries, Taicheng and Taixin, but approved to dispose of Taicheng and Taixin's Zhongli Plant land through open tendering. As the Company Taicheng needed to have two or more owners to qualify for the reconsolidation of its own land, it completed a business division 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 to include subsidiary Rongcheng's Zhongli Plant land for disposal, and the Group reclassified said land and plant to non-current assets held for sale.

(2) In order to facilitate the smooth transfer of land ownership in the future reconsolidation process, the Company approved by the board meeting on August 10, 2022, the establishment of a new subsidiary, Fucheng Development Co. Ltd. (Fucheng) by business division, which was established on October 6, 2022, in accordance with the Business Merger and Acquisition Act, with a base date of August 31, 2022. On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of November 30, 2022, and Taicheng completed the dissolution of the merger on February 24, 2023. On November 30, 2022, the Company inherited the land and plant of Zhongli Plant held by Taicheng. The above reconsolidation plan was reviewed and approved by Taoyuan City Government on September 23, 2022 and the reconsolidation was approved on November 23, 2022.

The board of directors of the Company resolved on February 10, 2023 to presell the Company and the subsidiaries, Rongcheng and Fucheng part of the land acquired after reconsolidation, and authorize the chairmen of the Company and the subsidiaries

involving the land to implement the presales, and tender planning. The board of the directors of the Company resolved on March 14, 2023 to entrust Cushman & Wakefield Limited, Taiwan branch to implement the operating procedures of open tendering and relevant matters. The sales by tender has opened on April 24, 2023, and Baifeng Construction Co., Ltd. won the bid with the tender awarding value of NT\$2,140,080 thousand. The ownership of the land will be transferred after completion of the urban reconsolidation. The Group has signed the contract of the sale and purchase of real estate on May 12, 2023, and received the payment in installments in accordance with the contract. As of December 31, 2023, NT\$1,070,040 thousand has been collected, and non-current liabilities presented as of December 31, 2023 amounted to NT\$1,070,040 thousand. According to the aforementioned contract of the sale and purchase of real estate, the Group created a line of credit mortgage by 1.2 times the first to the third installments of the land of Zhongli plant in the sale and purchase contract to Baifeng Construction Co., Ltd. as guarantee for right of recourse. As the land in the reconsolidation and implementation by the private sector area shall be sold after the urban reconsolidation is completed, and the reconsolidation takes more than two years, the relevant land and plant held for sale were transferred to other non-current assets in the first quarter of 2023, and recognized additional depreciation expenses amounting to NT\$12,362 thousand.

- (3) As the sale of the plant of Zhongli plant held by the subsidiary, Taixin has been 2 years, but the disposal still does not go well. The board of directors approved on September 25, 2023 to replan the purpose of holding the land to be acquiring long-term capital appreciation by self-development or self-use, rent, or sale after cooperative development, and transfer the non-current assets held for sale to investment properties. The difference between the original carrying amount and the fair value amounting to NT\$5,287,301 thousand was recognized in other comprehensive income and accumulated under gains on revaluation in equity. Please refer to Note 6(8).
- (4) At the time when the land and plant were classified as non-current assets held for sale, there was no impairment loss that shall be recognized. As of December 31, 2022, there is no evidence of impairment.
- (5) Please refer to Note 8 for information on guarantees provided by non-current assets to be for sale or disposal.

## (VI) Property, plant and equipment

2023

Item	Balance on 1 January	Addition	Disposal	Reclassification	Effect of exchange rates	Balance on December 31
<u>Costs</u>						
Land	\$ 1,411,880	\$ —	\$ (1,701)	\$ (2)	\$ —	\$ 1,410,177
Buildings	1,740,010	(630)	(4,739)	—	(7,031)	1,727,610
Machinery and Equipment	8,501,226	32,804	(1,611,822)	—	(44,887)	6,877,321
Office Equipment	271,989	—	(44,187)	—	(911)	226,891
Other Equipment	1,656,054	16,965	(271,451)	—	(7,650)	1,393,918
Unfinished Construction	45,702	(2,055)	—	(4,368)	—	39,279
<b>Subtotal</b>	<b>13,626,861</b>	<b>47,084</b>	<b>(1,933,900)</b>	<b>(4,370)</b>	<b>(60,479)</b>	<b>11,675,196</b>
<u>Accumulated depreciation</u>						
Buildings	401,357	43,042	(880)	—	(4,731)	438,788
Machinery and equipment	4,774,965	197,302	(1,492,145)	—	(32,228)	3,447,894
Office equipment	210,866	19,845	(41,016)	—	(818)	188,877
Other equipment	1,455,104	72,607	(255,469)	—	(7,113)	1,265,129
<b>Subtotal</b>	<b>6,842,292</b>	<b>332,796</b>	<b>(1,789,510)</b>	<b>—</b>	<b>(44,890)</b>	<b>5,340,688</b>
<u>Accumulated impairment</u>						
Machinery and equipment	1,426,256	501,617	(58,901)	—	(10,756)	1,858,216
Office equipment	18,240	5,076	(2,976)	—	(93)	20,247
Other equipment	73,037	18,671	(7,071)	—	(534)	84,103
<b>Subtotal</b>	<b>1,517,533</b>	<b>525,364</b>	<b>(68,948)</b>	<b>—</b>	<b>(11,383)</b>	<b>1,962,566</b>
<b>Net Total</b>	<b>\$ 5,267,036</b>	<b>\$ (811,076)</b>	<b>\$ (75,442)</b>	<b>\$ (4,370)</b>	<b>\$ (4,206)</b>	<b>\$ 4,371,942</b>

2022

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

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

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

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

	2023	2022
Capitalized amount	\$ —	\$ 1,376
Interest rate range	—	0.55%

3. The Company's Board of Directors resolved to temporarily cease production at the Guanyin Plant on February 10, 2023. The Group has adjusted the carrying amount of the plant based on the expected recoverable amount in the appraisal report and recognized impairment losses of NT\$530,612 thousand and NT\$636,045 thousand in 2023 and 2022, respectively. The expected recoverable amount is calculated by fair value deducting costs of disposal, and the fair value is evaluated based on the cost method. It belonged to Level 3 fair value measurement.
4. The Group signed a contract of sale and purchase of machinery equipment with Yung Ka Gu Enterprise Co., Ltd. (hereinafter "Yung Ka Gu") on December 26, 2019 with consideration amounting to NT\$126,000 thousand (tax included). As of December 31, 2023, the Group has paid NT\$112,350 thousand. As the Group considers the equipment does not meet the standards agreed in the sale and purchase contract, the Group requested Yung Ka Gu to terminate the sale and purchase contract by sending lawyer's letter. Yung Ka Gu considers the matter is not legally established and requested the Group to pay for the balance payment of NT\$13,650 thousand by sending legal attest letter. As of the date the consolidated financial statements for the year ended December 31, 2023 were issued, the Group is still negotiating with Yung Ka Gu.
5. Please refer to Note 8 for information on property, plant and equipment pledged as collaterals.

(VII) Lease agreements - lessee

1. Right-of-use assets

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

	December 31, 2023	December 31, 2022
Carrying amount of the right-of-use assets		
Land	\$ 19,797	\$ 21,045
Buildings	4,467	12,513
Transportation equipment	3,324	10,881
Total	\$ 27,588	\$ 44,439

	2023	2022
Depreciation expense for the right-of-use assets.		
Land	\$ 873	\$ 879
Buildings	4,115	6,186
Transportation equipment	4,746	5,541
Total	\$ 9,734	\$ 12,606

(2) The increases in the Group's right-of-use assets in 2023 and 2022 were NT\$6,494 thousand and NT\$6,148 thousand, respectively.

(3) Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not have any significant sublease or impairment in 2023 and 2022.

## 2. Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liability		
Current	\$ 3,357	\$ 10,230
Non-current	\$ 4,440	\$ 13,298

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

	December 31, 2023	December 31, 2022
Buildings	2.04%	1.58%~1.88%
Transportation equipment	1.54%~2.04%	1.54%~1.88%

## 3. Important leasing activities and terms

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

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

#### 4. Other leasing information

	2023	2022
Short-term lease expenses	\$ 878	\$ 627
Low-value asset lease expenses	\$ 545	\$ 747
Total cash outflow from leases	\$ 10,438	\$ 13,274

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

#### (VIII) Investment property

##### Investment property at fair value

	Land and buildings
Balance on January 1, 2023	\$ 85,094
From non-current assets held for sale	584,046
Difference arising from reclassification to investment properties recognized in other comprehensive income	5,287,301
Losses on changes in fair value	(3,661)
Effect of exchange rates	(102)
Balance on December 31, 2023	\$ 5,952,678

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

- As the sale of the plant of Zhongli plant held by the subsidiary, Taixin has been 2 years, but the disposal still does not go well. The Group plans to replan the purpose of holding the land to be acquiring long-term capital appreciation by self-development or self-use, rent, or sale after cooperative development. The board of directors resolved on September 25, 2023 to appraise the real state on the land located in industrial and commercial integrated district, and transfer the non-current assets held for sale to investment properties, which will be measured by fair value model. The changes in fair value shall be recognized in profit or loss in the period of occurrence.

The investment properties on the land located in industrial and commercial integrated district in Zhongli District, Taoyuan City

held by the Group are appraised by the external parties, and measured at fair value on a recurring basis. The fair value of investment properties as of September 30, 2023 was appraised by the appraisers Hu, Chun-Chun and Tsai, Chia-ho, who are certified with Real Estate Appraiser of Taiwan from Cushman & Wakefield real estate appraiser firm. And they issued an opinion about reviewing the changes in real estate prices, which indicated that the real estate prices of the investment properties do not significantly change as of December 31, 2023, compared with the prices as of September 30, 2023.

The fair value as of September 30, 2023 is NT\$5,871,347 thousand, which is based on the appraisal results from independent appraisers. The valuation adopted land development analysis approach, which is level 3 of fair value. The main assumptions are as follows:

	<u>September 30, 2023</u>
Estimated total sales amount	
For shopping center use by dividing areas	\$ 18,387,042
For parking lots use	5,073,750
	<u>\$ 23,460,792</u>
Profit margin	<u>20% ~ 30%</u>
Overall capital interest rate	<u>2.46% ~ 4.80%</u>

The total sales amount of the land is estimated by considering relevant regulations, domestic macro-economic outlook, local land usage, and the market prices, and estimating the areas of land or buildings after development by the most effective usage ways.

- The investment properties held by the Group are located in Xuhui District, Shanghai, the People's Republic of China. The fair values of the investment properties as of December 31, 2023 and 2022 were appraised by the appraisers Yang, Chang-Da, who is certified with Real Estate Appraiser of Taiwan from Cushman & Wakefield real estate appraiser firm.

The fair values as of December 31, 2023 and 2022 were NT\$81,331 thousand and NT\$85,094 thousand, respectively, which were based on the appraisal results by independent appraisal experts. The appraisal was based on the income approach, which belongs to Level 3 fair value. The main assumptions are as follows:

- The Group adopts the discounted cash flow analysis method of the income approach. In the process of the appraisal method, the annual growth rate range of rents is determined with reference to the local rents and the information on similar assets and based on the vacancy loss. After vacancy loss is considered, the rental

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

- (2) The discount rate is determined based on the two-year time deposit interest rate announced by Chunghwa Post Co., Ltd., plus 0.75%. Considering the risk and reward borne by the Group and the liquidity, risk, added value, and management difficulty of the property, the estimated discount rate as of December 31, 2023 and 2022 was 2.50%.
- (3) The main purposes of the investment properties are mainly office or residence, and the monthly rents for local and similar properties were NT\$435–NT\$475 per square meter in 2023; NT\$438–NT\$517 per square meter in 2022.
3. The investment properties held by the Group have not been leased or incurred income or expenses for the years ended December 31, 2023 and 2022.
4. Please refer to Note 8 for the information on investment properties pledged as collaterals.

**(IX) Intangible assets**

Item	2023					
	Beginning balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance
<u>Cost</u>						
Computer software	\$ 117,058	\$ —	\$ —	\$ 580	\$ —	\$ 117,638
<u>Accumulated amortization</u>						
Computer software	106,839	4,542	—	—	—	111,381
Net amount	\$ 10,219	\$ (4,542)	\$ —	\$ 580	\$ —	\$ 6,257
Item	2022					
	Beginning balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance
<u>Cost</u>						
Computer software	\$ 115,758	\$ 390	\$ —	\$ 910	\$ —	\$ 117,058
<u>Accumulated amortization</u>						
Computer software	101,158	5,681	—	—	—	106,839
Net amount	\$ 14,600	\$ (5,291)	\$ —	\$ 910	\$ —	\$ 10,219

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:

	<u>2023</u>	<u>2022</u>
Management expense	\$ 4,542	\$ 5,681
(X) <u>Other non-current assets</u>		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for business facilities	\$ —	\$ 8,492
Unamortized expense	300	3,581
Land held for sale	2,033,983	—
Other assets - other	—	1,885
Total	<u>\$ 2,034,283</u>	<u>\$ 13,958</u>

Please refer to Note 6(5) for the explanations on other non-current assets - land held for sale.

(XI) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank unsecured borrowings	\$ 200,000	\$ 756,936
Bank secured borrowings	200,000	417,869
Total	<u>\$ 400,000</u>	<u>\$ 1,174,805</u>
Interest rate range	<u>2.10%~2.40%</u>	<u>1.664%~6.1832%</u>

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

(XII) Notes and accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes payable	\$ —	\$ 6,116
Accounts payable	27,432	70,158
Total	<u>\$ 27,432</u>	<u>\$ 76,274</u>

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

(XIII) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	\$ 7,805	\$ 50,249
Interest payables	2,623	3,371
Tax payables	6,150	6,046
Work-related injury	20,312	—

compensation payables		
Payables on equipment	—	19,308
Others	13,699	57,552
<b>Total</b>	<b>\$ 50,589</b>	<b>\$ 136,526</b>

1. The employee of the Company was injured by a work-related accident on June 14, 2022. The case has been submitted to the mediation committee on May 31, 2023, and the employee claimed the occupational accident compensation of NT\$20,312 thousand. The Company has accrued the relevant losses of NT\$20,312 thousand in September, 2023. As of December 31, 2023, other payables - work-related injury compensation payables presented amounted to NT\$20,312 thousand.

2. Other payables – others mainly include business tax payables, service expense, utilities expense, insurance premium, pension, advertising expenses, and freight, etc.

(XVI) Provision

	2023		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Beginning balance	\$ 31,144	\$ 62,557	\$ 93,701
Increase in this period	304	—	304
Drawn in this period	(1,826)	—	(1,826)
Effect of exchange rates	(3)	—	(3)
Ending balance	<u>\$ 29,619</u>	<u>\$ 62,557</u>	<u>\$ 92,176</u>

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

## 1. Warranty liabilities

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

## 2. Liabilities pending conclusion of the legal proceedings

The Group was sued by Jose Eduardo Gonzalez in the U.S. On January 6, 2015 as Jose Eduardo Gonzalez believed that the rear wheel of the vehicle was in experienced a sudden failure and caused an accident, he filed a lawsuit against the Group for compensation. On July 31, 2014, the Group was sued by Jeramy Truhlar in the United States. The injured party and his insurance company claimed that the vehicle was involved in an accident caused by the use of defective tires sold by the Group, and therefore filed a lawsuit against the Group for damages.

The Group has estimated the amount of potential loss in the accounts, and the provision for liabilities is NT\$62,557 thousand as of December 31, 2023 and 2022.

The insurance company that underwrites the Group's product liability insurance has agreed to a settlement offer made jointly by counsel for the plaintiffs in this case on December 20, 2022. It was intended that the settlement amount would be the entire remaining policy limits of the Group's product liability insurance policies. Jose Eduardo Gonzales and the Group have reached a settlement, and the litigation has been revoked on October 3, 2023. Jeramy Truhlar and the Group have reached a settlement, and the litigation has been revoked on December 18, 2023. The aforementioned settlements did not cover the co-defendants' claims for reimbursement of their potential future liability and the costs incurred and to be incurred in defending the case against the Group, as well as the defendants' claims for reimbursement of the costs incurred by the Group in defending the case that was dismissed.

The co-defendant of the Jeramy Truhlar case, Tire Club USA, Inc., has settled with the plaintiff and instituted indemnification proceedings to the Group to claim the payment of the composition and the defense costs paid. The court has requested a conciliation by May 10, 2024.

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

(XV) Long-term borrowings

	December 31, 2023	December 31, 2022
Bank secured borrowings	\$ 3,944,103	\$ 3,810,069
Less: Current portion	(117,100)	(191,692)
Long-term borrowings	<u>\$ 3,827,003</u>	<u>\$ 3,618,377</u>
Interest rate range	<u>1.80%~2.45%</u>	<u>1.675%~2.1687%</u>

1. The Group re-signed a long-term loan agreement with Hua Nan Commercial Bank, Ltd. in January 2018 over a period of 20 years with a total facility of NT\$3,250,000 thousand and took out a loan of NT\$3,250,000 thousand to repay all borrowings recognized in long-term borrowings. As of December 31, 2023 and 2022, the outstanding amount was both NT\$3,097,656 thousand; the principal was repaid in installments as agreed.

The Group signed a long-term incremental borrowing agreement with Hua Nan Commercial Bank, Ltd. in June 2020 over a period of 7–10 years with a total facility of NT\$2,541,000 thousand. As of December 31, 2023 and 2022, the outstanding amounts were NT\$246,447 thousand and NT\$283,932 thousand, respectively; the principal was repaid in installments as agreed.

The Group signed a mid-term borrowing agreement with Hua Nan Commercial Bank, Ltd. in December, 2022 over a period of 5 years with a total facility of NT\$2,400,000 thousand. The land of Zhongli plant held by the subsidiary, Taixin, was pledge as collaterals for the borrowing. As of December 31, 2023 and 2022, the outstanding amounts were NT\$600,000 thousand and NT\$0 thousand, respectively; the principal was repaid in installments as agreed.

2. The Group signed a long-term borrowing agreement with Bank SinoPac in May 2018 over a period of 7 years with a total facility of NT\$400,000 thousand. As of December 31, 2023 and 2022, the outstanding amounts were NT\$0 thousand and NT\$142,836 thousand; the principal was repaid in installments as agreed.

3. The Group signed a long-term borrowing agreement with Taiwan Shin Kong Commercial Bank Co., Ltd. in May 2018 over a period of 7 years with a total facility of NT\$300,000 thousand. As of December 31, 2023 and 2022, the outstanding amounts were NT\$0 thousand and NT\$91,200 thousand; the principal was repaid in installments as agreed.

4. The Group signed a long-term borrowing agreement with Chang

Hwa Commercial Bank, Ltd. in October 2018 over a period of 7 years with a total facility of NT\$400,000 thousand. As of December 31, 2023 and 2022, the outstanding amounts were NT\$0 thousand and NT\$194,445 thousand; the principal was repaid in installments as agreed.

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

(XVI) Pension

1. Defined contribution plans

Since July 1, 2005, the Company and its domestic subsidiaries have established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with the ROC nationality. For the pension plan under the Labor Pension Act chosen by the employees, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum. Federal Tire (Jiangxi) makes monthly contributions according to a certain percentage of the local employees' salaries in accordance with the pension system stipulated by the government of the People's Republic of China. The pension for each employee is managed by the government; thus, the Group does not have further obligation except for making a monthly contribution. The pensions recognized by the Group in the consolidated statement of comprehensive income for 2023 and 2022 were NT\$11,964 thousand and NT\$14,460 thousand, respectively.

2. Defined benefit plan

The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all full-time employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and domestic subsidiaries make a contribution equal to 10% and 4% of the total salaries every month, respectively, as a pension fund and deposit it to the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Also, the Group would assess the balance in the aforementioned account

by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make a contribution to compensate the deficit in a lump sum by next March. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence its investment management strategy.

The implementation of the final determination of the antidumping duty in the U.S. anti-dumping case, and factors including the epidemic, inflation and the pressure of interest rate hikes due to the tightening monetary policy of the U.S. Federal Reserve, etc., have impact on the operation of the Group. In order to confront with the current situations, survive by flexibility, and pursue continuous operation in consideration of the best interests of the Company and shareholders, the board of directors resolved to temporarily cease the whole production of Guanyin plan on February 10, 2023. The Group has ceased production in early March 2023, submitted applications to the competent authorities for mass dismissal of employees, and implemented relevant procedures in accordance with the labor laws and regulations. The Group and employees who apply defined benefit plans have reached mutual agreement and settled the pension in accordance with the Labor Standards Act. As of December 31, 2023, there is no employee applying defined benefit plans in the Group.

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ —	\$ (76,631)
Fair value of plan asset	—	47,282
Net defined benefit liability	\$ —	\$ (29,349)

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Balance on January 1, 2023	\$ (76,631)	\$ 47,282	\$ (29,349)
Service cost			
Interest income	—	769	769
Settlement gain or loss	18,106	—	18,106
Recognized in profit or loss	18,106	769	18,875
Contributions to pension	—	2,685	2,685
Pension paid	40,842	(33,053)	7,789
Pension fund to be refunded	17,683	(17,683)	—
Balance on December 31, 2023	\$ —	\$ —	\$ —

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

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

- (1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the return on plan assets shall not be lower than the local bank's interest rate for 2-year time deposits. If the return is less than aforementioned rates, the treasury will make up for it.
- (2) Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
- (3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The critical actuarial assumptions are as follows:

	December 31, 2023	December 31, 2022
Discount rate	—	1.30%~1.40%
Expected salary increase rate	—	1.00%~2.00%

If each of the critical actuarial assumptions is subject to a change, the amounts by which the present value of the defined benefit obligation on December 31, 2023 and 2022 would increase (decrease) are as follows:

December 31, 2023	Increase by 0.25%	Decrease by 0.25%
Discount rate	\$ —	\$ —
Future salary increase rate	\$ —	\$ —

  

December 31, 2022	Increase by 0.25%	Decrease by 0.25%
Discount rate	\$ (1,903)	\$ 1,974
Future salary increase rate	\$ 1,952	\$ (1,892)

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, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Estimated amount to be contributed within 1 year	\$ —	\$ 4,451
Average maturity period of defined benefit obligation	—	8~10 years

(XVII) Equity

1. Ordinary share capital

	December 31, 2023	December 31, 2022
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 surplus

	2023			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total
Balance on January 1, 2023	\$ 37,860	\$ 107,735	\$ 11,169	\$156,764
Organizational restructuring	—	7,457	\$ —	7,457
Balance on December 31, 2023	\$ 37,860	\$ 115,192	\$ 11,169	\$164,221

	2022			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total
Balance on January 1, 2022 is the balance on December 31, 2022.	\$ 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

	2023			
	Unrealized revaluation increment	Exchange differences in translation of financial statements of foreign operating entities	Investment property carried at fair value	Total
Balance on January 1, 2023	\$ 1,545,841	\$ 361,927	\$ 5,341	\$ 1,913,109
Reversal from disposal of properties	(293)	—	—	(293)
Balance on December 31, 2023	<u>\$ 1,545,548</u>	<u>\$ 361,927</u>	<u>\$ 5,341</u>	<u>\$ 1,912,816</u>

	2022			
	Unrealized revaluation increment	Exchange differences in translation of financial statements of foreign operating entities	Investment property carried at fair value	Total
Balance on January 1, 2022 i.e. balance on December 31, 2022	\$ 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 land, they shall be reversed at the time of reclassification, while for properties other than the land, they 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 6, 2024 on the 2023 deficit proposal. Please visit the MOPS for relevant information.
- (6) The Company's general shareholders' meeting passed a resolution on June 13, 2023 for the deficit proposal of 2022. Please visit Taiwan Stock Exchange's MOPS for relevant resolutions by the general shareholders' meeting.
- (7) The Company's general shareholders' meeting passed a resolution on June 15, 2022 for the deficit proposal of 2021. Please visit Taiwan Stock Exchange's MOPS for relevant resolutions by the general shareholders' meeting.

#### 4. Other equity items

	Exchange differences on translation of financial statements of foreign operating institutions	Gains on revaluation of properties	Total
Balance on January 1, 2023	\$ (196,728)	\$ —	\$ (196,728)
Generated in the current period			
Exchange differences on the conversion of financial statements of foreign operating institutions	7,914	—	7,914
Gains on revaluation of properties	—	5,287,301	5,287,301
Income tax related to gains on revaluation of properties	—	(364,102)	(364,102)
Balance on December 31, 2023	\$ (188,814)	\$ 4,923,199	\$ 4,734,385

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

## 5. Treasury stock

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

(Unit: In thousand shares)

Reason for redemption	2023			
	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	7,842	—	(7,842)	—
Acquired by merger	5,913	7,842	—	13,755
	<u>13,755</u>	<u>7,842</u>	<u>(7,842)</u>	<u>13,755</u>

(Unit: In thousand shares)

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

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

Subsidiary	December 31, 2022		
	No. of Shares (thousand)	Carrying amount	Fair value/share
Federex Marketing Co., Ltd.	7,842	\$ 116,469	\$ 156,849

- (3) On November 9, 2022, the Board of Directors approved a simple merger with Taicheng, a 100%-owned subsidiary, in accordance with the Company Act and the Business Mergers and Acquisitions Act. The Company is a surviving company. The base date of the merger is November 30, 2022, and the merger dissolution will be completed on February 24, 2023. On November 30, 2022, the Company inherited 5,913 thousand shares of Taicheng's stock. The Board of Directors has approved on June 13, 2023 the simple merger of the Company with its 100%-owned subsidiary, Federex, in accordance with the Company Law and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of August 31, 2023, and completed the merger dissolution registration on October 3, 2023. The Company succeeded 7,842 thousand of the Company's shares held by Federex on August 31, 2023. Information on treasury stocks is as follows:

Reason for acquisition	December 31, 2023		
	Number of shares (thousands of shares)	Carrying amount of treasury stocks	Market price of treasury stocks
Acquisition from merger	13,755	\$ 183,035	\$ 270,985

  

Reason for acquisition	December 31, 2022		
	Number of shares (thousands of shares)	Carrying amount of treasury stocks	Market price of treasury stocks
Acquisition from merger	5,913	\$ 66,566	\$ 118,263

- (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) Losses per share

	<u>2023</u>	<u>2022</u>
Basic earnings (loss) per share (NTD)	\$ (3.76)	\$ (2.95)
Earnings (loss) and weighted average number of ordinary shares used to calculate basic earnings (loss) per share are as follows:		
	<u>2023</u>	<u>2022</u>
Net profit (loss) attributable to owners of the parent company (NTD thousands)	\$ (1,729,299)	\$ (1,356,210)
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)	\$ (3.76)	\$ (2.95)

(XIX) Operation income

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 478,402	\$ 1,615,632

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

2. Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and accounts receivable (Note 6(3))	\$ 48,563	\$ 227,693
Contract liabilities - current		
Sale of goods	\$ 22,179	\$ 25,163

The amounts of operating revenue recognized in 2023 and 2022 from contract liabilities at the beginning of the period were NT\$2,513 thousand and NT\$4,709 thousand.

(XX) <u>Interest income</u>		
	<u>2023</u>	<u>2022</u>
Interest on bank deposits	\$ 39,418	\$ 9,079
Other interest	412	1,192
Total	<u>\$ 39,830</u>	<u>\$ 10,271</u>
(XXI) <u>Other income</u>		
	<u>2023</u>	<u>2022</u>
Rental income	\$ 2,805	\$ 328
Others	9,553	18,669
Total	<u>\$ 12,358</u>	<u>\$ 18,997</u>
(XXII) <u>Other gains and losses</u>		
	<u>2023</u>	<u>2022</u>
Loss on disposal of property, plant and equipment	\$ (8,714)	\$ (8,889)
Gain on lease modification	257	52
Gain (loss) on foreign exchange	(27,431)	62,118
Loss on changes in fair value – investment properties	(3,661)	(6,470)
Impairment loss on property, plant and equipment	(525,364)	(621,744)
Miscellaneous expenses	(39,975)	(2,291)
Total	<u>\$ (604,888)</u>	<u>\$ (577,224)</u>
(XXIII) <u>Financial costs</u>		
	<u>2023</u>	<u>2022</u>
Interest expense		
Bank borrowings	\$ 98,733	\$ 78,689
Lease liabilities	284	452
Others	6	—
Less: Capitalized amount of qualifying assets	—	(1,376)
Total	<u>\$ 99,023</u>	<u>\$ 77,765</u>

(XXVI) Income tax

1. The adjustment to the Group's income tax expenses recognized in profit or loss for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Income tax calculated at statutory tax rate for pre-tax net loss	\$ (350,791)	\$ (284,078)
Effect of income tax on items excluded as per tax law	83,430	74,752
Gain on sale of land exempt from income tax	(84)	—
Effect of income tax on loss carryforwards	267,445	210,042
Effect of current temporary differences	547	4,768
Income tax underestimation (overestimation) in previous years	50	(3,820)
Land value increment tax	98	—
Income tax expense	<u>\$ 695</u>	<u>\$ 1,664</u>

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

	<u>2023</u>	<u>2022</u>
Current income tax		
Generated in this period	\$ 148	\$ (3,104)
Deferred tax		
Occurrence and reversal of temporary differences	547	4,768
Income tax expense recognized in profit or loss	<u>\$ 695</u>	<u>\$ 1,664</u>

2. Details of income tax recognized in other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Deferred income tax		
Gains on revaluation of properties	\$ 364,102	\$ —

3. Current income tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax refund receivable	<u>\$ 6,489</u>	<u>\$ 6,077</u>

#### 4. Deferred tax assets and liabilities

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

	2023		
	Beginning balance	Recognized in profit or loss	Ending balance
Temporary differences			
Unrealized exchange losses	\$ —	\$ 897	\$ 897
Unrealized inventory valuation losses	28,561	(28,561)	—
Provision of pension exceeding contribution	16,848	(16,848)	—
Allowances for bad debt over limit	6,641	1,274	7,915
Estimated product warranty expenses	6,185	(287)	5,898
Unused vacation bonus	2,289	(2,289)	—
Year-end bonuses unpaid	203	106	309
Unrealized losses on impairment of assets	17,896	36,503	54,399
Provision for litigation damages	12,511	—	12,511
Others	544	(544)	—
	<u>\$ 91,678</u>	<u>\$ (9,749)</u>	<u>\$ 81,929</u>
	2022		
	Beginning balance	Recognized in profit or loss	Ending balance
Temporary differences			
Unrealized exchange losses	\$ 1,339	\$ (1,339)	\$ —
Unrealized inventory valuation losses	52,610	(24,049)	28,561
Provision of pension exceeding contribution	18,700	(1,852)	16,848
Allowances for bad debt over limit	6,278	363	6,641
Estimated product warranty expenses	6,393	(208)	6,185
Unused vacation bonus	2,314	(25)	2,289
Year-end bonuses unpaid	1,620	(1,417)	203
Unrealized discount on sales	2,774	(2,774)	—
Unrealized losses on impairment of assets	—	17,896	17,896
Provision for litigation damages	—	12,511	12,511
Others	480	64	544
	<u>\$ 92,508</u>	<u>\$ (830)</u>	<u>\$ 91,678</u>

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

	2023					
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Payment in the current period	Effect of exchange rates	Ending balance
Temporary difference						
Provision for land value increment tax	\$ 598,944	\$ (1,771)	\$ 364,102	\$ (14,278)	\$ (34)	\$ 946,963
Unrealized gain on investment property	10,479	(428)	—	—	(13)	10,038
Unrealized exchange gains	7,003	(7,003)	—	—	—	—
	<u>\$ 616,426</u>	<u>\$ (9,202)</u>	<u>\$ 364,102</u>	<u>\$ (14,278)</u>	<u>\$ (47)</u>	<u>\$ 957,001</u>

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

5. Items not recognized as deferred tax assets

	December 31, 2023	December 31, 2022
Loss carryforwards	<u>\$ 5,078,760</u>	<u>\$ 4,294,868</u>
Temporary difference	<u>\$ 2,118,503</u>	<u>\$ 1,738,399</u>

The last valid year for the Group's loss carryforwards is 2033.

6. The losses carryforwards have not been used by the Group and the last valid year as of December 31, 2023 was as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2014	Approved amount	2024	\$
			6,220
2017	Approved amount	2027	144,915
2018	Approved amount	2028	378,220
2019	Approved amount	2029	481,515
2020	Approved amount	2030	5,140
2021	Approved amount	2031	1,627,671
2022	Amount filed	2032	980,092
2023	Amount filed	2033	1,244,141
2019	Amount filed	2024	79,635
2020	Amount filed	2025	28,670
2021	Amount filed	2026	30,664
2022	Amount filed	2027	16,897
2023	Estimated amount	2028	54,980
			\$ 5,078,760

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

Company Name	Year approved
The Company	2021
Taixin Construction Co., Ltd.	2021
Rongcheng Development Co., Ltd.	2021
Fucheng Development Co., Ltd.	—

(XXV) Additional information on the nature of expenses

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

By nature \ By function	2023		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	\$ 46,723	\$ 79,930	\$ 126,653
Termination benefits	—	266,971	266,971
Labor and health insurance	7,078	8,480	15,558
Pension	462	(7,373)	(6,911)
Other employee benefits	4,725	5,759	10,484
Depreciation expense	238,128	116,764	354,892
Amortization expense	3,171	7,877	11,048

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

2. Employee benefits

- (1) As per the Company's Articles of Incorporation, If the Company makes a profit in the year (referring to the income before tax before the remuneration to employees and directors is subtracted), it shall allocate no less than 1% of the balance as employee remuneration and no more than 3% as directors' remuneration. However, profits must first be reserved to offset against the cumulative deficit, if applicable. Employee remuneration can be paid in stock or cash, and the recipients of the payment include employees of subsidiaries who met the criteria set by the Board of Directors. The director's remuneration in the preceding paragraph can only be paid in cash. Employee remuneration and directors' remuneration shall be decided by the Board of Directors and reported to the shareholders' meeting.
- (2) The Company incurred loss in 2023, so no employee

remuneration and directors' remuneration were accrued.

The Company incurred loss in 2022, so no employee remuneration and directors' remuneration were accrued.

(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**

	2023	2022
Increase in this period	\$ 47,084	\$ 33,238
Add: Business facilities payable at the beginning of the period	19,308	9,545
Less: Business facilities payable at the end of the period	—	(19,308)
Less: Prepayments for business facilities reclassified	(6,671)	(6,907)
Interest Capitalization	—	(1,376)
Cash paid in this period	<u>\$ 59,721</u>	<u>\$ 15,192</u>

	2023	2022
Current disposals	\$ 66,728	\$ 90,272
Add: Beginning receivables from equipment	53	—
Less: receivables from equipment	—	(53)
Cash recovered during the period	<u>\$ 66,781</u>	<u>\$ 90,219</u>

**2. Changes in liabilities from financing activities**

	Short-term borrowings	Long-term borrowings	Guaranteed deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2023	\$ 1,174,805	\$ 3,810,069	\$ 1,707	\$ 23,528	\$ 5,010,109
Changes in financing cash flow	(774,805)	134,034	782	(8,731)	(648,720)
Changes in lease liabilities	—	—	—	(7,002)	(7,002)
Effect of exchange rate changes	—	—	—	2	2
December 31, 2023	<u>\$ 400,000</u>	<u>\$ 3,944,103</u>	<u>\$ 2,489</u>	<u>\$ 7,797</u>	<u>\$ 4,354,389</u>

	Short-term borrowings	Long-term borrowings	Guaranteed deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2022	\$ 1,050,550	\$ 4,116,619	\$ 2,095	\$ 30,806	\$ 5,200,070
Changes in financing cash flow	124,255	(306,550)	(287)	(11,448)	(194,030)
Changes in lease liabilities	—	—	—	3,967	3,967
Other non-cash changes	—	—	(122)	—	(122)
Effect of exchange rate changes	—	—	21	203	224
December 31, 2022	<u>\$ 1,174,805</u>	<u>\$ 3,810,069</u>	<u>\$ 1,707</u>	<u>\$ 23,528</u>	<u>\$ 5,010,109</u>

(XXVII) Capital management

The Group manages its capital to ensure that the Group will be able to continue as going concerns and maintain an optimal capital structure to reduce cost of capital, while providing return to stakeholders. In order to maintain or adjust capital structure, the Group may adjust dividend distribution, return capital to shareholders, issue new shares, or dispose of assets to reduce debts. The Group manages its capital through the debt-to-equity ratio that is the ratio of net debts to total capital. The net debt is equal to total borrowings (including “current and non-current borrowings” on the consolidated balance sheet), less cash and cash equivalents. Total capital is the “equity” stated on the consolidated balance sheet plus net debt. The Group’s debt-to-equity ratios as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total borrowings	\$ 4,344,103	\$ 4,984,874
Less: Cash and cash equivalents	(654,572)	(1,136,348)
Net debt	3,689,531	3,848,526
Total equity	7,189,623	3,980,352
Total capital	\$ 10,879,154	\$ 7,828,878
Debt-to-equity	34%	49%

(XXVIII) Financial instruments

1. Types of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Cash and cash equivalents	\$ 654,572	\$ 1,136,348
Financial assets at amortized cost - current	430,082	60,199
Notes receivable	5,351	39,794
Accounts receivable	43,212	187,899
Other receivables	11,181	18,318
Guaranteed deposits paid	41,332	44,612
<u>Financial liabilities</u>		
Short-term borrowings	400,000	1,174,805
Notes payable	—	6,116
Accounts payable	27,432	70,158
Other payables	50,589	136,526
Long-term borrowings (including the current portion)	3,944,103	3,810,069
Guaranteed deposits received	2,489	1,707

2. Financial risk management policy

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

3. Market risk

(1) Foreign currency exchange rate risk

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

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

Unit: In thousands of dollars for foreign currencies; NTD thousand  
December 31, 2023

(Foreign currency : functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Variation	Effect on profit or loss	Effect on other comprehen- sive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,040	30.7050	\$ 124,060	1%	\$ 1,241	\$ —
USD : SGD	274	1.3184	8,408	1%	84	—
<u>Non-monetary items</u>						
USD : NTD	249	31.0446	7,720			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	563	32.2166	18,146	1%	181	—
<u>Non-monetary items</u>						
USD : NTD	829	30.5265	25,306			

December 31, 2022

(Foreign currency : functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Variation	Effect on profit or loss	Effect on other comprehen- sive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,928	30.7100	\$ 212,762	1%	\$ 2,128	\$ —
USD : CNY	702	6.9646	21,554	1%	216	—
USD : SGD	102	1.3422	3,118	1%	31	—
<u>Non-monetary items</u>						
USD : NTD	109	30.7100	3,349			
JPY : NTD	13,040	0.2344	3,057			
EURO : NTD	228	31.6770	7,232			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	3,872	30.7101	118,915	1%	1,189	—
<u>Non-monetary items</u>						
USD : NTD	1,181	30.7233	36,272			

B. The aggregated total amounts of all exchange gains (losses) (including realized and unrealized) recognized for 2023 and 2022 due to the significant impact of exchange rate fluctuations on the Group's monetary items were NT\$(27,431) thousand and NT\$62,118 thousand, respectively.

(2) Interest rate risk

Interest rate risk arises from changes in the fair value of financial instruments caused by changes in market interest rates. The Group's interest rate risk mainly arises from long-term borrowings. Loans taken out at floating interest rates expose the Group to interest rate risk arising from cash flows. Part of the risk is offset by cash and cash equivalents held at floating interest rates, and loans taken out at fixed interest rates expose the Group to interest rate risk arising from fair value. In 2023 and 2022, the Group's borrowings at floating interest rates were denominated in NTD and when the market interest rate increased by 1%, the increased cash outflows would have been NT\$47,504 thousand and NT\$51,020 thousand respectively.

4. Credit risk management

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

## 5. Liquidity risk management

- (1) The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operational needs.
- (2) The remaining cash held by each operating entity will be transferred back to the finance department when it is not needed as working capital. The Company's finance department invests surplus cash in interest-bearing demand deposit, time deposits, and money market deposits and securities, choosing instruments with appropriate durations or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As of December 31, 2023 and 2022, the Group's money market positions were in the amounts of NT\$654,441 thousand and NT\$1,135,617 thousand, respectively, and financial assets measured by amortized cost - current were NT\$418,077 thousand and NT\$14,443 thousand, respectively, expected to generate cash flows immediately to manage liquidity risk.
- (3) The details of the Group's undrawn borrowing facilities are as follows:

	December 31, 2023	December 31, 2022
Floating rate		
Due after more than one year	\$ 1,800,000	\$ 2,400,000

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

	December 31, 2023				Total
	Less than 1 year	2-3 years	4-5 years	5 years or more	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 403,728	\$ —	\$ —	\$ —	\$ 403,728
Accounts payable	27,432	—	—	—	27,432
Other payables	50,589	—	—	—	50,589
Lease liabilities	3,479	4,429	85	—	7,993
Long-term borrowings (including the current portion)	118,237	707,020	1,099,134	2,551,766	4,476,157
Total	<u>\$ 603,465</u>	<u>\$ 711,449</u>	<u>\$ 1,099,219</u>	<u>\$ 2,551,766</u>	<u>\$ 4,965,899</u>

	December 31, 2022				Total
	Less than 1 year	2–3 years	4–5 years	5 years or more	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,180,918	\$ —	\$ —	\$ —	\$ 1,180,918
Notes payable	6,116	—	—	—	6,116
Accounts payable	70,158	—	—	—	70,158
Other payables	136,526	—	—	—	136,526
Lease liabilities	10,519	10,870	2,666	—	24,055
Long-term borrowings (including the current portion)	193,625	869,024	570,028	2,678,287	4,310,964
Total	<u>\$ 1,597,862</u>	<u>\$ 879,894</u>	<u>\$ 572,694</u>	<u>\$ 2,678,287</u>	<u>\$ 5,728,737</u>

(XXIX) Fair value information

- The carrying amounts of financial instruments at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, Guaranteed deposits paid, short-term borrowings, notes payable, accounts payable and other payables, long-term borrowings, and Guaranteed deposits received) are reasonable approximations of the fair values.
- The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:
  - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
  - Level 3 inputs are not based on observable inputs for the asset or liability.
- Financial and non-financial instruments measured at fair value as of December 31, 2023 and 2022 were classified by Group based on the nature, characteristics, risks, and fair value levels of the assets. The relevant information is as follows:

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
<u>Fair value on a recurring basis</u>				
Investment property	\$ —	\$ —	\$ 5,952,678	\$ 5,952,678

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
<u>Fair value on a recurring basis</u>				
Investment property	\$ —	\$ —	\$ 85,094	\$ 85,094

#### 4. Valuation technique and assumptions for fair value

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

##### (1) Income approach

- A. Cash flow: Valuated as per the current lease contract, local rents, or market rental prices of similar assets, excluding those that are too high or too low. If there is an ending balance of the value, the present value of the ending balance may be added.
- B. Analysis period: If the income is not from a certain period, the analysis period shall be no more than ten years, and if the income is from a specific period, it shall be estimated according to the remaining period.
- C. Discount rate: The risk premium method is adopted at a certain interest rate, with the characteristics of individual investment property estimated. "Certain interest rate" shall be the benchmark and shall not be lower than the two-year time deposit interest rate announced by Chunghwa Post Co., Ltd., plus 0.75%.

##### (2) Land development analysis approach

Estimated total sales amount is disclosed based on the similar product planning and sales prices in the primary market areas and neighborhood areas, and the fair value of the region is adjusted depending on the difference conditions in each site, and the entire fair value of the area is calculated.

The total sales amount of the land is estimated by considering relevant regulations, domestic macro-economic outlook, local land usage, and the market prices, and estimating the areas of land or buildings after development by the most effective usage ways.

When estimated total sales amount increases, profit margin increases or overall capital interest rate decreases, the fair value will increase.

#### 5. There was no transfer between each fair value level in 2023 and 2022.

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

2023						
	Beginning balance	From non-current assets held for sale	Recognized in profit or loss	Recognized other comprehensive income	Effect of exchange rate changes	Ending balance
Investment properties	\$ 85,094	\$ 584,046	\$ (3,661)	\$ 5,287,301	\$ (102)	\$ 5,952,678

2022						
	Beginning balance	From non-current assets held for sale	Recognized in profit or loss	Recognized other comprehensive income	Effect of exchange rate changes	Ending balance
Investment properties	\$ 82,730	\$ —	\$ (6,470)	\$ —	\$ 8,834	\$ 85,094

7. Quantitative information on fair value of significant unobservable inputs (Level 3) The fair value of the Group's financial assets at FVTOCI - equity securities investment and investment property are classified at Level 3.

The quantitative information on significant unobservable inputs is as follows:

Item	Valuation techniques	Significant unobservable input	Relations between significant unobservable input and fair value
Investment property	Discounted cash flow method	long-term revenue growth discount rate (Note)	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

Note: Please refer to Note 6(8) for the discount rate range.

## VII. Related party transaction

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

### (I) Names of related parties and relations

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

### (II) Significant transactions with related parties

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

<u>Related party name</u>	<u>2023</u>	<u>2022</u>
Nankang Rubber Tire	\$ 9,622	\$ 1,027

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

#### 2. Net Purchases

<u>Related party name</u>	<u>2023</u>	<u>2022</u>
Nankang Rubber Tire	\$ 7,075	\$ —
Zhangjiagang Nangang	3,822	1,162
CMG International	3,249	—
	\$ 14,146	\$ 1,162

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

#### 3. Other revenue

<u>Related party name</u>	<u>2023</u>	<u>2022</u>
Nankang Rubber Tire	\$ —	\$ 25

#### 4. Notes payable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Zhangjiagang Nangang	\$ —	\$ 1,309

5. Accounts payable

Related party category	December 31,2023	December 31,2022
Nankang Rubber Tire	\$ 5,548	\$ —

6. Disposal of property, plant and equipment

Related party name	2023	
	Consideration of disposal	Gains on disposal
Nankang Rubber Tire	\$ 3,000	\$ 1,100

(III) Remuneration for key management personnel

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

	2023	2022
Salary and other short-term benefits	\$ 8,977	\$ 9,735
Post-retirement benefits	44	95
Total	\$ 9,021	\$ 9,830

VIII. Assets pledged

Item	Content	Carrying amount	
		December 31, 2023	December 31, 2022
Financial assets at amortized cost - current	Bank acceptance bill guarantee account and reserve account	\$ 12,005	\$ 45,756
Non-current assets for sale	Collateral to financial institutions for loans	—	508,962
Property, plant and equipment	Collateral to financial institutions for loans	2,580,990	4,223,692
Investment properties	Collateral to financial institutions for loans and performance guarantee for disposal of land	5,866,363	—
Guaranteed deposits paid	For participation in bidding, lease deposit, electricity fee deposit, after-sales service deposit, and customs deposit	41,332	44,612
Total		\$ 8,500,690	\$ 4,823,022

IX. Material contingent liabilities and unrecognized contractual commitments

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

- (I) As of December 31, 2023, the balance of the payables for equipment which is the total amount of the contract signed for purchasing equipment deducting payments that have been made is NT\$13,650 thousand.
- (II) As of December 31, 2023 and 2022, the Group had signed contracts and issued letters of credit for the purchase of raw materials, goods, and machinery and equipment, with the unpaid payments of NT\$17,319 thousand and NT\$29,420 thousand, respectively
- (III) The distribution agreements between Federal Tire (Jiangxi) and the distributors contained a product after-sales service warranty clause, and the warranty period was three years. It is agreed that if the products sold by Federal Tire (Jiangxi) are defective in the process, when it is attributable to the manufacturing process as identified by the technicians approved by the Group, it will be responsible for the after-sales service of guaranteed replacement, guaranteed return, and guaranteed compensation.
- (IV) On February 8, 2018, the Group was sued by 176 persons, including Wu, Zhen-Lu, who claimed that a fire occurred in the Group's Zhongli factory on January 17, 2017, which affected the health of local residents significantly. As the case is still under trial, it is difficult to assess the impact on the Group. If there is any additional impact arising from this incident, the Group will assess and record the impact in accordance with accounting principles and disclose it in the financial statements. The Group handled the case in accordance with accounting principles.
- (V) For a lawsuit filed by Yuanta Commercial Bank (hereinafter referred to as "Yuanta Bank".) against New Site Industries., Inc. (hereinafter referred to as "New Site") and Hsieh, Kuo-Ching et al. (hereinafter referred to as the "New Site case"), Yuanta Bank, on October 19, 2020, filed a civil lawsuit against the Company as it believed that Hsieh, Kuo-Ching was an employee of the Company, which should be liable for joint and several damages and pay NT\$39,550 thousand, plus an interest of 5% per annum, from the day after the petition is served. The Company believes that New Site and such persons, without the consent of the Company, engaged in false transactions since 2016 in the name of the Company and falsely claimed that they had receivables from the Company and applied for a loan from Yuanta Bank, prompting it to file a civil lawsuit against the Company. Therefore, the Company, on May 6, 2021, filed a civil complaint against New Site and Hsieh, Kuo-Ching and among other 9 persons involved in the New Site case, demanding a payment of NT\$39,550 thousand, plus an interest of 5% per annum, from the day after the

petition is served. As this case is still in court, it is difficult to assess the impact on the Group. If there is any additional impact caused by this case in the future, the Group will evaluate and account for it as per accounting principles and disclose it in the financial report.

X. Losses due to major disasters: None.

XI. Significant subsequent events: None.

XII. Others

Termination of the Guanyin Plant's operation

In addition to the impact on the U.S. market due to the implementation of the aforementioned U.S. anti-dumping case in 2021, the Group's operations have been affected by the epidemic, inflation and the pressure of interest rate hikes due to the tightening monetary policy of the U.S. Federal Reserve, etc. In order to survive in the face of the current situation and to pursue sustainable operation of the Company, and in consideration of the best interests of the Company and its shareholders, the Group decided to temporarily suspend production at the Guanyin Plant at the Board of Directors' meeting on February 10, 2023.

1. The Group has ceased production in early March 2023, and submitted applications to the competent authorities for mass dismissal of employees. Besides, the Group implemented labor-management meeting, and reached agreement on February 22, 2023 to reduce various expenditures. The severance expenses recognized for the year ended December 31, 2023 amounted to NT\$266,971 thousand.
2. As the temporary suspension of production will have an impact on consolidated revenue and profit and loss, the measures to address the impact are as follows:
  - (1) The Group will significantly adjust its order acceptance policy to focus on profitable orders. Orders received from former customers will be kept in stock and shipped on schedule, without affecting customers' rights and interests, and organizational optimization and manpower streamlining will be implemented to reduce expenses.
  - (2) During the period of production suspension, the operating expenses can be reduced and the cash outflow can be reduced. However, the Group will continue to sell to other OEM tires in the short term to maintain customers and the normal operation of the Company. \_
  - (3) The Group will continue to grasp the channel resources in the next 2 years, and when there is a strong demand from customers, the Group will be able to resume the production and supply from Guanyin factory again. \_
3. The Group has sought overseas OEM cooperation for its production program and has been actively re-engaging with willing factories to gradually resume sales in the United States.

During the temporary suspension period, the Group will continue to stock tires from inventory and accept sales from other manufacturers for OEM or parallel import tires, while implementing the overseas OEM co-production program.

The Group has signed the OEM contracts with Vietnam XT TYRE on February 24, 2023, and planned to produce tires through OEM by the factories in Vietnam and sell to the USA and the markets near the Southeast Asia. According to the OEM contracts, Vietnam XT TYRE will produce the Group's products in accordance with the instructions in the purchase orders and the SOP. Concerning the quality agreements, the products shall meet the quality requirements and the audit rights of the Group. In regard to business technologies, Vietnam XT TYRE is responsible for confidentiality and being not infringement of intellectual property rights, and guarantees the after service of the products. Besides, without the consent of the Group, purchase orders from the Group shall not be transferred to the third party to produce.

In consideration of diversified development of future products, timeliness, growth of sales orders, and guarantee of long-term stable supplies of the source of tires, the Group intends to increase other OEM factories to parallelly work with the Vietnam OEM factories. Therefore, the board of directors of the Company resolved on November 9, 2023 to entrust the OEM to Nankang Rubber Tire Corp., Ltd. The OEM products in the beginning are primarily PCR tires sold to non-North America areas, to stabilize the source of supply and maintain normal sales.

4. Losses arising from breaches of contracts with customers due to temporary cease of productions for the year ended December 31, 2023 amounted to NT\$8,673 thousand.

### XIII. Additional disclosures

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

- (I) Information on significant transactions:
1. Loan to Others: Table 1.
  2. Endorsements/Guarantees Provided to Others: Table 2.
  3. Securities Held at the End of the Period: None.
  4. Securities Acquired or Sold at Costs or Prices at Least NT\$300 million or 20% of the Paid-in Capital: None.
  5. Acquisition of Individual Property at Costs of at Least NT\$300 million or 20% of the Paid-in Capital: None.
  6. Disposal of Individual Property at Costs of at Least NT\$300 million or 20% of the Paid-in Capital: Table 3.
  7. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital: Table 4.
  8. Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital: Table 5.
  9. Trading in Derivative Instruments: None.
  10. Business relationships and significant transactions between the parent and subsidiaries and between the subsidiaries and their amounts: Table 6.
- (II) Information on investees:  
Names, Locations, and Other Information on Investees: Table 7.
- (III) Information on investments in Mainland China:
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 Mainland China: Table 8.
  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 9.

#### XIV. Segment information

##### (I) General information:

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

##### (II) Measurement of segment information:

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

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

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

Unit: NTD thousand

	2023			
	Domestic	Asia	America	Total
Income from external clients	\$ 455,960	\$ 8,196	\$ 14,246	\$ 478,402
Intersegment income	8,671	—	—	8,671
Segment income	<u>\$ 464,631</u>	<u>\$ 8,196</u>	<u>\$ 14,246</u>	<u>\$ 487,073</u>
Segment income or loss	<u>\$ (1,013,883)</u>	<u>\$ (58,743)</u>	<u>\$ (4,327)</u>	<u>\$ (1,076,953)</u>
Segment income or loss includes:				
Depreciation and amortization	<u>\$ 325,915</u>	<u>\$ 39,777</u>	<u>\$ 248</u>	<u>\$ 365,940</u>

  

	2022			
	Domestic	Asia	America	Total
Income from external clients	\$ 1,524,518	\$ 16,398	\$ 74,716	\$ 1,615,632
Intersegment income	50,141	—	—	50,141
Segment income	<u>\$ 1,574,659</u>	<u>\$ 16,398</u>	<u>\$ 74,716</u>	<u>\$ 1,665,773</u>
Segment income or loss	<u>\$ (683,107)</u>	<u>\$ (61,753)</u>	<u>\$ (15,217)</u>	<u>\$ (760,077)</u>
Segment income or loss includes:				
Depreciation and amortization	<u>\$ 395,279</u>	<u>\$ 39,787</u>	<u>\$ 1,316</u>	<u>\$ 436,382</u>

##### (IV) Reconciliation for segment income or loss

1. Intersegment sales are conducted on an arm's length basis. Income from external entities reported to the chief operating decision maker is measured in a consistent manner with that for the income in the statement of comprehensive income.

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

	2023	2022
Income or loss of reportable segments	\$ (1,076,953)	\$ (760,077)
Elimination upon consolidation	173,714	22,845
Non-operating revenues and expenses	(825,365)	(617,314)
Net income (loss) before tax	\$ (1,728,604)	\$ (1,354,546)

(V) Segment assets and liabilities

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

(VI) Product information

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

(VII) Information by region

The information on the Group by region in 2023 and 2022 is as follows:

	2023		2022	
	Income	Non-current assets	Income	Non-current assets
Domestic	\$ 455,960	\$12,076,307	\$1,524,518	\$5,049,426
Asia	8,196	316,359	16,398	370,993
America	14,246	82	74,716	327
Total	\$ 478,402	\$12,392,748	\$1,615,632	\$5,420,746

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

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

(VIII) Information on major customers

The details of customers with sales amount exceeding 10% of total operating revenue in 2023 and 2022 are as follows:

	2023	2022
Company A (Note 1)	\$ 51,335	\$ 141,957 (Note 2)

Note 1: It is from the domestic segment.

Note 2: The revenue did not reach 10% of the total revenue of the Group.

Table 1

Loan to Others

Unit: NTD thousand

No. (Note1)	Lender	Borrower	Account title (Note2)	Related party status	Highest balance for the period (Note 3)	Ending balance (Note 8)	Amount drawn	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debt	Collateral		Maximum amount for each borrower (Notes 7, 9 and 10)	Aggregate maximum amount (Notes 7, 9 and 10)
													Name	Value		
0	The Company	Federal Tire North America LLC.	Other receivables	Yes	\$ 182,880	\$ 153,525	\$ 106,813	3.50%~4.54%	The need for short-term financing	\$ —	For working capital	\$ —	N/A	N/A	\$ 1,437,925	\$ 2,875,849
0	The Company	Taixin Construction Co. Ltd.	Other receivables	Yes	200,000	200,000	180,000	2.25%	The need for short-term financing	—	For working capital	—	N/A	N/A	1,437,925	2,875,849
1	Amberg Investments Pte. Ltd.	The Company	Other receivables	Yes	32,425	30,705	—	3.58%	The need for short-term financing	—	For working capital	—	N/A	N/A	111,114	222,229

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: Amberg Investments Pte. Ltd. loaned funds to others as follows:

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

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

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

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

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

Table 2

Endorsements/Guarantees for Others

Unit: NTD thousand

No. (Note 1)	Company Name of Endorser	Endorsements/Guarantees		Endorsement guarantee limit for a single business (Note 3, Note 8)	Maximum endorsement guarantee balance (Note 4)	Endorsement guarantee balance at the end of the period (Note 5)	Actual expenditures (Note 6)	Amount of guarantee by endorsement of property	Ratio of accumulated endorsement guarantee to net worth of the most recent financial statements (%)	The maximum amount of endorsement guarantee (Note 3, Note 8)	Parent company endorsement of subsidiary (Note 7)	Subsidiary's endorsement of parent company (Note 7)	The endorsement is for mainland China (Note 7)
		Company Name	Relationship (Note 2)										
1	Taixin Construction Co. Ltd.	The Company	3	\$ 52,904,980	\$ 2,880,000	\$ 2,880,000	\$ 600,000	\$ 2,880,000	54.44%	\$ 52,904,980	—	Y	—
	Fucheng Development Co.	The Company	3	844,470	107,640	—	—	—	—	844,470	—	Y	—
	Rongcheng Development Co., Ltd.	The Company	3	1,709,560	170,100	—	—	—	—	1,709,560	—	Y	—

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

A. The issuer is entered as 0.

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

Note 2: There are 7 types of relationships between the endorsee and the 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" should be entered for the listed parent company to subsidiary company endorsement and guarantee, subsidiary company to listed parent company endorsement and guarantee, and mainland China endorsement and guarantee.

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

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

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

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

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

Table 3

Disposal of Individual Property at Costs of at Least NT\$300 million or 20% of the Paid-in Capital

Unit: NTD thousand

Company disposing property	Name of property	Date of occurrence	Original acquisition date	Carrying amount	Transaction amount	Payment collection status	Gain (loss) on disposal	Counterparty	Relationship	Purpose of disposal	Reference for price determination	Other agreements
Federal Corporation	4,273 ping of land on the reconsolidation and implementation by the private sector area in Zhongli District, Taoyuan City	March 14, 2023	Note 4	Note 5	\$ 2,140,080	Collect in accordance with the time agreed in the contract. As of December 31, 2023, NT\$1,070,040 thousand has been collected.	Note 5	Baifeng Construction Co., Ltd.	Non-related party	Increase working capital	Based on the appraisal report from Honda Real Estate Appraisal Firm and Colliers International Real Estate Appraisal Firm, sold by open tendering.	None.

Note 1 : Appraisal results shall be indicated in the “ Reference for price determination “ column, if the assets disposed shall be appraised according to regulations.

Note 2 : Paid-in capital refers to parent company’s paid-in capital. For issuers whose stocks are without par value or par value is not NT\$10, concerning the regulation related to transaction amount of 20% of the pair-in capital, the amount shall be calculated by 10% of the equity attributable to owners of the parent company in the balance sheets.

Note 3 : Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier

Note 4 : The land was originally acquired by the subsidiary, TaiCheng Development Co., Ltd., during 1964 to 1970. As TaiCheng Development Co., Ltd. implemented business division and newly established Rongcheng Development Co., Ltd., and Fucheng Development Co., Ltd.in accordance with Business Mergers And Acquisitions Act. on September 14, 2021 and August 10, 2022, and was merged with the Company by a short form merger on November 9, 2022 in accordance with the Company Act. and Business Mergers And Acquisitions Act., the land is held by the Company, Rongcheng Development Co., Ltd., and Fucheng Development Co., Ltd.

Note 5 : As the sale is preselling part of the reconsolidation land after the completion of the reconsolidation, the sale and the calculation of the carrying amount and the gain (loss) on disposal shall be done after the completion of the urban reconsolidation.

Table 4

**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	\$ 100,211	24%	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 120 days after the end of the month	\$ —	—	
Federex Marketing Co., Ltd.	The Company	Parent company	Monetary amount of purchase	100,211	88%	"	—	—	—	—	

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 5

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

Unit: NTD thousand

Company with receivables	Transaction counterparty	Relationship	Balance of receivables from related parties (Note 1)	Turnover (times)	Overdue receivables from related parties		Amount recovered from related party after the balance sheet date	Allowance for bad debt
					Amount	Response method		
The Company	Federal Tire North America LLC.	Parent to subsidiary	Accounts receivables \$ — Other receivables \$ 108,102	0.08	\$ 106,813	Payments are being collected	\$ 1,901	\$ —
The Company	Taixin Construction Co., Ltd.	Parent to subsidiary	Other receivables \$ 182,261	—	\$ —	—	\$ —	\$ —
Amberg Investments Pte. Ltd.	Federal Tire (Jiangxi) Co., Ltd.	Subsidiary to subsidiary	Refund of capital decrease receivables \$ 171,949	—	\$ —	—	\$ —	\$ —

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 6

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts  
From January 1, 2023 to December 31, 2023

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note 2)	Transaction details				Remark
				Account title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%) (Note 4)	
0	The Company	Federex Marketing Co., Ltd.	1	Sales revenue	\$ 100,211	Payment by wire transfer after 120 days from the 1st day of the following month T/T 30 days	21%	
				Purchase	4,327		1%	
0	The Company	Taixin Construction Co., Ltd.	1	Other receivables	182,261	Note 5	1%	
0	The Company	Federal Tire North America LLC.	1	Other receivables	108,102	Note 5	1%	
				Sales revenue	8,671	The credit period is net 180 days after the end of the month Note 5	2%	
				Interest income	4,525		1%	
1	Amberg Investments Pte. Ltd.	Federal Tire (Jiangxi) Co., Ltd.	3	Other receivables	171,949	Note 6	1%	

Table 6-1

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

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note 2)	Transaction details				Remark
				Account title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%) (Note 4)	
0	The Company	Federex Marketing Co., Ltd.	1	Sales revenue	\$ 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	121,052	Note 5	1%	
				Sales revenue	50,141	The credit period is net 180 days after the end of the month	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%	
1	Amberg Investments Pte. Ltd.	Federal Tire (Jiangxi) Co., Ltd.	3	Other receivables	552,746	Note 6	6%	

Note 1: The information on the business transactions between the parent company and its subsidiaries shall be indicated in the No. column. The code shall be entered as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

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

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Between subsidiaries

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

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

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

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

Table 7

## 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	—	—	\$ —	\$ (23,747)	\$ (23,747)	Subsidiary (Note 3)
"	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%	5,290,508	(107,716)	(107,716)	Subsidiary
"	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%	170,956	(371)	(371)	Subsidiary
"	Fucheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	8,000	8,000	800,000	100%	84,447	(68)	(68)	Subsidiary
"	Federal International Holding Inc.	Cayman Islands	General investment	1,625,627	2,067,609	49,400,000	100%	529,947	(41,813)	(41,813)	Subsidiary (Note 4)
Federal International Holding Inc.	Amberg Investments Pte. Ltd.	Singapore	General investment	1,716,239	2,072,937	85,762,738	100%	563,389	(40,835)	(40,835)	Sub-subsidiary (Note 5)
"	Federal Tire North America LLC.	USA	Distribution of tires	6,437	6,437	—	100%	(81,876)	(8,670)	(8,670)	Sub-subsidiary
"	Karroy Development Limited	Hong Kong	Commercial building rental business	74,566	74,566	2,000,000	100%	42,628	(1,691)	(1,691)	Sub-subsidiary

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

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

- (1) The columns of "Investee", "Location", "Principal business", "Initial investment amount", and "End of the period" shall be based on the investment situation of the (publicly listed) company and the investment by each directly or indirectly controlled investee, and the relations between each investee company and the (publicly listed) company shall be indicated in the remark's column (e.g., a subsidiary or a sub-subsidiary company).
- (2) Enter the current income or loss on each investee company in the "Income (loss) on investee in this period" column.
- (3) Enter the income or loss on the direct investment in each subsidiary recognized by this (publicly listed) company and on each investee valued using the equity method in the "Investment income (loss) recognized in this period" column, and the rest is exempted. Confirm that the income or loss on each subsidiary for this period has included the investment income or loss on recognized that shall be recognized in accordance with the regulations when entering information in "Income or loss on the direct investment in each subsidiary recognized".

Note 3: On June 13, 2023, the Board of Directors approved a simple merger of the Company with its 100%-owned subsidiary, Federex, in accordance with the Company Law and the Business Mergers and Acquisitions Act, and the Company became the surviving company with a base date of August 31, 2023, and completed the merger dissolution registration on October 3, 2023.

Note 4: Federal International Holding Inc. has resolved the cash capital decrease of USD 13,431,062 by the board of directors on October 25, 2023, and the registration of changes in capital is completed on the same day.

Note 5: Amberg Investments Pte. Ltd. has resolved the cash capital decrease of SGD 17,824,680 by the board of directors on August 29, 2023, and the registration of changes in capital is completed on October 11, 2023.

Table 8

Information on investments in the Mainland China

Unit: NTD thousand

Investee Company Name	Principal business	Paid-in capital (Note 5)	Investment method	Cumulative investment remitted from Taiwan, beginning of this period	The investment amount remitted from Taiwan or recovered in this period		Cumulative investment remitted from Taiwan, end of this period	Shareholding ratio in direct or indirect investment	Investment income or loss recognized in this period (Note2)	Book value of investments at the end of the period	Cumulative repatriation of investment income as of the end of this period
					Outward	Inward					
Federal Tire (Jiangxi) Co., Ltd.	Production and sales of various tires and rubber products	\$ 1,752,068	Note 1	\$ 2,149,974	\$ —	\$(397,906)	\$ 1,752,068	100%	\$ (45,152)	\$ 369,303	\$ —

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)
\$ 1,752,068	\$ 1,752,068	\$ 4,313,774

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 9

Information on major shareholders

Major shareholders	Shares	Number of shares held (shares)	Percentage of Shares Held
Nankang Rubber Tire Corp., Ltd.		148,768,000	31.43%
Zhikai Development Co., Ltd.		26,928,000	5.68%
Taifu Investment Co., Ltd.		25,590,991	5.40%

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

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