

Federal Corporation  
Parent company only financial statements  
With independent auditor's report  
for the Years Ended December 31,2023 and 2022  
(after restatement)

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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

## Table of Contents of Parent company only financial statements for the Years Ended December 31,2023 and 2022

Item	Page
I. Cover	1
II. Table of Contents	2
III. Auditor’s Report	3~7
IV. Parent Company Only Balance Sheets	8~9
V. Parent Company Only Statements of Comprehensive Income	10
VI. Parent Company Only Statements of Changes in Equity	11
VII. Parent Company Only Statements of Cash Flows	12~13
VIII. Notes to Parent Company Only Financial Statements	14~82
(I) Company history	14
(II) Approval date and procedures of the parent company only financial statements	14
(III) New standards, amendments and interpretations adopted	14~15
(IV) Summary of significant accounting policies	15~27
(V) Critical accounting judgments and key source of estimation and uncertainty	28~29
(VI) Significant accounting items and explanations	29~64
(VII) Related party transaction	64~66
(VIII) Assets pledged	67
(IX) Material contingent liabilities and unrecognized contractual commitments	67~68
(X) Losses due to major disasters	68
(XI) Significant subsequent events	68
(XII) Others	68~69
(XIII) Additional disclosures	69~70
1. Information on significant transactions	69
2. Information on investees	70
3. Information on investments in Mainland China	70
4. Information on major shareholders	70
(XIV) Segment information	71
IX. Statements of Significant Accounting Items	83~96

## Auditor's Report

NO. 23931120A

To Federal Corporation,

### **Opinion**

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

In our opinion, the accompanying parent company only financial statements presents fairly, in all material respects, the Parent Company Only financial position of the Company as of December 31, 2023 and 2022 and for the years then ended, and its parent company only financial performance and parent company only cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial statements by Securities Issuers.

### **Basis for audit opinion**

We conducted our audits entrusted by the Company 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 Parent Company Only financial statements". We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023, based on our professional judgment. These matters were addressed in our audit of the Parent Company Only 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 parent company only financial statements of the Company for the year ended December 31, 2023, are stated as follows:

#### Valuation of inventories

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

of inventories.

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

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

The audit procedures we mainly conducted:

1. Evaluated the reasonableness of the Company's accounting policies, such as the policy of inventory valuation loss or obsolescence.
2. Assessed whether the valuation of inventories has been in alignment with the Company's established accounting policies.
3. Obtained the statement of the net realizable value of inventories 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(10) to the Parent Company Only financial statements for the accounting policy on impairment of non-financial assets; please refer to Note 5 to the Parent Company Only financial statements for the uncertainty of accounting estimates and assumptions of impairment of non-financial assets; please refer to Note 6(7) to the Parent Company Only financial 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) have caused an impact on the Company's operations and the temporary cease of production at the Guanyin Plant, which had an impact on the Company's operations. As the assessment of impairment of property, plant and equipment requires an estimation of recoverable amounts through forecasting and discounting of future cash flows and this process itself is highly uncertain, the assessment of impairment of property, plant and equipment is one of our key audit matters.

The audit procedures we mainly conducted:

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

**Emphasis of matter – retrospective restatement of the parent company only financial statements for the year ended December 31, 2022**

We have 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 described in Note 4(18) to the parent company only financial statements, since 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, and we did not revise the opinion to the restated parent company only financial statements for the year ended December 31, 2022.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 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 Company's financial reporting process.

**Auditor's responsibilities for the audit of the Parent Company Only financial statements**

Our objectives are to obtain reasonable assurance on whether the Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Company's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the Parent Company Only financial 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 Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the Parent Company Only financial statements (including relevant notes), and whether the Parent Company Only financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the Parent Company Only financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Company.

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

We also provided the governing bodies with a declaration that we have

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's Parent Company Only financial 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  
Parent Company Only Balance Sheets  
December 31, 2023 and 2022

Unit: NTD thousand

Assets		Note	December 31, 2023		December 31, 2022 (adjusted)	
Code	Account		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6(1)	\$ 316,750	3	\$ 388,571	4
1136	Financial assets at amortized cost - current	4, 6(2), and 8	394,491	3	40,000	1
1150	Notes receivables, net	4 and 6(3)	5,351	—	39,794	1
1170	Accounts receivables, net	4 and 6(3)	41,357	—	172,985	2
1181	Accounts receivables - related party	4 and 7	—	—	2,564	—
1200	Other receivables	4 and 7	297,954	2	135,845	1
1220	Current income tax assets	4 and 6(24)	1,343	—	910	—
130x	Inventories	4 and 6(4)	71,727	1	418,905	4
1410	Prepayments		25,743	—	47,972	—
1460	Non-current assets held for sale	4 and 6(5)	—	—	1,690,146	17
1470	Other current assets		—	—	221	—
11xx	Total current assets		1,154,716	9	2,937,913	30
	Non-current assets					
1550	Investments accounted for using equity method	4 and 6(8)	6,075,858	46	1,729,342	18
1600	Property, plant and equipment	4, 6(7), 7, and 8	4,156,711	31	5,002,183	51
1755	Right-of-use assets	4 and 6(8)	7,709	—	23,066	—
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	35,105	—	38,382	—
1900	Other non-current assets	6(10)	1,707,201	13	13,958	—
15xx	Total non-current assets		12,070,770	91	6,908,828	70
1xxx	Total assets		\$ 13,225,486	100	\$ 9,846,741	100

(Continued on next page)

Federal Corporation  
Parent Company Only Balance Sheets (Continued)  
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity		Note	December 31, 2023		December 31, 2022 (adjusted)	
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)	21,972	—	24,379	—
2150	Notes payables	6(12)	—	—	360	—
2170	Accounts payables	6 (12) and 7	25,816	—	69,073	1
2200	Other payables	6 (13) and 7	48,253	—	175,186	2
2250	Provision - current	4 and 6(14)	92,048	1	93,480	1
2280	Lease liabilities - current	4 and 6(8)	3,317	—	10,111	—
2322	Long-term borrowings - current portion	6(15)	117,100	1	191,692	2
2300	Other current liabilities		4,914	—	29,197	—
21xx	Total current liabilities		713,420	5	1,768,283	18
	Non-current liabilities					
2540	Long-term borrowings	6(15)	3,827,003	29	3,618,377	37
2570	Deferred income tax liabilities	4 and 6(24)	428,412	3	435,415	5
2580	Lease liabilities - non-current	4 and 6(8)	4,440	—	13,258	—
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		5,322,443	40	4,098,106	42
2xxx	Total liabilities		6,035,863	45	5,866,389	60
	Total equity					
3110	Ordinary share capital	6(17)	4,733,292	36	4,733,292	48
3200	Capital surplus		164,221	1	156,764	2
	Retained earnings					
3310	Legal reserve		736,014	6	736,014	7
3320	Special reserve		1,912,816	14	1,913,109	19
3350	Accumulated deficit		(4,908,070)	(37)	(3,179,064)	(32)
3400	Other equity		4,734,385	36	(196,728)	(2)
3500	Treasury stock		(183,035)	(1)	(183,035)	(2)
3xxx	Total equity		7,189,623	55	3,980,352	40
	Total liabilities and Equity		\$ 13,225,486	100	\$ 9,846,741	100

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

Chairman: Kuo, Lin-Liang      Manager: Chuang, Cheng-Yan      Chief of Accounting Officer: Li, Hsin-Yu

**Federal Corporation**  
**Parent Company Only Statements of Comprehensive Income**  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Code	Item	Note	2023		2022 (adjusted)	
			Amount	%	Amount	%
4000	Operating revenue	4, 6(19), and 7	\$ 464,632	100	\$ 1,574,659	100
5000	Operating cost	6(4 and 25) and 7	(761,429)	(164)	(1,600,209)	(102)
5900	Gross loss		(296,797)	(64)	(25,550)	(2)
6000	Operating expenses	6(25) and 7				
6100	Marketing expense		(152,905)	(33)	(302,470)	(19)
6200	Management expense		(403,684)	(87)	(251,637)	(16)
6300	R&D expense		(49,555)	(10)	(79,078)	(5)
6450	Expected credit impairment loss	6(3)	(4,744)	(1)	(1,671)	—
	Total operating expenses		(610,888)	(131)	(634,856)	(40)
6900	Operating loss		(907,685)	(195)	(660,406)	(42)
7000	Non-operating revenue and expenses					
7100	Interest income	6(20) and 7	19,074	4	7,644	1
7010	Other income	6(21) and 7	11,285	2	13,598	1
7020	Other gains and losses	6(7, 13 and 22) and 7	(599,515)	(129)	(594,152)	(38)
7050	Financial costs	6(23) and 7	(99,621)	(21)	(78,935)	(5)
7070	Share of profit or loss of subsidiaries accounted for using equity method	4	(149,968)	(32)	(35,444)	(2)
	Total non-operating revenue and expenses		(818,745)	(176)	(687,289)	(43)
7900	Net loss before tax		(1,726,430)	(371)	(1,347,695)	(85)
7950	Income tax expense	4 and 6(24)	(2,869)	(1)	(8,515)	(1)
8200	Net loss for the period		(1,729,299)	(372)	(1,356,210)	(86)
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans	4 and 6(16)	—	—	529	—
8332	Gain on revaluation of properties of subsidiaries accounted for using equity method	4	4,923,199	1,059	—	—
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	1,061	28,537	2
8500	Total comprehensive income for the period		\$ 3,201,814	689	\$ (1,327,673)	(84)
9750	Losses per share (NTD) Basic	6(18)	\$ (3.76)		\$ (2.95)	

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

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation  
Parent Company Only Statements of Changes in Equity  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	Ordinary share capital	Capital reserve	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Undistributed earnings (deficit to be compensated)	Exchange differences on translation of the financial statements of foreign operations	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 Parent Company Only Financial statements)

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation  
Parent Company Only Statements of Cash Flows  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	2023	2022 (adjusted)
Cash flow from operating activities		
Net income (loss) before tax for the period	\$ (1,726,430)	\$ (1,347,695)
Adjustments:		
Income and expenses		
Depreciation expense	314,866	368,876
Amortization expense	11,048	26,403
Expected credit impairment loss	4,744	1,671
Interest expense	99,621	78,935
Interest income	(19,074)	(7,644)
Share of profit or loss of subsidiaries accounted for using equity method	149,968	35,444
Loss on disposal of property, plant and equipment	9,217	16,502
Amount of property, plant and equipment transferred to expenses	563	660
Loss on impairment of non-financial assets	530,612	636,045
Gain on lease modification	(257)	(3)
Changes in assets/liabilities related to operating activities:		
Notes receivables	34,443	(544)
Accounts receivables	126,872	85,239
Other receivables	8,482	918
Inventories	347,178	117,813
Prepayments	22,229	15,690
Other current assets	221	142
Contract liabilities	(2,407)	640
Notes payables	(360)	360
Accounts payables	(43,257)	13,140
Other payables	(75,816)	(38,022)
Provision	(1,432)	(1,040)
Other current liabilities	(16,826)	(2,757)
Net defined benefit liabilities	(29,349)	(9,260)
Cash outflow from operations	(255,144)	(8,487)
Interest received	10,955	3,288
Interest paid	(99,692)	(77,817)
Income tax paid	(556)	(1,478)
Net cash outflow from operating activities	(344,437)	(84,494)

(Continued on next page)

Federal Corporation  
Parent Company Only Statements of Cash Flows (Continued)  
for the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Item	2023	2022 (adjusted)
Cash flow from investing activities:		
Acquisition of financial assets at amortized cost	\$ (388,997)	\$ (45,940)
Disposal of financial assets at amortized cost	34,506	9,684
Acquisition of investments accounted for using equity method	—	(3,672)
Refund of paid-up capital from investees accounted for using equity method	434,629	80,000
Acquisition of non-current assets held for sale	—	(9,943)
Acquisition of property, plant and equipment	(59,721)	(15,192)
Disposal of property, plant and equipment disposed of	54,518	34,996
Increase in guaranteed deposits paid	(1,521)	(5,750)
Decrease in guaranteed deposits paid	4,798	7,523
Decrease (increase) in other receivables – related parties	(159,949)	29,248
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	952,953	68,509
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)	(2)
Decrease in other payables- related parties	(31,738)	(67,260)
Repayment of lease principal	(8,610)	(10,579)
Net cash outflow from financing activities	(680,337)	(260,134)
Decrease in cash and cash equivalents in the period	(71,821)	(276,119)
Beginning balance of cash and cash equivalents	388,571	664,690
Ending balance of cash and cash equivalents	\$ 316,750	\$ 388,571

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

Chairman: Kuo, Lin-Liang

Manager: Chuang, Cheng-Yan

Chief of Accounting Officer: Li,  
Hsin-Yu

Federal Corporation  
Notes to Parent company only 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 Company’s principal business is the manufacturing and sales of automobile tires and rubber. On November 30, 2022. 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 parent company only 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 parent company only 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:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
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 Company’s financial position and financial performance based on its assessment.

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

The table lists the newly, revised, and amended standards and interpretations of the IFRSs endorsed by the FSC that apply in 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 Company’s financial position and financial performance based on its assessment.

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

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

<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 Company’s financial position and financial performance based on its assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial statements by Securities Issuers.

(II) Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for the net defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of plan assets.

The preparation of financial statements in conformity with the International Financial Statements Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

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

(III) for classification of current and non-current assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets, otherwise are non-current assets:
  - (1) Assets expected to be realized in the ordinary course of business, or intended to be sold or consumed.
  - (2) Assets held primarily for the purpose of trading.
  - (3) Assets expected to be realized within 12 months after the balance sheet date.
  - (4) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

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

- (1) Liabilities expected to be settled in the ordinary course of business.
- (2) Assets held primarily for the purpose of trading.
- (3) Liabilities expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

(IV) Foreign currency

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

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

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

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

When preparing this parent company only 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.

(V) Inventories

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

(VI) Non-current assets held for sales

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

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

(VII) Investments accounted for using equity method

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

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

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

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

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

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

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

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

(VIII) Property, plant and equipment

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

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

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

Except for self-owned land, property, plant and equipment are depreciated on a straight-line basis over their useful lives.

Each significant part is depreciated separately. The Company shall conduct at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting 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) Intangible assets

1. Acquired separately

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

(X) Impairment of non-financial assets

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

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

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

(XI) Financial instruments

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

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

1. Financial assets

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

(1) Measurement types

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

A financial asset held by the Company 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 Company 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 Company 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 Company holds them for the purpose of short-term cash commitment.

(2) Impairment of financial assets

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

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

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

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

(3) Derecognition of financial assets

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

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

## 2. Financial liabilities and equity instruments

### (1) Classification of liabilities or equity

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

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

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

### (2) Financial liabilities

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

### (3) Derecognition of financial liabilities

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

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

## (XII) Provision

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

(XIII) Revenue recognition

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

Revenue from sale of goods

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

(XIV) Leasing

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

The Company as a lessee

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

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

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

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

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

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term or changes in indices or rates used to determine lease payments lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company 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 Company 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.

(XV) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plans

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

(2) Defined benefit plan

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

comprehensive income in the current period and presented in retained earnings. The relevant expenses of the service cost in prior periods are recognized in profit and loss immediately.

3. Post-employment benefits

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

(XVI) Borrowing costs

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

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

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

(XVII) Income tax

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

1. Current income tax

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

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

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

2. Deferred tax

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

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

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

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

### 3. Current and deferred tax

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

## (XVIII) ORGNAIZATIONAL RESTRUCTURING

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 Company treated the business combination under common control by carrying amount method, and the merger is regarded as a merger from beginning, so the comparative information in prior period is restated.

## V. Critical accounting judgments and key source of estimation and uncertainty

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

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

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

### (I) Inventory valuation

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

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

### (II) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Company's assumptions about default rate and expected loss ratio. The Company considers historical experience, current market conditions, and forward-looking information to develop assumptions and select inputs for impairment assessments. Please refer to Note 6(3) for the critical assumptions and inputs used. If the actual cash flow in the future is less than expected, there may be significant impairment losses.

### (III) Assessment of impairment of non-financial assets

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

(IV) Measurement of Provision for Liabilities

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

VI. Important accounting items and explanation

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ —	\$ 590
Demand deposit and checking deposit	143,757	148,289
Cash equivalents		
Bank time deposit	136,177	193,627
Notes under repurchase agreement	36,816	46,065
Total	<u>\$ 316,750</u>	<u>\$ 388,571</u>

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

(II) Financial assets at amortized cost

	December 31, 2023	December 31, 2022
<u>Current</u>		
Domestic Investment		
Time deposits with original maturities of more than three months	\$ 382,486	\$ —
Bank deposits in reserve accounts	12,005	40,000
Total	<u>\$ 394,491</u>	<u>\$ 40,000</u>
Interest rate range	<u>0.56%~5.398%</u>	<u>0.455%</u>

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

(III) Notes and accounts receivables, net

Investment in equity instruments

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Notes receivable</u>		
Receivables arising from operations	\$ 5,351	\$ 39,794
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 81,801	\$ 208,685
Less: Allowance for losses	(40,444)	(35,700)
	<u>\$ 41,357</u>	<u>\$ 172,985</u>

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

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

		December 31, 2023						
		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)
Amortized cost	\$	33,965	\$ 1,808	\$ 6	\$ 2,479	\$ 3,099	\$ —	\$ 41,357

		December 31, 2022						
		Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
ECLs		0.11%~ 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)
Amortized cost	\$	167,844	\$ 5,065	\$ 56	\$ 20	\$ —	\$ —	\$ 172,985

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

		2023	
		Notes receivable	Accounts receivable
Beginning balance	\$	—	\$ 35,700
Provision of impairment loss for this period		—	4,744
Ending balance	\$	—	\$ 40,444
		2022	
		Notes receivable	Accounts receivable
Beginning balance	\$	—	\$ 35,025
Provision of impairment loss for this period		—	1,671
Actual write-off in the period		—	(996)
Ending balance	\$	—	\$ 35,700

(IV) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 31,366	\$ 200,700
Work in progress	—	28,267
Raw materials	10,060	103,689
Supplies	—	44,271
Merchandise inventories	30,301	29,714
Goods in transit	—	12,264
Total	<u>\$ 71,727</u>	<u>\$ 418,905</u>

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

	2023	2022
Cost of inventory sold	\$ 442,296	\$ 1,634,036
Gain from price recovery of inventories	(53,415)	(120,246)
Unallocated overhead	271,140	75,585
Others	101,408	10,834
Total	<u>\$ 761,429</u>	<u>\$ 1,600,209</u>

1. The recovery of the net realizable value of the Company'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 related to inventories include revenue from sales of raw materials, tailings, profit or loss on physical inventories, and scrapping of inventories.

(V) Non-current assets held for sales

	December 31, 2023	December 31, 2022
Land	\$ —	\$ 1,636,740
Buildings	—	226,918
Unfinished construction	—	7,790
Less: Accumulated depreciation	—	(181,302)
Total	<u>\$ —</u>	<u>\$ 1,690,146</u>

1. The Company's extraordinary shareholders' meeting on October 15, 2021, to accelerate the prosperity of Zhongli and revitalize the Company's assets, originally planned to dispose of the entire equity of the subsidiaries, Taicheng Development Co., Ltd. (Taicheng) and Taixin Construction Co., Ltd. (Taixin), but approved to dispose of Taicheng and Taixin's Zhongli Plant land through open tendering. As the subsidiary, 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.
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 Company recognized the land and plant inherited from Taicheng as non-current assets held for sale by carrying amount method.

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 Company 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 Company 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. 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, 2023, there is no evidence of impairment.

(VI) Investments accounted for using equity method

Investment in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-publicly listed companies		
Taixin Construction Co., Ltd.	\$ 5,290,508	\$ 475,025
Rongcheng Development Co., Ltd.	170,956	171,327
Fucheng Development Co., Ltd.	84,447	84,515
Federal International Holding Inc.	529,947	998,475
Total	<u>\$ 6,075,858</u>	<u>\$ 1,729,342</u>

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

Subsidiary	Percentage of the Companies of ownership interest	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taixin Construction Co., Ltd.	100%	100%
Rongcheng Development Co., Ltd.	100%	100%
Fucheng Development Co., Ltd.	100%	100%
Federal International Holding Inc.	100%	100%

2. Please refer to Table 7 for the details of the investments in subsidiaries indirectly held by the Company.

(VII) Property, plant and equipment

Item	2023				
	Beginning balance	Addition	Disposal	Reclassification	Ending balance
<u>Cost</u>					
Land	\$ 1,411,879	\$ —	\$ (1,700)	\$ (2)	\$ 1,410,177
Buildings	1,357,033	(630)	—	—	1,356,403
Machinery and equipment	5,896,289	32,804	(1,572,624)	—	4,356,469
Transportation equipment	159,009	—	(72,216)	—	86,793
Office equipment	201,152	—	(18,774)	—	182,378
Other equipment	1,041,184	16,965	(188,469)	—	869,680
Unfinished construction	116,806	(2,055)	—	(4,368)	110,383
Subtotal	<u>10,183,352</u>	<u>47,084</u>	<u>(1,853,783)</u>	<u>(4,370)</u>	<u>8,372,283</u>
<u>Accumulated depreciation</u>					
Buildings	155,243	30,346	—	—	185,589
Machinery and equipment	2,951,493	171,093	(1,460,797)	—	1,661,789
Transportation equipment	121,017	15,695	(63,111)	—	73,601
Office equipment	147,228	19,845	(18,128)	—	148,945
Other equipment	911,373	56,913	(182,622)	—	785,664
Subtotal	<u>4,286,354</u>	<u>293,892</u>	<u>(1,724,658)</u>	<u>—</u>	<u>2,855,588</u>
<u>Accumulated impairment</u>					
Machinery and equipment	840,503	506,744	(58,901)	—	1,288,346
Transportation equipment	5,676	3,199	(4,900)	—	3,975
Office equipment	11,147	5,076	(501)	—	15,722
Other equipment	37,489	15,593	(1,141)	—	51,941
Subtotal	<u>894,815</u>	<u>530,612</u>	<u>(65,443)</u>	<u>—</u>	<u>1,359,984</u>
Net amount	<u>\$ 5,002,183</u>	<u>\$ (777,420)</u>	<u>\$ (63,682)</u>	<u>\$ (4,370)</u>	<u>\$ 4,156,711</u>

Item	2022				
	Beginning balance	Addition	Disposal	Reclassification	Ending balance
<u>Cost</u>					
Land	\$ 1,411,879	\$ —	\$ —	\$ —	\$ 1,411,879
Buildings	1,270,203	86,830	—	—	1,357,033
Machinery and equipment	6,280,127	107,701	(503,156)	11,617	5,896,289
Transportation equipment	163,237	1,550	(5,778)	—	159,009
Office equipment	221,483	5,991	(26,322)	—	201,152
Other equipment	1,221,128	10,537	(190,481)	—	1,041,184
Unfinished construction	290,874	(179,371)	—	5,303	116,806
Subtotal	<u>10,858,931</u>	<u>33,238</u>	<u>(725,737)</u>	<u>16,920</u>	<u>10,183,352</u>
<u>Accumulated depreciation</u>					
Buildings	126,620	28,623	—	—	155,243
Machinery and equipment	3,128,927	209,273	(386,707)	—	2,951,493
Transportation equipment	106,966	19,829	(5,778)	—	121,017
Office equipment	148,805	22,896	(24,473)	—	147,228
Other equipment	1,019,041	77,532	(185,200)	—	911,373
Subtotal	<u>4,530,359</u>	<u>358,153</u>	<u>(602,158)</u>	<u>—</u>	<u>4,286,354</u>
<u>Accumulated impairment</u>					
Machinery and equipment	293,280	617,186	(69,963)	—	840,503
Transportation equipment	5,439	237	—	—	5,676
Office equipment	3,263	8,677	(793)	—	11,147
Other equipment	28,816	9,945	(1,272)	—	37,489
Subtotal	<u>330,798</u>	<u>636,045</u>	<u>(72,028)</u>	<u>—</u>	<u>894,815</u>
Net amount	<u>\$ 5,997,774</u>	<u>\$ (960,960)</u>	<u>\$ (51,551)</u>	<u>\$ 16,920</u>	<u>\$ 5,002,183</u>

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

Buildings	8–50 years
Machinery and equipment	2–25 years
Transportation equipment	3–11 years
Office equipment	2–9 years
Other equipment	2–13 years

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

	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 Company has adjusted the carrying amount of the plant based on the expected recoverable amount in the appraisal report and recognized impairment losses of \$530,612 thousand and \$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 Company 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 Company has paid NT\$112,350 thousand. As the Company considers the equipment does not meet the standards agreed in the sale and purchase contract, the Company 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 Company to pay for the balance payment of NT\$13,650 thousand by sending legal attest letter. As of the date the parent company only financial statements for the year ended December 31, 2023 were issued, the Company is still negotiating with Yung Ka Gu.

5. Please refer to Note 8 for information on property, plant and equipment pledged as collaterals.

(VIII) Lease agreements - lessee

1. Right-of-use assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of the right-of-use assets		
Buildings	\$ 4,467	\$ 12,513

Transportation equipment	3,242	10,553
	<u>\$ 7,709</u>	<u>\$ 23,066</u>

	<u>2023</u>	<u>2022</u>
Depreciation expense on right-of-use assets		
Buildings	\$ 4,115	\$ 5,419
Transportation equipment	4,497	5,304
Total	<u>\$ 8,612</u>	<u>\$ 10,723</u>

(2) The increases in the Company'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 Company's right-of-use assets did not have any significant sublease or impairment in 2023 and 2022.

## 2. Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liability		
Current	\$ 3,317	\$ 10,111
Non-current	<u>\$ 4,440</u>	<u>\$ 13,258</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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 Company include land, property, and company vehicles, and the lease terms usually range from 1 to 5 years. The lease agreements are negotiated individually and contain various terms and conditions, and no other restrictions are imposed except that the assets leased shall not be used as guarantees for loan.

## 4. Other leasing information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	\$ 535	\$ 60,991
Low-value asset lease expenses	<u>\$ 545</u>	<u>\$ 747</u>
Total cash outflow from leases	<u>\$ 9,974</u>	<u>\$ 72,742</u>

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

(IX) Intangible assets

Item	2023				
	Beginning balance	Addition	Disposal	Reclassification	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	<u>\$ 10,219</u>	<u>\$ (4,542)</u>	<u>\$ —</u>	<u>\$ 580</u>	<u>\$ 6,257</u>

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

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:

	2023	2022
Management expense	<u>\$ 4,542</u>	<u>\$ 5,681</u>
(X) <u>Other non-current assets</u>		
	December 31, 2023	December 31, 2022
Prepayments for business facilities	\$ —	\$ 8,492
Unamortized expense	300	3,581
Land held for sale	1,706,901	—
Other assets - other	—	1,885
Total	<u>\$ 1,707,201</u>	<u>\$ 13,958</u>

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

(XI) Short-term borrowings

	December 31, 2023	December 31, 2021
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 rang	<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 payables and accounts payables

	December 31, 2023	December 31, 2022
Notes payables	\$ —	\$ 360
Accounts payables	25,816	69,073
Total	<u>\$ 25,816</u>	<u>\$ 69,433</u>

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

(XIII) Other payables

	December 31, 2023	December 31, 2022
Salary and bonus payable	\$ 7,221	\$ 49,677
Interest payable	2,623	3,371
Tax payable	5,414	5,434
Insurance payable	766	6,041
Work-related injury compensation payables	20,312	—
Payables on equipment	—	19,308
Others	11,917	47,992
Other payables - related party	—	43,363
Total	<u>\$ 48,253</u>	<u>\$ 175,186</u>

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, pension, advertising expenses, and freight, etc.

(XIV) Provision

	2023		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Beginning balance	\$ 30,923	\$ 62,557	\$ 93,480
Increase in this period	388	—	388
Drawn in this period	(1,820)	—	(1,820)
Ending balance	<u>\$ 29,491</u>	<u>\$ 62,557</u>	<u>\$ 92,048</u>

	2022		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Beginning balance	\$ 31,963	\$ 62,557	\$ 94,520
Increase in this period	3,561	—	3,561
Drawn in this period	(4,226)	—	(4,226)
Unused amount reversed	(375)	—	(375)
Ending balance	<u>\$ 30,923</u>	<u>\$ 62,557</u>	<u>\$ 93,480</u>

1. Warranty liabilities

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

2. Liabilities pending conclusion of the legal proceedings

The Company was sued by Jose Eduardo Gonzalez in the U.S. on January 6, 2015 as Jose Eduardo Gonzalez believed that the rear wheel of the vehicle he was in experienced a sudden failure and caused an accident, so he filed a lawsuit against the Company for compensation. On July 31, 2014, the Company was sued by Jeramy Truhlar in the United States. The 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 Company, and therefore filed a lawsuit against the Company for damages.

The Company 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 Company'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 Company's product liability insurance policies. Jose Eduardo Gonzales and the Company have reached a settlement, and the litigation has been revoked on October 3, 2023. Jeremy Truhlar and the Company 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 Company, as well as the defendants' claims for reimbursement of the costs incurred by the Company in defending the case that was dismissed.

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

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

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

the principal was repaid in installments as agreed.

The Company 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 Company signed a long-term borrowing agreement with Bank SinoPac in May 2018 over a period of 7 years with a total facility of NT\$400,000 thousand. As of December 31, 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 Company signed a long-term borrowing agreement with Taiwan Shin Kong Commercial Bank Co., Ltd. in May 2018 over a period of 7 years with a total facility of NT\$300,000 thousand. As of December 31, 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 Company signed a long-term borrowing agreement with Chang Hwa Commercial Bank, Ltd. in October 2018 over a period of 7 years with a total facility of NT\$400,000 thousand. As of December 31, 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 has established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with the ROC nationality. For the pension plan under the Labor Pension Act chosen by the employees, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum. The pensions recognized by the Company in the consolidated statement of comprehensive income for 2023 and 2022 were NT\$11,350 thousand and NT\$13,782 thousand, respectively.

##### 2. Defined benefit plan

The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all full-time employees' service years prior to the enforcement of the Labor Pension Act on

July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company makes a contribution equal to 10% 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 Company would assess the balance in the aforementioned account by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make a contribution to compensate the deficit in a lump sum by next March. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company 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 Company. 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 Company 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 Company 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 Company.

The amounts included in the 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 liability 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
Gain on settlement	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
Gain or loss on settlement	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 Company is exposed to the risks below due to the pension system under the Labor Standards Act:

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

The critical actuarial assumptions are as follows:

	December 31, 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized Capital	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Outstanding shares	<u>\$ 4,733,292</u>	<u>\$ 4,733,292</u>

As of December 31, 2023 and December 31, 2022 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

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

	<u>2022</u>			
	<u>Ordinary shares at a premium</u>	<u>Treasury stock transactions</u>	<u>Donated assets received</u>	<u>Total</u>
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	<u>\$ 1,545,841</u>	<u>\$ 361,927</u>	<u>\$ 5,341</u>	<u>\$ 1,913,109</u>

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
Income tax related to gains on revaluation of properties	—	4,923,199	4,923,199
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	\$ (196,728)

#### 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 end of the period
	Number of shares at the beginning of the period	Increase in this period	Decrease in this period	
Parent company's	7,842	—	(7,842)	—

shares held by subsidiaries				
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:

December 31, 2023			
Reason for acquisition	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
December 31, 2022			
Reason for acquisition	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

	2023	2022
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:

	2023	2022
Net income (loss) for the period (NTD thousand)	\$ (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	\$ 464,632	\$ 1,574,659
1. Please refer to Note 4(13) for the description of the Company's income.		
2. Contract balance		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and accounts receivable (Notes 6(3) and 7)	\$ 46,708	\$ 215,343
Contract liabilities - current		
Sale of goods	\$ 21,972	\$ 24,379

The amounts of operating revenue recognized in 2023 and 2022 from contract liabilities at the beginning of the period were NT\$1,579 thousand and NT\$4,141 thousand.

(XX) Interest income

	<u>2023</u>	<u>2022</u>
Interest on bank deposits	\$ 11,939	\$ 2,944
Other interest	7,135	4,700
Total	\$ 19,074	\$ 7,644

(XXI) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 2,877	\$ 23
Others	8,408	13,575
Total	\$ 11,285	\$ 13,598

(XXII) Other gains and losses

	<u>2023</u>	<u>2022</u>
Loss on disposal of property, plant and equipment	\$ (9,217)	\$ (16,502)
Lease modification gain	257	3
Loss of foreign exchange	(20,011)	60,556
Loss on impairment of property, plant and equipment	(530,612)	(636,045)
Miscellaneous expenses	(39,932)	(2,164)
Total	\$ (599,515)	\$ (594,152)

(XXIII) Financial costs

	<u>2023</u>	<u>2022</u>
Interest expense		
Bank borrowings	\$ 98,656	\$ 78,736
Lease liabilities	284	425
Loans from related party	677	1,150
Others	4	—

Less: Capitalized amount of qualifying assets	—	(1,376)
Total	<u>\$ 99,621</u>	<u>\$ 78,935</u>

(XXIV) Income tax

1. The adjustment to the Company'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 loss (20%)	\$ (345,286)	\$ (269,539)
Effect of income tax on items excluded as per tax law	118,173	79,293
Gain on sale of land exempt from income tax	(84)	—
Effect of income tax on loss carryforwards	227,197	190,962
Effect of temporary differences in this period	2,746	7,823
Income tax underestimation (overestimation) in previous years	25	(24)
Land value increment tax	98	—
Income tax expense	<u>\$ 2,869</u>	<u>\$ 8,515</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	\$ 123	\$ 692
Deferred tax		
Occurrence and reversal of temporary differences	2,746	7,823
Income tax expense recognized in profit or loss	<u>\$ 2,869</u>	<u>\$ 8,515</u>

2. Current income tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax refund receivable	<u>\$ 1,343</u>	<u>\$ 910</u>

### 3. Deferred tax assets

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

	2023		
	Beginning balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	\$ —	\$ 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 expense	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 difference			
Unrealized exchange loss	\$ 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 expense	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
other	480	64	544
	<u>\$ 92,508</u>	<u>\$ (830)</u>	<u>\$ 91,678</u>

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

		2023			
		Beginning balance		Recognized in profit or loss	Ending Balance
Temporary differences					
	Provision for land value increment tax	\$ 428,412	\$	—	\$ 428,412
	Unrealized exchange gains	7,003		(7,003)	—
		<u>\$ 435,415</u>	<u>\$</u>	<u>(7,003)</u>	<u>\$ 428,412</u>

  

		2022			
		Beginning balance	Reclassificatio n	Recognized in profit or loss	Ending Balance
Temporary differences					
	Provision for land value increment tax	\$ 457,415	\$ (29,003)	\$ —	\$ 428,412
	Untaken vacation bonus	10	—	(10)	—
	Unrealized exchange gains	—	—	7,003	7,003
		<u>\$ 457,425</u>	<u>\$ (29,003)</u>	<u>\$ 6,993</u>	<u>\$ 435,415</u>

4. Items not recognized as deferred tax assets

	December 31, 2023	December 31, 2022
Loss carryforwards	<u>\$ 4,734,201</u>	<u>\$ 3,591,200</u>
Temporary difference	<u>\$ 2,054,528</u>	<u>\$ 1,640,675</u>

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

5. The Company's profit-seeking enterprise income tax returns up to 2021 have been approved by the tax authority. In accordance with the Income Tax Act, the losses from the previous ten years as approved by the tax authority may be deducted from the current year's net income, for which an income tax will then be levied. The losses carryforwards have not been used by the Company and the last valid year as of December 31, 2023 is as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2017	Approved amount	2027	\$ 144,915
2018	Approved amount	2028	378,220
2019	Approved amount	2029	469,305
2021	Approved amount	2031	1,627,622
2022	Amount filed	2032	978,154
2023	Estimated amount	2033	1,135,985
			\$ 4,734,201

(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	\$ 67,178	\$ 113,901
Termination benefits	—	266,971	266,971
Labor and health insurance	7,078	8,132	15,210
Pension	462	(7,987)	(7,525)
Remuneration to directors	—	3,645	3,645
Other employee benefits	4,725	4,199	8,924
Depreciation expense	238,128	76,738	314,866
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	\$ 122,310	\$ 320,428
Termination benefits	—	7,420	7,420
Labor and health insurance	21,769	13,836	35,605
Pension	7,854	6,915	14,769
Remuneration to directors	—	3,740	3,740
Other employee benefits	18,042	3,322	21,364
Depreciation expense	294,198	74,678	368,876
Amortization expense	18,195	8,208	26,403

- (1) The average number of the Company's employees in 2023 and

2022 was 223 and 521 respectively, of which the number of directors who were serving as employees concurrently were 7 and 8.

- (2) The Company's average employee benefit expenses in 2023 and 2022 were NT\$1,840 thousand and NT\$779 thousand, respectively, and the average employee salary expenses were NT\$527 thousand and NT\$625 thousand, respectively. The adjustment to and changes in the average employee salary expenses are (15.68) %.
- (3) In 2023 and 2022, the Company adopted the Audit Committee to replace the supervisors, so there was no supervisors' remuneration.
- (4) The Company's salary and remuneration policy is as follows:
  - A. The overall salary and remuneration of employees is determined based on the consideration for external competitiveness and internal fairness, to effectively attract and retain talents.
  - B. Employees' salaries and remuneration are connected with the performance management system, to motivate employees and facilitate the Company's positive development.
  - C. The Company's long-term and short-term goals are connected with the time contributed by the individuals, the position held, and the overall work performance to motivate employees.
  - D. A remuneration committee is established to effectively measure directors' and managers' remuneration.

## 2. Employee benefits

- (1) As per the Company's Articles of Incorporation, If the Company makes a profit in the year (referring to the income before tax before the remuneration to employees and directors is subtracted), it shall allocate no less than 1% of the balance as employee remuneration and no more than 3% as directors' remuneration. However, profits must first be reserved to offset against the cumulative deficit, if applicable. Employee remuneration can be paid in stock or cash, and the recipients of the payment include employees of subsidiaries who met the criteria set by the Board of Directors. The director's remuneration in the preceding paragraph can only be paid in cash. Employee remuneration and directors' remuneration shall be decided by the Board of Directors and reported to the shareholders' meeting.
- (2) The Company 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 statements, it will be treated as a change in accounting estimate values 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)
Less: Interest Capitalization	—	(1,376)
Cash paid in this period	<u>\$ 59,721</u>	<u>\$ 15,192</u>

	2023	2022
Disposal in the current period	\$ 54,465	\$ 35,049
Add: Beginning receivables on equipment	53	—
Less: Ending equipment receivables	—	(53)
Cash recovered during the period	<u>\$ 54,518</u>	<u>\$ 34,996</u>

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

	Short-term borrowings	Long-term borrowings	Guaranteed deposits received	Other receivables —related parties	Lease liabilities	Total liabilities from financing activities
January 1, 2023	\$ 1,174,805	\$ 3,810,069	\$ 1,707	\$ 31,061	\$ 23,369	\$ 5,041,011
Changes in financing cash flow	(774,805)	134,034	782	(31,738)	(8,610)	(680,337)
Changes in lease liabilities	—	—	—	—	(7,002)	(7,002)
Interest expenses	—	—	—	677	—	677
December 31, 2023	<u>\$ 400,000</u>	<u>\$ 3,944,103</u>	<u>\$ 2,489</u>	<u>\$ —</u>	<u>\$ 7,757</u>	<u>\$ 4,354,349</u>

	Short-term borrowings	Long-term borrowings	Guaranteed deposits received	Other receivables —related parties	Lease liabilities	Total liabilities from financing activities
January 1, 2022	\$ 1,050,550	\$ 4,116,619	\$ 1,707	\$ 97,171	\$ 28,207	\$ 5,294,254
Changes in financing cash flow	124,255	(306,550)	—	(67,260)	(10,579)	(260,134)
Changes in lease liabilities	—	—	—	—	5,741	5,741
Interest expenses	—	—	—	1,150	—	1,150
December 31, 2022	<u>\$ 1,174,805</u>	<u>\$ 3,810,069</u>	<u>\$ 1,707</u>	<u>\$ 31,061</u>	<u>\$ 23,369</u>	<u>\$ 5,041,011</u>

(XXVII) Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concerns and maintain an optimal capital structure to reduce cost of capital, while providing return to stakeholders. In order to maintain or adjust capital structure, the Company may adjust dividend distribution, return capital to shareholders, issue new shares, or dispose of assets to reduce debts. The Company manages its capital through the debt-to-equity ratio that is the ratio of net debts to total capital. The net debt is equal to total borrowings (including “current and non-current borrowings” on the standalone balance sheet), less cash and cash equivalents. Total capital is the “equity” stated on the standalone balance sheet plus net debt. The Company’s debt-to-equity ratios as of December 31, 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	(316,750)	(388,571)
Net debt	4,027,353	4,596,303
Total equity	7,189,623	3,980,352
Total capital	\$ 11,216,976	\$ 8,576,655
Debt-to-equity	36%	54%

(XXVIII) Financial instruments

1. Types of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Cash and cash equivalents	\$ 316,750	\$ 388,571
Financial assets at amortized cost - current	394,491	40,000
Notes receivable	5,351	39,794
Accounts receivable	41,357	175,549
Other receivables	297,954	135,845
Guaranteed deposits paid	35,105	38,382
<u>Financial liabilities</u>		
Short-term borrowings	400,000	1,174,805
Notes payable	—	360
Accounts payable	25,816	69,073
Other payables	48,253	175,186
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 Company's financial risks mainly arise from investments in financial products. The Company has adopted the strictest control standards for the financial risks of various financial product investments. It undergoes a comprehensive assessment of the potential market risk, credit risk, liquidity risk, and cash flow risks of any financial investments and operations and chooses the one with a lower risk.

## 3. Market risk

### (1) Foreign currency exchange rate risk

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

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

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

December 31, 2023							
(foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis			
				Variation	Effect on profit or loss	Effect on other comprehensive income	
Financial assets							
Monetary item							
USD: NTD	\$ 7,561	30.7064	\$ 232,161	1%	\$ 2,322	\$ —	
Non-monetary item							
USD: NTD	249	31.0446	7,720				
Financial liabilities							
Monetary item							
USD: NTD	563	32.2166	18,146	1%	181	—	
Non-monetary item							
USD: NTD	829	30.5265	25,306				
December 31, 2022							
	Foreign	Exchange	Carrying	Sensitivity analysis			

(foreign currency: functional currency)	currency	rate	amount (NTD)	Variation	Effect on profit or loss	Effect on other comprehensive income
<b>Financial assets</b>						
<b>Monetary item</b>						
USD: NTD	\$ 10,952	30.7128	\$ 336,378	1%	\$ 3,364	\$ —
<b><u>Non-monetary item</u></b>						
USD: NTD	109	30.7100	3,349			
JPY : NTD	13,040	0.2344	3,057			
EURO : NTD	228	31.6770	7,232			
<b><u>Financial liabilities</u></b>						
<b><u>Monetary items</u></b>						
USD : NTD	5,284	30.7106	162,279	1%	1,623	—
<b><u>Non-monetary item</u></b>						
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 Company's monetary items were NT\$(20,011) thousand and NT\$60,556 thousand, respectively.

(2) Interest rate risk

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

4. Credit risk management

The credit risk of the Company is the risk of financial loss suffered

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

#### 5. Liquidity risk management

- (1) The cash flow forecast is executed by each operating entity in the Company and is compiled by the Company's finance department. The Company's finance department monitors the forecast of the Company's liquidity requirements to ensure that it has sufficient funds to meet operational needs.
- (2) The remaining cash held by each operating entity will be transferred back to the finance department when it is not needed as working capital. The Company's finance department invests surplus cash in interest-bearing demand deposit, time deposits, and money market deposits and securities, choosing instruments with appropriate durations or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As of December 31, 2023 and 2022, the money market positions held by the Company amounted to NT\$316,750 thousand and NT\$387,981 thousand, respectively, and financial assets at amortized cost – current amounted to NT\$382,486 thousand and NT\$0 thousand, respectively, expected to generate cash flows immediately to manage liquidity risk.

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

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

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

	December 31, 2023				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 403,728	\$ —	\$ —	\$ —	\$ 403,728
Accounts payable	25,816	—	—	—	25,816
Other payables	48,253	—	—	—	48,253
Lease liabilities	3,439	4,429	85	—	7,953
Long-term borrowings (including the current portion)	118,237	707,020	1,099,134	2,551,766	4,476,157
Total	<u>\$ 599,473</u>	<u>\$ 711,449</u>	<u>\$ 1,099,219</u>	<u>\$ 2,551,766</u>	<u>\$ 4,961,907</u>

	December 31, 2022				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,180,918	\$ —	\$ —	\$ —	\$ 1,180,918
Notes payable	360	—	—	—	360
Accounts payable	69,073	—	—	—	69,073
Other payables	175,186	—	—	—	175,186
Lease liabilities	10,402	10,831	2,667	—	23,900
Long-term borrowings (including the current portion)	193,625	869,024	570,028	2,678,287	4,310,964
Total	<u>\$ 1,629,564</u>	<u>\$ 879,855</u>	<u>\$ 572,695</u>	<u>\$ 2,678,287</u>	<u>\$ 5,760,401</u>

(XXIX) Fair value information

1. The carrying amounts of financial instruments at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, 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.
2. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:
  - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
  - Level 3 inputs are not based on observable inputs for the asset or liability.

VII. Related party transaction

(I) Names of related parties and relations

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taixin Construction Co., Ltd. (Taixin)	Subsidiary
Rongcheng Development Co., Ltd.	Subsidiary
Fucheng Development Co., Ltd.	Subsidiary
Federal International Holding. Inc.(FIH)	Subsidiary
Federal Tire North America LLC. (FTNA)	Sub-subsidiary
Amberg Investments Pte. Ltd. (Amberg)	Sub-subsidiary
Federal Tire (Jiangxi) Co., Ltd. (Federal Tire (Jiangxi))	Sub-subsidiary
Nankang Rubber Tire Corp., Ltd. (Nankang Rubber Tire)	Investor with material influence
CMG International Co. Ltd (CMG International)	Other related parties (subsidiaries of investors with significant influence)

(II) Significant transactions with related parties

1. Net sales

<u>Name of related party</u>	<u>2023</u>	<u>2022</u>
FTNA	\$ 8,671	\$ 50,141

The price of the Company's sales to related parties is not significantly different from that of regular distributors, except that discounts are offered to related parties based on the sales volume and types. The credit period for related parties is net 120 to 150

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

## 2. Operating costs

Accounting Item	Name of Related Party	2023	2022
Deductions to operating costs – sales prices of raw materials	Nankang Rubber Tire	\$ 9,622	\$ 1,027
Net purchases	Nankang Rubber Tire	\$ 7,075	\$ –
Net purchases	CMG International	\$ 3,249	\$ –

There are no comparable transactions with the aforementioned related parties for the sales of raw materials. The purchase transactions with the aforementioned related parties are based on general purchase conditions.

## 3. Other income

Name of Related Party	2023	2022
Nankang Rubber Tire	\$ –	\$ 25

## 4. Accounts Receivable

Name of Related Party	December 31, 2023	December 31, 2022
FTNA	\$ –	\$ 2,564

## 5. Other Receivables – loans to others

Name of Related Party	December 31, 2023			
	Actual usage amount	Interest rate range	Interest income	Ending interest receivable
FTNA	\$ 106,813	3.50%~4.54%	\$ 4,525	\$ 1,289
Taixin	180,000	2.25%	2,261	2,261
	\$ 286,813		\$ 6,786	\$ 3,550

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

## 6. Accounts payable

Name of Related Party	December 31, 2023	December 31, 2022
Nankang Rubber Tire	\$ 5,548	\$ –

## 7. Other payables

### (1) Fund financing

Name of Related Party	December 31, 2023			
	Actual expenditures	Interest rate range	Interest expense	Ending interest payable
Amberg	\$ —	3.58%	\$ 677	\$ —

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

### (2) Purchase of equipment

Name of Related Party	December 31, 2023	December 31, 2022
Federal Tire (Jiangxi)	\$ —	\$ 12,302

## 8. Obtain endorsement guarantee

Name of Related Party	December 31, 2023	
	Endorsement guarantee amount	Actual usage amount
Taixin	\$ 2,880,000	\$ 600,000

## 9. Lease agreements

### (1) Operating expenses – rent expenses

Name of related party	December 31, 2023	December 31, 2022
Taixin	\$ —	\$ 31,115

### (2) Interest income - imputed interests on deposits

Name of related party	December 31, 2023	December 31, 2022
Taixin	\$ —	\$ 10

## 10. 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:

	December 31, 2023	December 31, 2022
Salary and other short-term benefits	\$ 8,977	\$ 9,735
Post-retirement benefits	44	95
Total	<u>\$ 9,021</u>	<u>\$ 9,830</u>

#### VIII. Assets pledged

Item	Content	Carrying amount	
		December 31, 2023	December 31, 2022
Financial assets at amortized cost - current	Bank deposits - reserve account	\$ 12,005	\$ 40,000
Property, plant and equipment	Collateral to financial institutions for loans	2,580,990	4,223,692
Guaranteed deposits paid	For participation in bidding, lease deposit, electricity fee deposit, and customs deposit	35,105	38,382
Total		<u>\$ 2,628,100</u>	<u>\$ 4,302,074</u>

#### IX. Material contingent liabilities and unrecognized contractual commitments

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

- (I) As of December 31, 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 Company had signed contracts and issued letters of credit for the purchase of raw materials, goods, and machinery and equipment, with the unpaid payments of NT\$17,319 thousand and NT\$29,420 thousand, respectively
- (III) On February 8, 2018, the Company was sued by 176 persons, including Wu, Chen-Lu, who claimed that the fire at the Company's Zhongli plant on January 17, 2017 had a significant impact on the health of local residents. Therefore, they filed a civil lawsuit against the Company for compensation. As the case is still under trial, it is difficult to assess the impact on the Company. If there is any additional impact arising from this incident in the future, the Company will assess the impact in accordance with accounting principles and disclose it in the financial statements.
- (IV) For a lawsuit filed by Yuanta Commercial Bank (hereinafter referred to as "Yuanta Bank".) against New Site Industries., Inc. (hereinafter referred to as "New Site") and Hsieh, Kuo-Ching et al. (hereinafter referred to as the "New Site case"), Yuanta Bank, on October 19, 2020, filed a civil lawsuit against the Company as it believed that

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

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

#### (I) Information on significant transactions:

1. Loan to Others: Table 1.
2. Endorsements/Guarantees Provided to Others: None.
3. Securities Held at the End of the Period: None.

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

Please refer to the 2023 Consolidated Financial statements.

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

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

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

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

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

Table 2

Endorsement for others

Unit: NTD thousand

No. (Note 1)	Company Name of Endorser	Endorsements/Guarantees		Endorsement guarantee limit for a single business (Note 3, Note 8)	Maximum endorsement guarantees 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	—
2	Fucheng Development Co.	The Company	3	844,470	107,640	—	—	—	—	844,470	—	Y	—
3	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 number 1.

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

1. Companies with business dealings.

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

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

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

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

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

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

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

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

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

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

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

Note 8: The endorsement and guarantee practices of Taixin Construction Co., 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 procurement	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 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 120~150 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  
For the Year Ended 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 150 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 primarily pertains to the nature of a reduction in receivable capital, and therefore 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 statements 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 Area

Unit: NTD thousand

Investee Company Name	Principal business	Paid-in capital (Note 5)	Investment method	Cumulative investment remitted from Taiwan, beginning of this period	The investment amount remitted from Taiwan or recovered in this period		Cumulative investment remitted from Taiwan, end of this period	Shareholding ratio in direct or indirect investment	Investment income or loss recognized in this period (Note2)	Book value of investments at the end of the period	Cumulative repatriation of investment income as of the end of this period
					Outward	Inward					
Federal (Jiangxi) Tire 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 statements 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 statements may differ from the actual number of shares that have been issued and delivered with registration of dematerialized securities completed as a result of different basis of preparation.

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

Federal Corporation  
Table of Contents of Statements of Significant  
Accounting Items  
2023

(Unit: In NTD thousands, unless stated otherwise)

<u>No./Index</u>	<u>Statements</u>
1	Cash and cash equivalents
Note 6 (2)	Financial assets measured at amortized cost
2	Accounts receivable
3	Other receivables
4	Inventories
5	Prepayments
6	Investments accounted for using equity method
Note6(7)	Property, plant and equipment
Note6(7)	Accumulated depreciation of property, plant and equipment
7	Right-of-use assets
7	Accumulated depreciation of right-of-use assets
Note6(9)	Intangible assets
Note6(24)	Deferred tax assets
Note6(10)	Other non-current assets
8	Short-term borrowings
9	Accounts payable
Note6(13)	Other payables
Note6(14)	Provision - current
10	Lease liabilities
11	Long-term borrowings
12	Other non-current liabilities
Note 6(24)	Deferred income tax liabilities
13	Operating revenue
14	Operating cost
15	Operating expenses
Note6(20)	Interest income
Note6(21)	Other income
Note6(22)	Other gains and losses
Note6(23)	Financial costs
Note6(25)	Statement of employee benefits, depreciation, depletion, and amortization expenses of the year by function

Statement of cash and cash equivalents

December 31, 2023

Statement 1

Item	Summary	Amount
Bank deposits		
Checking deposit		\$ 12
Demand deposit		83,837
Foreign-currency demand deposit	USD 1,950,533.24	59,891
	EUR 508.64	17
Cash equivalents		
Foreign-currency time deposit	USD 4,435,000	136,177
Notes under repurchase agreement	USD 1,203,617.63	36,816
Total		\$ 316,750

Exchange rate: USD 30.7050

EUR 33.9800

Statement of accounts receivable  
December 31, 2023

Statement 2

Client	Summary	Amount	Remark
Non-related party:			
Company A		\$ 31,683	
Company B		16,053	
Company C		7,370	
Others	(Each with an amount accounting for less than 5%)	26,695	
Total		81,801	
Less: Allowance for losses		(40,444)	
Net amount		\$ 41,357	

Statement of other receivables  
December 31, 2023

Statement 3

Item	Summary	Amount
Non-related party:		
Business tax refundable		\$ 954
Interest receivable		2,173
Other receivables - others		4,464
Subtotal		7,591
Related party:		
Federal Tire North America LLC.		108,102
Taixin Construction Co., Ltd.		182,261
Subtotal		290,363
Total		\$ 297,954

Statement of inventories  
December 31, 2023

Statement 4

Item	Summary	Amount		Remark
		Cost	Net realizable value	
Finished goods		\$ 35,115	\$ 36,091	
Raw materials		33,532	10,060	
Supplies		61,912	—	
Merchandise inventories		30,556	33,802	
Subtotal		161,115	\$ 79,953	
Allowance for valuation loss		(89,388)		
Total		\$ 71,727		

Statement of prepayments  
December 31, 2023

Statement 5

Item	Summary	Amount
Prepayment for insurance	Liability insurance of TransGlobe Life Insurance Inc.	\$ 10,041
Other prepayments	Others	2,438
Prepayment of goods		4,604
Input tax		6,347
Tax credit		2,313
Total		\$ 25,743

Statement of changes in investments accounted for using equity method  
From January 1 to December 31, 2023

Statement 6

Name	Beginning balance		Increase (decrease) in this period		Gains or losses of investments accounted for using equity method	Exchange differences recognized using the equity method	Others	Ending balance			Market price or net equity		Collateral or pledge	Remark
	Number	Amount	Number	Amount				Number	Percentage of Shares Held	Amount	Unit price (NTD)	Total price		
Taixin Construction Co., Ltd.	33,000,000	\$ 475,025	—	\$ —	\$ (107,716)	\$ —	\$ 4,923,199	33,000,000	100%	\$ 5,290,508	—	\$ 5,290,508	None	Note 1
Rongcheng Development Co., Ltd.	1,000,000	171,327	—	—	(371)	—	—	1,000,000	100%	170,956	—	170,956	"	
Fucheng Development Co., Ltd.	800,000	84,515	—	—	(68)	—	—	800,000	100%	84,447	—	84,447	"	
Federal International Holding Inc.	62,831,062	998,475	(13,431,062)	(434,629)	(41,813)	7,914	—	49,400,000	100%	529,947	—	529,947	"	Note 2
Total		\$ 1,729,342		\$ (434,629)	\$ (149,968)	\$ 7,914	\$ 4,923,199			\$ 6,075,858		\$ 6,075,858		

Note 1: Others include gains on revaluation of properties of subsidiaries accounted for using equity method amounting to NT\$4,923,199 thousand.

Note 2: Federal International Holding Inc. resolved by the Board of Directors to reduce its capital by USD13,431,062 on October 25, 2023, and the capital change was registered on the same day.

Statement of changes in right-of-use assets  
From January 1 to December 31, 2023

Statement 7

Item	Beginning balance	Lease liability remeasurement	Addition	Disposal	Reclassification	Ending balance
Cost:						
Buildings	\$ 21,986	\$ —	\$ 5,277	\$ (21,986)	\$ —	\$ 5,277
Transportation equipment	17,858	676	1,217	(13,200)	—	6,551
Subtotal	39,844	676	6,494	(35,186)	—	11,828
Accumulated depreciation:						
Buildings	9,473	—	4,115	(12,778)	—	810
Transportation equipment	7,305	—	4,497	(8,493)	—	3,309
Subtotal	16,778	—	8,612	(21,271)	—	4,119
Net amount	\$ 23,066	\$ 676	\$ (2,118)	\$ (13,915)	\$ —	\$ 7,709

Statement of short-term borrowings  
December 31, 2023

Statement 8

Type of borrowings	Creditor	Ending balance	Repayment deadline for the amount drawn	Interest rate range	Financing facility	Mortgage or collateral	Remark
Unsecured borrowings	Taiwan Business Bank	\$ 150,000	2024.6.8	2.10%	\$ 150,000		
"	Taiwan Cooperative Bank	50,000	2024.9.12	2.20%	130,000		
Guaranteed Loans	Hua Nan Commercial Bank	150,000	2024.5.17	2.35%	1,150,000	Note 8	
"	Taiwan Land Bank	50,000	2024.3.14	2.40%	250,000	"	
	Total	\$ 400,000					

Statement of accounts payable  
December 31, 2023

Statement 9

Client	Summary	Amount	Remark
Related party: Nankang Rubber Tire Corp., Ltd.		\$ 5,548	
Non-related party: Company A		18,146	
Company B		1,319	
Others	Payments to suppliers (Each with an amount accounting for less than 5%)	803	
Total		\$ 25,816	

Statement of lease liabilities  
December 31, 2023

Statement 10

Item	Lease term	Discount rate	Amount
Buildings	3 years	2.04%	\$ 4,487
Transportation equipment	3~5 years	1.54%~2.04%	3,270
Total			7,757
Less: current portion			(3,317)
Lease liabilities - non-current			\$ 4,440

Statement of long-term borrowings  
December 31, 2023

Statement 11

Creditor	Amount of borrowings	Contract period	Interest rate	Mortgage or collateral	Remark
Hua Nan Commercial Bank Medium- and long-term secured borrowings	\$ 3,097,656	The principal is amortized and repaid every 3 months from February 22, 2022, and the interest is accrued and paid on a monthly basis. The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis. The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis. The interests shall be paid monthly since the borrowing date to January 19, 2025. Since January 19, 2025, 5% of principal is repaid in every three months, and the residual principal shall be repaid by the last installment.	2.00%~ 2.04%	Property, plant and equipment	
Plant mortgage loan	57,519		1.80%	"	
Secured loan for machinery and equipment	188,928		1.80%	"	
Medium-term secured borrowings	600,000		2.45%	Land of Zhongli plant held by subsidiary, Taixin	
Subtotal	3,944,103				
Less: Long-term borrowings - current portion	(117,100)				
Total	\$ 3,827,003				

Statement of other current liabilities  
December 31, 2023

Statement 12

Item	Summary	Amount
Receivables in advance on land		
Considerations of presale of land		\$ 1,070,040
Service expenses of open tendering		(8,400)
Fees on establishment of land mortgage		(1,541)
Total		\$ 1,060,099

Statement of operating revenue  
From January 1 to December 31, 2023

Statement 13

Item	Summary	Amount	Remark
Revenue from sale of goods	Outer cover tire	\$ 464,194	
	Inner tire	318	
	Chafing strip	107	
	Engine oil	13	
Total		\$ 464,632	

Statement of operating cost  
From January 1 to December 31, 2023

Statement 14

Item	Amount	Remark
Goods at the beginning of the period	\$ 30,010	
Add: Net purchases in this period	65,872	
Less: Goods at the end of the period	(30,556)	
Loss on physical inventory	(554)	
Transferred to expenses	(983)	
Cost of sales and purchases	63,789	
Direct consumption of raw materials		
Raw materials at the beginning of the period	126,936	
Add: Net purchases in this period	28,241	
Gain on physical inventory	56	
Less: Inventory at the end of the period	(33,532)	
Raw materials sold	(52,704)	
Transferred to expenses	(205)	
	68,792	
Indirect consumption of raw materials		
Raw materials at the beginning of the period	90,787	
Add: Net purchases in this period	4,958	
Work in progress transferred in	400	
Less: Inventory at the end of the period	(61,912)	
Supplies sold	(30,671)	
Loss on physical inventory	(1,526)	
Reclassified to expenses	(2,036)	
	—	
Direct labor	20,572	
Manufacturing overhead	63,342	
Manufacturing cost	152,706	
Add: Work in process at the beginning of the period	28,266	
Purchase in this period	25	
Less: Work in progress at the end of the period	—	
Work in progress sold	(7,152)	
Transferred to supplies	(400)	
Scrapping	(644)	
Loss on physical inventory	(629)	
Transferred to expenses	(511)	
Cost of finished goods	171,661	
Add: Finished goods at the beginning of the period	285,709	
Less: Finished goods at the end of the period	(35,115)	
Scrapped	(42,831)	
Inventory loss	(801)	
Reclassified to expenses	(116)	
Cost of sales of self-made goods	378,507	
Inventory valuation losses	(53,415)	
Unallocated fixed overhead	271,140	
Others	101,408	
Operating cost	\$ 761,429	

Statement of operating expenses  
From January 1 to December 31, 2023

Statement 15

Item	Summary	Marketing expense	Management expense	R&D expense	Expected credit impairment loss	Remark
Salary and wages		\$ 50,420	\$ 266,842	\$ 12,545	\$ —	
Freight		8,891	—	—	—	
Insurance		21,546	4,367	1,498	—	
Depreciation		33,465	23,521	19,752	—	
Service expenses		2,178	30,479	—	—	
Goods tax		11,555	—	—	—	
Expected credit impairment benefit	Accounts receivable	—	—	—	4,744	
Other expenses	(Each with an amount accounting for less than 5%)	24,850	78,475	15,760	—	
<b>Total</b>		<b>\$ 152,905</b>	<b>\$ 403,684</b>	<b>\$ 49,555</b>	<b>\$ 4,744</b>	