

Kenda Rubber Ind. Co., Ltd. and
Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Review
Report

For the Nine Months Ended September 30,
2023 and 2022

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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To Kenda Rubber Ind. Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Kenda Rubber Ind. Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2023 and 2022, consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the basic paragraph of the qualified conclusions, we conducted our reviews in accordance with SRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As mentioned in Note 11 to the consolidated financial statements, the financial statements of non-significant subsidiaries for the same period included in the above consolidated financial statements have not been reviewed by us. The total assets as at September 30, 2023 and 2022 were NT\$8,491,959 thousand and NT\$8,670,007 thousand, respectively, accounting for 19% and 17% of the total consolidated assets, respectively. The total liabilities were NT\$4,989,557 thousand and NT\$4,665,735 thousand, respectively, accounting for 19% and 16% of the total consolidated liabilities, respectively; The total comprehensive income from July 1 to September 30, 2023 and 2022 and those from January 1 to September 30, 2023 and 2022 were NT\$(32,290) thousand, NT\$6,690 thousand, NT\$(140,666) thousand and NT\$272,060 thousand, respectively,

accounting for (3)%, 0.7%, (12%) and 11% of the total consolidated comprehensive income, respectively.

Qualified Conclusion

According to the results of the auditor's review, except that the financial statements of the non-significant subsidiaries mentioned in the basic paragraph of the qualified conclusions may affect the adjustment of the consolidated financial statements if they are reviewed by the auditor, we were not aware that the above consolidated financial statements have not been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission, making it impossible to properly express the consolidated financial position of the Group as of September 30, 2023 and 2022, and the consolidated financial performance from July 1 to September 30, 2023 and 2022 and the consolidated financial performance and consolidated cash flow for the period from January 1 to September 30, 2023 and 2022.

Deloitte & Touche

Accountant: Wang, Yi-Wen

Accountant: Tseng, Done-Yuin

Financial Supervisory Commission

Approval No.

Jin-Guan-Zheng-Shen No. 0980032818

Securities and Futures Commission Approval

No.

Tai-Cai-Zheng (6) No. 0920123784

November 8, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2023 and December 31, 2022 and September 30, 2022

(In Thousands of New Taiwan Dollars)

Code	ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
	CURRENT ASSETS						
1100	Cash and cash equivalents (Note 6)	\$ 6,627,312	14	\$ 6,007,721	13	\$ 5,205,239	10
1110	Financial assets at fair value through profit or loss - current	1,235	-	1,319	-	1,256	-
1150	Notes receivable (Note 8)	249,567	1	198,265	-	233,147	1
1170	Trade receivable (Notes 8, 23 and 24)	3,907,377	8	3,713,612	8	4,959,883	10
130X	Inventories (Notes 9 and 24)	9,981,549	22	12,330,155	26	14,020,788	28
1410	Prepayments	351,553	1	280,229	1	418,243	1
1476	Other financial assets - current (Notes 10 and 24)	2,601,386	6	1,626,218	4	2,178,506	4
1479	Other current assets	546,467	1	616,148	1	503,758	1
11XX	Total current assets	<u>24,266,446</u>	<u>53</u>	<u>24,773,667</u>	<u>53</u>	<u>27,520,820</u>	<u>55</u>
	NON-CURRENT ASSETS						
1517	Financial assets at fair value through other comprehensive income - non-current (Note 7)	527,587	1	521,443	1	488,317	1
1550	Investments accounted for using the equity method	149,110	-	134,473	-	123,860	-
1600	Property, plant and equipment (Notes 12 and 24)	16,318,195	36	16,334,327	35	16,588,911	33
1755	Right-of-use assets (Note 13)	1,828,094	4	1,775,986	4	1,870,192	4
1760	Investment properties (Note 14)	27,126	-	26,610	-	26,985	-
1840	Deferred tax assets	400,052	1	449,680	1	391,618	1
1980	Other financial assets - non-current (Note 10)	1,749,110	4	1,931,157	4	2,218,061	4
1990	Other non-current assets (Notes 10, 12 and 24)	613,271	1	652,806	2	743,962	2
15XX	Total non-current assets	<u>21,612,545</u>	<u>47</u>	<u>21,826,482</u>	<u>47</u>	<u>22,451,906</u>	<u>45</u>
1XXX	TOTAL	<u>\$45,878,991</u>	<u>100</u>	<u>\$46,600,149</u>	<u>100</u>	<u>\$49,972,726</u>	<u>100</u>
	LIABILITIES AND EQUITY						
	CURRENT LIABILITIES						
2100	Short-term borrowings (Note 15)	\$ 3,787,857	8	\$ 4,590,273	10	\$ 5,767,880	12
2130	Contract liabilities - current	273,344	1	232,063	1	261,138	1
2150	Notes payable	83,593	-	105,965	-	233,874	-
2170	Trade payable (Note 23)	2,188,327	5	2,410,155	5	2,584,116	5
2219	Other payables (Note 23)	1,785,996	4	1,612,531	3	1,862,735	4
2230	Current tax liabilities	232,299	1	272,342	1	187,984	-
2280	Lease liabilities - current (Note 13)	173,502	-	164,466	-	163,778	-
2320	Current portion of long-term borrowings (Note 15)	1,910,941	4	1,735,672	4	1,495,958	3
2399	Other current liabilities (Note 17)	170,328	-	110,785	-	147,243	-
21XX	Total current liabilities	<u>10,606,187</u>	<u>23</u>	<u>11,234,252</u>	<u>24</u>	<u>12,704,706</u>	<u>25</u>
	NON-CURRENT LIABILITIES						
2540	Long-term borrowings (Note 15)	12,867,018	28	14,018,511	30	14,868,526	30
2570	Deferred tax liabilities	746,586	2	602,774	1	612,980	1
2580	Lease liabilities - non-current (Note 13)	524,736	1	515,201	1	565,324	1
2640	Net Defined Benefit Liabilities	82,867	-	100,938	-	197,559	-
2670	Other non-current liabilities (Note 14)	980,504	2	746,077	2	735,000	2
25XX	Total non-current liabilities	<u>15,201,711</u>	<u>33</u>	<u>15,983,501</u>	<u>34</u>	<u>16,979,389</u>	<u>34</u>
2XXX	Total liabilities	<u>25,807,898</u>	<u>56</u>	<u>27,217,753</u>	<u>58</u>	<u>29,684,095</u>	<u>59</u>
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Note 16)						
3110	Share capital	9,548,900	21	9,094,100	20	9,094,100	18
3200	Capital Surplus	41	-	41	-	41	-
	Retained earnings						
3310	Legal reserve	3,440,228	7	3,398,776	7	3,398,776	7
3320	Special Reserve	831,490	2	1,970,995	4	1,970,995	4
3350	Unappropriated earnings	6,376,353	14	5,749,958	13	6,212,455	12
3300	Total retained earnings	<u>10,648,071</u>	<u>23</u>	<u>11,119,729</u>	<u>24</u>	<u>11,582,226</u>	<u>23</u>
3400	Other equity	(125,919)	-	(831,490)	(2)	(387,754)	-
31XX	Equity attributable to shareholders of the parent	20,071,093	44	19,382,380	42	20,288,613	41
36XX	NON-CONTROLLING INTERESTS	-	-	16	-	18	-
3XXX	Total equity	<u>20,071,093</u>	<u>44</u>	<u>19,382,396</u>	<u>42</u>	<u>20,288,631</u>	<u>41</u>
	TOTAL	<u>\$45,878,991</u>	<u>100</u>	<u>\$46,600,149</u>	<u>100</u>	<u>\$49,972,726</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated November 8, 2023)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		July 1 to September 30, 2023		July 1 to September 30, 2022		January 1 to September 30, 2023		January 1 to September 30, 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	NET REVENUE (Notes 17 and 23)	\$ 8,955,746	100	\$ 10,363,215	100	\$ 25,880,021	100	\$ 30,263,259	100
5000	COST OF REVENUE (Notes 9, 18 and 23)	6,986,081	78	8,930,082	86	21,256,551	82	25,590,554	84
5900	GROSS PROFIT	1,969,665	22	1,433,133	14	4,623,470	18	4,672,705	16
	OPERATING EXPENSES (Notes 18 and 23)								
6100	Selling and marketing expenses	624,993	7	664,457	7	1,795,852	7	1,983,912	7
6200	General and administrative expenses	373,995	4	348,024	3	1,084,382	4	1,024,445	3
6300	Research and development expenses	385,573	4	392,233	4	1,094,438	4	1,125,217	4
6450	Expected credit loss	7,630	-	17,593	-	(4,312)	-	11,092	-
6000	Total operating expenses	1,392,191	15	1,422,307	14	3,970,360	15	4,144,666	14
6500	OTHER OPERATING INCOME AND EXPENSES (Note 18)	-	-	-	-	-	-	(300)	-
6900	INCOME FROM OPERATIONS	577,474	7	10,826	-	653,110	3	527,739	2
	NON-OPERATING INCOME AND EXPENSES (Notes 18 and 23)								
7100	Interest income	59,549	1	38,910	1	178,614	1	107,687	-
7010	Other income	26,965	-	29,067	-	146,439	-	155,178	1
7020	Other gains and losses	45,994	1	340,762	3	214,059	1	619,173	2
7050	Financial costs	(142,873)	(2)	(104,430)	(1)	(420,266)	(2)	(242,934)	(1)
7060	Share of profit of associates recognized under the equity method	16,163	-	2,017	-	14,207	-	3,093	-
7000	Total non-operating income and expenses	5,798	-	306,326	3	133,053	-	642,197	2
7900	Net profit before tax for the period	583,272	7	317,152	3	786,163	3	1,169,936	4
7950	INCOME TAX EXPENSE (Note 19)	(153,206)	(2)	(85,767)	(1)	(348,301)	(2)	(292,924)	(1)
8200	NET PROFIT FOR THE PERIOD	430,066	5	231,385	2	437,862	1	877,012	3
	OTHER COMPREHENSIVE INCOME								
	Items that will not be reclassified subsequently to profit or loss:								
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(1,259)	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of the financial statements of foreign operations	972,012	11	904,648	9	881,964	4	1,980,625	6
8399	Income tax related to items that may be reclassified subsequently to profit or loss	(194,403)	(3)	(180,930)	(2)	(176,393)	(1)	(396,125)	(1)
8300	Other comprehensive income for the period, net of income tax	777,609	8	723,718	7	705,571	3	1,583,241	5
8500	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 1,207,675	13	\$ 955,103	9	\$ 1,143,433	4	\$ 2,460,253	8
	NET INCOME (LOSS) ATTRIBUTABLE TO:								
8610	Shareholders of the Parent	\$ 430,066	5	\$ 231,385	2	\$ 437,862	1	\$ 877,012	3
8620	Non-controlling interests	-	-	-	-	-	-	-	-
8600		\$ 430,066	5	\$ 231,385	2	\$ 437,862	1	\$ 877,012	3
	TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
8710	Shareholders of the Parent	\$ 1,207,675	13	\$ 955,103	9	\$ 1,143,433	4	\$ 2,460,253	8
8720	Non-controlling interests	-	-	-	-	-	-	-	-
8700		\$ 1,207,675	13	\$ 955,103	9	\$ 1,143,433	4	\$ 2,460,253	8
	EARNINGS PER SHARE (Note 20)								
9710	Basic	\$ 0.45		\$ 0.24		\$ 0.46		\$ 0.92	
9810	Diluted	\$ 0.45		\$ 0.24		\$ 0.46		\$ 0.92	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated November 8, 2023)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Code		Equity Attributable to Shareholders of the Parent									
		Share Capital					Other Equity				
		Ordinary Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
A1	BALANCE AT JANUARY 1, 2022	\$ 9,094,100	\$ 41	\$ 3,308,030	\$ 1,601,002	\$ 6,705,592	(\$ 2,319,788)	\$ 348,793	\$ 18,737,770	\$ 18	\$ 18,737,788
	Appropriations of 2021 earnings										
B1	Legal reserve	-	-	90,746	-	(90,746)	-	-	-	-	-
B3	Special reserve	-	-	-	369,993	(369,993)	-	-	-	-	-
B5	Cash dividends to shareholders - NT\$1.00 per share	-	-	-	-	(909,410)	-	-	(909,410)	-	(909,410)
D1	Net profit for the nine months ended September 30, 2022	-	-	-	-	877,012	-	-	877,012	-	877,012
D3	Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	1,584,500	(1,259)	1,583,241	-	1,583,241
D5	Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	877,012	1,584,500	(1,259)	2,460,253	-	2,460,253
Z1	BALANCE AT SEPTEMBER 30, 2022	\$ 9,094,100	\$ 41	\$ 3,398,776	\$ 1,970,995	\$ 6,212,455	(\$ 735,288)	\$ 347,534	\$ 20,288,613	\$ 18	\$ 20,288,631
A1	BALANCE AT JANUARY 1, 2023	\$ 9,094,100	\$ 41	\$ 3,398,776	\$ 1,970,995	\$ 5,749,958	(\$ 1,213,319)	\$ 381,829	\$ 19,382,380	\$ 16	\$ 19,382,396
	Appropriations of 2022 earnings										
B1	Provision for legal reserve	-	-	41,452	-	(41,452)	-	-	-	-	-
B3	Reversal of special reserve	-	-	-	(1,139,505)	1,139,505	-	-	-	-	-
B5	Cash dividends to shareholders - NT\$0.5 per share	-	-	-	-	(454,705)	-	-	(454,705)	-	(454,705)
B9	Share dividends to shareholders - NT\$0.5 per share	454,800	-	-	-	(454,800)	-	-	-	-	-
D1	Net profit for the nine months ended September 30, 2023	-	-	-	-	437,862	-	-	437,862	-	437,862
D3	Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	705,571	-	705,571	-	705,571
D5	Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	437,862	705,571	-	1,143,433	-	1,143,433
M7	Changes in ownership equity of subsidiaries	-	-	-	-	(15)	-	-	(15)	(16)	(31)
Z1	BALANCE AT SEPTEMBER 30, 2023	\$ 9,548,900	\$ 41	\$ 3,440,228	\$ 831,490	\$ 6,376,353	(\$ 507,748)	\$ 381,829	\$ 20,071,093	\$ -	\$ 20,071,093

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated November 8, 2023)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

Code		January 1 to September 30, 2023	January 1 to September 30, 2022
	CASH FLOWS FROM OPERATING		
	ACTIVITIES		
A00010	Net profit before tax for the period	\$ 786,163	\$ 1,169,936
A20010	Adjustments for:		
A20100	Depreciation expense	1,350,281	1,298,990
A20200	Amortization expense	11,485	10,123
A20300	Expected credit losses or reversal of expected credit losses	(4,312)	11,092
A20400	Net loss on financial assets at fair value through profit or loss	84	576
A20900	Financial costs	420,266	242,934
A21200	Interest income	(178,614)	(107,687)
A21300	Dividend income	(46,832)	(49,620)
A22300	Share of profit of associates accounted for using the equity method	(14,207)	(3,093)
A22500	Loss on disposal of property, plant and equipment	434	2,036
A23700	(Reversal of) allowance for inventory valuation and obsolescence loss	(21,182)	20,435
A24100	Net loss (gain) on foreign currency exchange	43,918	(167,170)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(51,302)	48,449
A31150	Trade receivable	(46,844)	(944,531)
A31180	Other receivables	(15,658)	(73,955)
A31200	Inventories	2,534,504	(275,722)
A31230	Prepayments	(71,324)	165,684
A31240	Other current assets	19,751	46,023
A32125	Contract liabilities	41,281	(35,628)
A32130	Notes payable	(22,372)	91,363
A32150	Trade payable	(293,772)	(1,649,058)
A32180	Other payables	201,402	25,861
A32230	Other current liabilities	51,610	35,065
A32240	Net defined benefit liabilities	(18,071)	(18,265)
A32990	Other non-current liabilities	(450)	-
A33000	Cash generated from (used in) operations	4,676,239	(156,162)

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<u>Code</u>		<u>January 1 to September 30, 2023</u>	<u>January 1 to September 30, 2022</u>
A33100	Interest received	\$ 135,029	\$ 63,789
A33200	Dividends received	64,136	49,620
A33300	Interest paid	(410,673)	(215,050)
A33500	Income tax paid	(<u>279,646</u>)	(<u>362,815</u>)
AAAA	Net cash generated from (used in) operating activities	<u>4,185,085</u>	(<u>620,618</u>)
CASH FLOWS FROM INVESTING ACTIVITIES			
B02700	Payments for property, plant and equipment	(578,276)	(885,966)
B02800	Proceeds from disposal of property, plant and equipment	13,722	45,658
B03700	Decrease (increase) in refundable deposits	(10,917)	237
B04500	Payments for intangible assets	(9,945)	(12,478)
B06500	Increase in other financial assets	(691,423)	(293,042)
B07100	Increase in prepayments for equipment	(<u>134,922</u>)	(<u>695,570</u>)
BBBB	Net cash used in investing activities	(<u>1,411,761</u>)	(<u>1,841,161</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase (decrease) in short-term borrowings	(643,726)	1,555,831
C01600	Proceeds from long-term borrowings	18,287,176	20,814,682
C01700	Repayments of long-term borrowings	(19,544,086)	(20,175,111)
C03000	Proceeds from guarantee deposits received	215,443	253,208
C04020	Repayment of lease principal	(125,473)	(102,006)
C04500	Payment of cash dividends	(454,705)	(909,410)
C05800	Changes in ownership equity of subsidiaries	(<u>31</u>)	<u>-</u>
CCCC	Net cash generated from (used in) financing activities	(<u>2,265,402</u>)	<u>1,437,194</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>111,669</u>	<u>277,042</u>
EEEE	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	619,591	(747,543)
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>6,007,721</u>	<u>5,952,782</u>
E00200	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>\$ 6,627,312</u>	<u>\$ 5,205,239</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to Deloitte & Touche auditors' review report dated November 8, 2023)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. GENERAL INFORMATION

Kenda Rubber Ind. Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in March 1962. The Company is mainly engaged in manufacturing and trading of rubber products such as inner tubes and tires of bicycles, scooters, industrial trucks and cars, and various products of carbon fiber.

The Company’s shares have been listed on the Taiwan Stock Exchange since December 20, 1990.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 8, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

b. The FSC-endorsed IFRSs endorsed to be issued into effect from the year 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Certain disclosure requirements are exempted for the initial application of this amendment.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</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 Contracts"	January 1, 2023
Amendments to IFRS 17	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 (Note 2)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2025. For the initial application of this amendment, the effects are recognized in the retained earnings at the date of initial application. When the Group uses a non-functional currency as the presentation currency, the effects are recognized in the exchange differences on translation of foreign operations under the equity section of the date of initial application.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of Significant Accounting Policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the IFRS disclosure information required for a full annual financial report.

b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities recognized as the present value of the defined benefit obligation less the fair value of plan assets.

A fair value measurement is categorized in its entirety in Levels 1, 2, or 3 based on the observability and significance of relevant input values, as described in the follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are observable inputs for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) other than Level 1 quoted prices; and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (i.e., its subsidiaries) controlled by the Company. Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests, even if it causes non-controlling interests to have a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and its non-controlling interests are adjusted to reflect the changes in its relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

See Note 11, Tables 7 and 8 for detailed information on subsidiaries, including percentages of ownership and main businesses.

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

1) Defined benefit post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior year, adjusted for

significant market fluctuations of the period, and for significant plan amendments, settlements or other significant one-off events.

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income at the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND ASSUMPTION UNCERTAINTY

In the implementation of the Group's accounting policies, the management is required to make judgments, estimations, and assumptions based on historical experience and other critical factors for information that is not readily apparent from other sources. Actual results may differ from these estimates.

In developing significant accounting estimates, the Group takes into consideration relevant government policies and regulations, as well as the ongoing COVID-19 pandemic and its potential impact on the economic environment. The management will continue to review these estimates and underlying assumptions. If a revision to accounting estimates affects only the current period, it will be recognized in the period; if a revision affects both the current and future periods, it will be recognized in both periods.

Key Sources of Estimation and Assumption Uncertainty

Write-down of Inventories

The net realizable value of inventories is the estimated price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on the current market situation, as well as our historical experience of selling similar products. As a result, changes in the market situation may have a material impact on the estimation.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and revolving funds	\$ 7,163	\$ 6,904	\$ 7,554
Checking accounts and demand deposits	5,947,085	5,690,473	4,678,772
Cash equivalents (time deposits with an original maturity of 3 months or less)	<u>673,064</u>	<u>310,344</u>	<u>518,913</u>
	<u>\$ 6,627,312</u>	<u>\$ 6,007,721</u>	<u>\$ 5,205,239</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Investments in equity instruments			
Domestic unlisted shares	\$ 385,358	\$ 385,358	\$ 390,637
Foreign unlisted shares	<u>142,229</u>	<u>136,085</u>	<u>97,680</u>
	<u>\$ 527,587</u>	<u>\$ 521,443</u>	<u>\$ 488,317</u>

The Group invests in the ordinary shares of domestic and foreign unlisted companies for mid- and long-term strategic purposes, anticipating profit through long-term investments. The management of the Group designates these investments as at FVTOCI, as they believe the recognition of short-term fair value fluctuations for these investments in profit or loss is not consistent with the abovestated long-term investment plans.

8. NOTES AND TRADE RECEIVABLE

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>			
At amortized cost	<u>\$ 249,567</u>	<u>\$ 198,265</u>	<u>\$ 233,147</u>
<u>Trade receivable</u>			
At amortized cost			
Gross carrying amount	\$ 3,984,527	\$ 3,793,908	\$ 5,042,598
Less: Allowance for impairment loss	(<u>77,150</u>)	(<u>80,296</u>)	(<u>82,715</u>)
	<u>\$ 3,907,377</u>	<u>\$ 3,713,612</u>	<u>\$ 4,959,883</u>

The credit periods of sales of goods are between 30 days and 90 days from the invoice date. No interest is charged on trade receivable.

The Group recognizes the loss allowance for trade receivable at an amount equal to lifetime ECLs. The customer's past default experience, current financial position and the economic situation of the industry are taken into account. The Group classifies customers according to the number of days of credit and the country in which the customers are located, and determines the expected credit loss rate.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, the amounts are recognized in profit or loss.

The following table details the loss allowance of trade receivable based on the Group's provision matrix.

September 30, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 181 Days Past Due	Total
Gross carrying amount	\$ 3,824,710	\$ 275,371	\$ 45,103	\$ 15,485	\$ 2,568	\$ 15,210	\$ 55,647	\$ 4,234,094
Loss allowance (Lifetime ECLs)	(724)	(4,466)	(2,175)	(7,282)	(312)	(6,544)	(55,647)	(77,150)
Amortized cost	<u>\$ 3,823,986</u>	<u>\$ 270,905</u>	<u>\$ 42,928</u>	<u>\$ 8,203</u>	<u>\$ 2,256</u>	<u>\$ 8,666</u>	<u>\$ -</u>	<u>\$ 4,156,944</u>

December 31, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 181 Days Past Due	Total
Gross carrying amount	\$ 3,447,681	\$ 353,354	\$ 66,368	\$ 22,182	\$ 5,340	\$ 36,932	\$ 60,316	\$ 3,992,173
Loss allowance (Lifetime ECLs)	(865)	(2,535)	(1,967)	(2,320)	(1,495)	(12,888)	(58,226)	(80,296)
Amortized cost	<u>\$ 3,446,816</u>	<u>\$ 350,819</u>	<u>\$ 64,401</u>	<u>\$ 19,862</u>	<u>\$ 3,845</u>	<u>\$ 24,044</u>	<u>\$ 2,090</u>	<u>\$ 3,911,877</u>

September 30, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 181 Days Past Due	Total
Gross carrying amount	\$ 4,844,751	\$ 267,097	\$ 52,959	\$ 21,192	\$ 12,891	\$ 19,025	\$ 57,830	\$ 5,275,745
Loss allowance (Lifetime ECLs)	(963)	(10,843)	(2,100)	(1,458)	(1,991)	(7,633)	(57,727)	(82,715)
Amortized cost	<u>\$ 4,843,788</u>	<u>\$ 256,254</u>	<u>\$ 50,859</u>	<u>\$ 19,734</u>	<u>\$ 10,900</u>	<u>\$ 11,392</u>	<u>\$ 103</u>	<u>\$ 5,193,030</u>

The movements of the loss allowance of notes and trade receivable are as follows:

	January 1 to September 30, 2023	January 1 to September 30, 2022
Opening balance	\$ 80,296	\$ 94,106
Plus: Reversal of impairment loss for the period	(4,530)	11,112
Less: Amounts written off for the period	(441)	(24,722)
Foreign currency translation differences	<u>1,825</u>	<u>2,219</u>
Ending Balance	<u>\$ 77,150</u>	<u>\$ 82,715</u>

Please refer to Note 24 for the amount of notes and trade receivable pledged as collateral for loans by the Group.

9. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 3,682,074	\$ 4,471,764	\$ 4,468,035
Work in progress	866,957	1,147,512	1,841,028
Raw materials	4,498,382	5,538,764	6,284,380
Supplies	554,830	498,951	527,710
Merchandise	72,707	79,311	89,205
Inventory in transit	<u>306,599</u>	<u>593,853</u>	<u>810,430</u>
	<u>\$ 9,981,549</u>	<u>\$ 12,330,155</u>	<u>\$ 14,020,788</u>

The cost of revenue associated with inventories was NT\$6,986,081 thousand, NT\$8,930,082 thousand, NT\$21,256,551 thousand, and NT\$25,590,554 thousand for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, respectively. Of these amounts, there are allowances for (reversal of) inventory valuation and obsolescence loss of NT\$21,252 thousand, NT\$24,183 thousand, NT\$(21,182) thousand and NT\$20,435 thousand, respectively. Reversal of allowance for inventory valuation and obsolescence loss was mainly due to inventory destocking.

Please refer to Note 24 for information relating to part of inventories pledged as collateral for loans.

10. OTHER FINANCIAL ASSETS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Time deposits with an original maturity of more than 3 months	\$ 2,599,131	\$ 1,624,010	\$ 2,176,268
Others	<u>2,255</u>	<u>2,208</u>	<u>2,238</u>
	<u>\$ 2,601,386</u>	<u>\$ 1,626,218</u>	<u>\$ 2,178,506</u>
<u>Non-current</u>			
Repatriated funds to Taiwan in line with special law	\$ 940,140	\$ 1,049,412	\$ 1,189,737
Time deposits with an original maturity of more than 1 year	<u>808,970</u>	<u>881,745</u>	<u>1,028,324</u>
	<u>\$ 1,749,110</u>	<u>\$ 1,931,157</u>	<u>\$ 2,218,061</u>

The account item, repatriated funds to Taiwan in line with special law, refers to demand and time deposits pertinent to laws and regulations governing repatriated offshore funds, of which the use is restricted.

Please refer to Note 22 for information on credit risk management and evaluation methods. Please refer to Note 24 for information on other financial assets pledged as collateral for loans.

11. Subsidiary

a. Subsidiaries included in the consolidated financial statements

The main body of the consolidated financial statements is as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	American Kenda Rubber Ind. Co., Ltd. (KA)	Trading, investment	100%	100%	100%	-
The Company	Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK)	Trading, investment	100%	100%	100%	-
The Company	Kenda Rubber (Vietnam) Co., Ltd. (KV)	Manufacturing and selling of tubes and tires for vehicles	100%	100%	100%	-
The Company	Kenda Rubber Industrial Co. (Europe GmbH) (KE)	Marketing planning and R&D	100%	100%	100%	Note 1
The Company	Kenda International Corporation Co., Ltd. (KIC)	Investment	100%	100%	100%	-
The Company	Kenfong Industrial Co., Ltd. (KF)	Manufacturing and selling of tubes and tires for vehicles	100%	100%	100%	Note 1
The Company	Pt. Kenda Rubber Indonesia (KI)	Manufacturing and selling of tubes and tires for vehicles	99.99%	99.99%	99.99%	Note 1
KF	KI	Manufacturing and selling of tubes and tires for vehicles	0.01%	-	-	Note 2
KA	Americana Development, Inc. (ADI)	Manufacturing of rims and distribution and selling of tires and rims	100%	100%	100%	-
KHK	Kenda Rubber (Shenzhen) Ltd. (KS)	Manufacturing and selling of tubes and tires for vehicles	60%	60%	60%	Note 1
KHK	Kenda Rubber (Tianjin) Co., Ltd. (KT)	Manufacturing and selling of tubes and tires for vehicles	13.64%	13.64%	13.64%	-
KIC	Kenda Global Holding Co., Ltd. (KGH)	Investment	100%	100%	100%	-
KIC	Kenda Global Investment Corporation (KGI)	Investment	100%	100%	100%	Note 1
KGI	STARCO Europe A/S	Investment	100%	100%	100%	Note 1
KGH	Kenda Global (China) Investment Corporation (KGCI)	Investment	100%	100%	100%	-
KGH	KS	Manufacturing and selling of tubes and tires for vehicles	40%	40%	40%	Note 1
KGCI	KT	Manufacturing and selling of tubes and tires for vehicles	86.36%	86.36%	86.36%	-

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Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2023	December 31, 2022	September 30, 2022	
KGCI	Kenda Rubber (China) Ltd. (KC)	Manufacturing and selling of tubes and tires for vehicles	100%	100%	100%	-
STARCO Europe A/S	STARCO GB Ltd.	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GmbH	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Polska Sp.z.o.o.	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO NV	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GS AG	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Baltic OÜ	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO FR SAS	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Manufacturing of rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO DML	Manufacturing of rims and distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	Jelshoj Imovina d.o.o. (Jelshoj Imovina)	Investment	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO IPR GmbH	Investment	-	-	100%	Note 1

Note 1: It is a non-significant subsidiary and its financial statements have not been reviewed by auditors.

Note 2: In response to operational needs, the Group acquired 0.01% equity interest in KI from a related party (Note 23), resulting in an increase in the Group's shareholding in KI from 99.99% to 100%. As this transaction did not change the Group's control over KI, the Group Company treated it as an equity transaction.

b. Subsidiaries excluded from the consolidated financial statements: None.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2023	December 31, 2022	September 30, 2022
Land	\$ 2,581,247	\$ 2,570,600	\$ 2,570,712
Buildings	4,470,741	4,464,753	4,571,441
Machinery Equipment	7,717,171	8,005,606	8,143,028
Other Equipment	596,715	619,133	626,398
Equipment Under Acceptance and Unfinished Construction	<u>952,321</u>	<u>674,235</u>	<u>677,332</u>
	<u>\$ 16,318,195</u>	<u>\$ 16,334,327</u>	<u>\$ 16,588,911</u>

The Group added NT\$544,341 thousand and NT\$880,889 thousand of equipment and unfinished construction from January 1 to September 30, 2023 and 2022, respectively.

Other than the abovementioned changes and recognized depreciation expenses, no significant changes occurred in the properties, plants and equipment of the Group.

Depreciation expenses are calculated on a straight-line basis over their useful lives as presented below:

Buildings	10-55 years
Machinery equipment	3-30 years
Other equipment	2-20 years

A portion of the land for operational use in Chongyang section of Yuanlin City and Citong Township of Yunlin County is categorized as agricultural and pastoral land. The title of the land is currently registered under a related party, Mr. Chen, who is the trustee in a land trust agreement with the Company. The Company retains the certificate of title for the land and the agreement stipulates that the nominal holder or trustee is prohibited from transferring the ownership to a third party.

As of September 30, 2023 and December 31 and September 30, 2022, the prepayments for machinery equipment amounted to NT\$422,462 thousand, NT\$473,177 thousand and NT\$534,911 thousand, respectively, and were presented in other non-current assets.

Please refer to Note 24 for the amount of property, plant and equipment pledged as collateral for loans by the Group.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of right-of-use assets			
Land	\$ 1,464,010	\$ 1,421,851	\$ 1,473,490
Buildings	337,402	316,859	362,298
Machinery equipment	10,928	19,867	21,382
Other equipment	<u>15,754</u>	<u>17,409</u>	<u>13,022</u>
	<u>\$ 1,828,094</u>	<u>\$ 1,775,986</u>	<u>\$ 1,870,192</u>
	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023
Additions to right-of-use assets	<u>\$ 2,341</u>	<u>\$ 51,790</u>	<u>\$ 126,301</u>
Depreciation expense of right-of-use assets			
Land	\$ 7,707	\$ 2,260	\$ 22,715
Buildings	35,184	26,211	94,055
Machinery equipment	2,021	3,146	6,858
Other equipment	<u>2,035</u>	<u>1,530</u>	<u>5,739</u>
	<u>\$ 46,947</u>	<u>\$ 33,147</u>	<u>\$ 103,206</u>

Except for the aforementioned additions and recognized depreciation expense, the Group did not have significant sublease or impairment of right-of-use assets for the nine months ended September 30, 2023 and 2022.

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of lease liabilities			
Current	<u>\$ 173,502</u>	<u>\$ 164,466</u>	<u>\$ 163,778</u>
Non-current	<u>\$ 524,736</u>	<u>\$ 515,201</u>	<u>\$ 565,324</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Land	3.00%	3.00%	3.00%
Buildings	2.75%-3.20%	2.75%-3.20%	2.75%-3.20%
Machinery equipment	2.75%-3.20%	2.75%-3.20%	2.75%-3.20%
Other equipment	2.75%-3.20%	2.75%-3.20%	2.75%-3.20%

c. Material leasing activities and terms

KS, KC, and KT signed land use right contracts with the local governments of Longhua Town, Penglang Town of Kunshan City, and Tianjin City in mainland China, respectively; the periods of the land use right contracts are between 40 and 50 years. KV signed a land use right contract with Ho Nai and Giang Dien Industrial Zone in Dong Nai Province, Vietnam; the period of the land use right contract is between 33 and 43 years.

The above companies have the rights to use, make profit from, transfer, and lease the land during the land use period, and are responsible for all taxes and fees payable for the use of the land. The land is used for constructing factories, office buildings and employees' dormitories.

KI acquired the land use right of Kabupaten Serang, Banten Province. The land is used for constructing factories, office buildings and employees' dormitories.

d. Other lease information

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Short-term lease expense	<u>\$ 23,226</u>	<u>\$ 48,125</u>	<u>\$ 89,489</u>	<u>\$ 83,303</u>
Lease expense of low-value assets	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 259</u>	<u>\$ 102</u>
Total cash outflow for leases	<u>\$ 78,026</u>	<u>\$ 68,799</u>	<u>\$ 226,612</u>	<u>\$ 194,774</u>

All lease commitments with lease terms commencing after the balance sheet date are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Lease commitments	<u>\$ 866,622</u>	<u>\$ 847,431</u>	<u>\$ 901,526</u>

14. INVESTMENT PROPERTIES

	September 30, 2023	December 31, 2022	September 30, 2022
Right-of-use assets	<u>\$ 27,126</u>	<u>\$ 26,610</u>	<u>\$ 26,985</u>

Except for the recognition of depreciation expense, there were no significant additions, disposals or impairments of the Group's investment properties from January 1 to September 30, 2023 and 2022. Investment properties are depreciated on a straight-line basis over their estimated useful lives presented as follows:

Right-of-use assets	40-50 years
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In response to the urbanization policy of future city development in Shenzhen, KS entered into an urban renewal collaboration agreement with Kaisa Urban Renewal Group (Shenzhen)

Co., Ltd. (“Kaisa”) in October 2014 for the development of land use rights. According to the agreement, KS and Kaisa will jointly transform the industrial land in Shenzhen into new types of industrial (office), commercial, residential, and government-subsidized buildings. Joint construction and allocation of housing units is carried out in accordance with the ratio stipulated in the contract and the approval documents of the future competent authorities. KS is responsible for the relocation of original factories and termination of employees, while Kaisa is responsible for the demolition of buildings, measurement, assessment, verification of rights, preparation of special plans, signing of compensation agreement, land formation, land acquisition, construction, and project development within the renewal unit of the renovation project.

However, KS reached a tripartite consensus with Kaisa and Shenzhen Heju Real Estate Co., Ltd. (“Heju”) in June 2022. On the premise of protecting the original rights and interests of KS without increasing KS’s responsibilities, Heju undertook the first phase of the land development project based on the original property allocation ratio. Therefore, KS signed a partial cancellation agreement of the original urban renewal collaboration agreement with Kaisa in July 2022 to cancel the collaboration of the first phase of the land development project. Meanwhile, KS signed an urban renewal collaboration agreement with Heju for the first phase of the land development project.

In accordance with the relevant regulations of land development projects in China, KS signed a land acquisition agreement with Heju and Shenzhen Urban Planning and Resources Bureau (hereinafter referred to as the Bureau) in September 2022. The Bureau first takes back the land use rights, and the construction land will be granted by the Longhua District Government to Heju for urban development and construction in accordance with the relevant procedures. Currently, Heju Company is engaged in urban development and construction.

As of September 30, 2023, the Group received a total of RMB200,000 thousand (approximately NT\$898,855 thousand presented in other non-current liabilities) of allocation fee for urban renewal project from Heju according to the agreement, which will be returned to Heju after the project is completed and has been delivered to KS.

The fair value of investment properties as of December 31, 2022 and 2021 were NT\$5,959,859 thousand and NT\$5,737,938 thousand, respectively. As evaluated by the management of the Group, there was no significant change in the fair values as of September 30, 2023 and 2022 compared to December 31, 2022 and 2021.

15. BORROWINGS

a. Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured borrowings	\$ 3,541,811	\$ 4,337,200	\$ 5,664,562
Secured borrowings (Note 24) (1)	<u>246,046</u>	<u>253,073</u>	<u>103,318</u>
	<u>\$ 3,787,857</u>	<u>\$ 4,590,273</u>	<u>\$ 5,767,880</u>
Range of interest rates	0.00%-6.32%	0.60%-5.75%	0.60%-4.75%

b. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured borrowings	\$ 13,098,261	\$ 13,479,372	\$ 13,493,648
Secured borrowings (Note 24) (1)	1,504,090	1,997,881	2,560,202
Project borrowing (2)	<u>175,608</u>	<u>276,930</u>	<u>310,634</u>
Subtotal	14,777,959	15,754,183	16,364,484
Less: Current portion	<u>1,910,941</u>	<u>1,735,672</u>	<u>1,495,958</u>
Long-term borrowings	<u>\$ 12,867,018</u>	<u>\$ 14,018,511</u>	<u>\$ 14,868,526</u>
Range of interest rates	1.00%-6.88%	0.00%-5.75%	0.00%-2.00%
Maturity date	2023-2027	2023-2027	2023-2027

- 1) As stipulated in the agreements, the Company, KA, ADI and some of the subsidiaries of STARCO shall pledge assets as collaterals and, additionally, maintain certain financial ratios. Their breach of agreements should be periodically reviewed on a semi-annual or annual basis. As of September 30, 2023, there was no breach of agreements due to the abovestated financial ratios.
- 2) The Group participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally in September 2019, expecting to construct or expand factories, and acquire machinery equipment in Taiwan between 2019 and 2025. Any shortage of funds would be financed via bank borrowings.

16. EQUITY

a. Ordinary shares

	September 30, 2023	December 31, 2022	September 30, 2022
Authorized shares (in thousands of shares)	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>
Authorized share capital	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>
Issued and fully paid shares (in thousands of shares)	<u>954,890</u>	<u>909,410</u>	<u>909,410</u>
Issued share capital	<u>\$ 9,548,900</u>	<u>\$ 9,094,100</u>	<u>\$ 9,094,100</u>

b. Retained earnings and dividends policy

In accordance with the provisions of earnings appropriation of the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, then setting aside or reversing a special reserve according to the laws and regulations or provisions of the competent authorities. The Company takes into consideration the Company's operating environment, growth stage, future capital needs, long-term financial plans, and the shareholders' demand for cash inflows before resolving the amount of dividends. The Company's Board of Directors could propose dividends between 10% and 80% of

distributable earnings which comprise of the current remaining earnings and undistributed earnings from the previous year. When distributing dividends via issuing shares, the motion should be submitted to shareholders' meeting for approval. The shareholders may adjust the ratio of share dividends to reflect the profit and the adequacy of capital of the year. The cash dividends shall not be less than 10% of the total dividends. The Board of Directors is authorized, with the presence of at least two-thirds of the Directors and a resolution of a majority of the Directors present, to distribute dividends, bonuses, legal reserve and all or a portion of the capital surplus in cash and report such distribution to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, please refer to Note 18(5).

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In accordance with the provisions of Jin-Guan-Zheng-Fa No. 1090150022 and No. 1010012865 and the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company sets aside special reserve and the reversal of special reserve in other equity items, if any, may be included in distributable retained earnings when the debit balance of other equity items is reversed.

The appropriations of earnings for 2022 and 2021 were as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends per Share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Provision for legal reserve	\$ 41,452	\$ 90,746		
(Reversal of) Special reserve	(1,139,505)	369,993		
Cash dividends	454,705	909,410	\$ 0.5	\$ 1.0
Share dividends	454,800	-	0.500104	-

The above cash dividends have been approved through board resolution. The rest of the earnings distribution items were also resolved at shareholders' meetings on May 31, 2023 and June 30, 2022, respectively.

17. Revenue

a. Breakdown of contracts with customers

	<u>July 1 to September 30, 2023</u>	<u>July 1 to September 30, 2022</u>	<u>January 1 to September 30, 2023</u>	<u>January 1 to September 30, 2022</u>
<u>Major product/service lines</u>				
Motorcycle and bias tires	\$ 3,843,350	\$ 3,969,247	\$ 11,585,413	\$ 12,044,882
Radial tires	3,097,630	2,872,189	7,536,433	7,277,849
Bicycle tires	566,606	1,073,934	1,695,353	3,039,464
Tubes	334,935	664,047	948,246	2,142,832
Others	<u>1,113,225</u>	<u>1,783,798</u>	<u>4,114,576</u>	<u>5,758,232</u>
Total	<u>\$ 8,955,746</u>	<u>\$ 10,363,215</u>	<u>\$ 25,880,021</u>	<u>\$ 30,263,259</u>

b. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Refund liabilities - current	<u>\$ 109,383</u>	<u>\$ 74,958</u>	<u>\$ 96,917</u>

The Group sells tires and other rubber products predominantly via dealers. It is stipulated in the contracts that volume discount is offered if a specific threshold of purchase is achieved. The Group provides agreed-upon percentages of refund or discount to dealers in accordance with the contracts. Based on historical experience, the Group estimates a reasonable amount of refund and recognizes it as refund liability (presented in other current liabilities).

18. NET PROFIT FOR THE PERIOD

The net profit for the period consists of the following items:

a. Other gains and losses

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Net foreign currency exchange gains	\$ 48,781	\$ 360,640	\$ 227,435	\$ 631,583
Loss on disposal of property, plant and equipment	(378)	(5,373)	(434)	(2,036)
Net loss on financial assets and liabilities at fair value through profit or loss	(63)	(283)	(84)	(576)
Others	(<u>2,346</u>)	(<u>14,222</u>)	(<u>12,858</u>)	(<u>9,798</u>)
	<u>\$ 45,994</u>	<u>\$ 340,762</u>	<u>\$ 214,059</u>	<u>\$ 619,173</u>

b. Financial costs

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Interest expense on bank loans	\$ 140,119	\$ 100,885	\$ 409,534	\$ 234,072
Interest on lease liabilities	2,795	3,813	11,391	9,392
Less: Amounts included in the cost of qualifying assets	(<u>41</u>)	(<u>268</u>)	(<u>659</u>)	(<u>530</u>)
	<u>\$ 142,873</u>	<u>\$ 104,430</u>	<u>\$ 420,266</u>	<u>\$ 242,934</u>

c. Depreciation and amortization

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Property, plant and equipment	\$ 406,763	\$ 405,928	\$ 1,220,914	\$ 1,194,630
Right-of-use assets	46,947	33,147	129,367	103,206
Investment properties	-	290	-	1,154
Intangible assets	<u>3,615</u>	<u>4,071</u>	<u>11,485</u>	<u>10,123</u>
	<u>\$ 457,325</u>	<u>\$ 443,436</u>	<u>\$ 1,361,766</u>	<u>\$ 1,309,113</u>
An analysis of depreciation expense by function				
Operating costs	\$ 346,677	\$ 334,092	\$ 1,033,435	\$ 1,000,023
Operating expenses	<u>107,033</u>	<u>105,273</u>	<u>316,846</u>	<u>298,967</u>
	<u>\$ 453,710</u>	<u>\$ 439,365</u>	<u>\$ 1,350,281</u>	<u>\$ 1,298,990</u>
An analysis of amortization expense by function				
Operating costs	\$ 1,266	\$ 1,057	\$ 3,878	\$ 3,123
Operating expenses	<u>2,349</u>	<u>3,014</u>	<u>7,607</u>	<u>7,000</u>
	<u>\$ 3,615</u>	<u>\$ 4,071</u>	<u>\$ 11,485</u>	<u>\$ 10,123</u>

d. Employee benefits expense

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Short-term employee benefits				
Wages and salaries	\$ 1,338,810	\$ 1,368,530	\$ 3,866,384	\$ 4,032,381
Labor/Health insurance expenses	<u>121,252</u>	<u>137,162</u>	<u>401,431</u>	<u>401,931</u>
	<u>1,460,062</u>	<u>1,505,692</u>	<u>4,267,815</u>	<u>4,434,312</u>
Post-employment benefits				
Defined contribution plans	76,058	80,463	226,315	243,696
Defined benefit plans	<u>1,170</u>	<u>1,568</u>	<u>3,509</u>	<u>4,707</u>
	<u>77,228</u>	<u>82,031</u>	<u>229,824</u>	<u>248,403</u>
Termination benefits	-	-	-	300
Other employee benefits	<u>68,057</u>	<u>57,653</u>	<u>167,911</u>	<u>168,127</u>
Total employee benefit expenses	<u>\$ 1,605,347</u>	<u>\$ 1,645,376</u>	<u>\$ 4,665,550</u>	<u>\$ 4,851,142</u>
An analysis by function				
Operating costs	\$ 907,726	\$ 966,519	\$ 2,666,360	\$ 2,831,112
Operating expenses	697,621	678,857	1,999,190	2,019,730
Other operating income and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
	<u>\$ 1,605,347</u>	<u>\$ 1,645,376</u>	<u>\$ 4,665,550</u>	<u>\$ 4,851,142</u>

e. Compensation of employees and remuneration of directors

According to the Company's Articles of Association, the Company shall accrue compensation of employees and remuneration of directors at rates of no less than 0.5% and no higher than 3%, respectively, of the profit for the fiscal year. The compensation of employees and remuneration of directors accrued for the three months ended September

30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, are as follows:

Accrual rate

	January 1 to September 30, 2023	January 1 to September 30, 2022
Compensation of employees	0.80%	0.80%
Remuneration of directors	1.20%	1.21%

Amount

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Compensation of employees	\$ 3,629	\$ 2,685	\$ 4,012	\$ 8,379
Remuneration of directors	\$ 5,447	\$ 4,031	\$ 6,021	\$ 12,576

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimates and will be adjusted in the following year.

The compensation of employees and remuneration of directors for 2022 and 2021, as resolved by the Company's Board of Directors, are as follows:

	2022	2021
	Cash	Cash
Compensation of employees	\$ 5,937	\$ 10,192
Remuneration of directors	\$ 8,911	\$ 15,297

There is no difference between the amounts of compensation of employees and remuneration of directors actually paid and the amounts recognized in the consolidated financial statements for the fiscal years 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Current tax				
In respect of the current period	\$ 165,606	\$ 60,961	\$ 319,858	\$ 421,109
Adjustments for prior year	2,252	(24)	(5,621)	23,394
Additional levy on unappropriated earnings	(2,085)	-	15,151	-
	<u>165,773</u>	<u>60,937</u>	<u>329,388</u>	<u>444,503</u>
Deferred tax				
In respect of the current period	(12,567)	24,830	18,913	(151,579)
Income tax expense recognized in profit or loss	<u>\$ 153,206</u>	<u>\$ 85,767</u>	<u>\$ 348,301</u>	<u>\$ 292,924</u>

b. Income tax expense (benefit) recognized in other comprehensive income

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
<u>Deferred tax</u>				
Translation of foreign operations	<u>\$ 194,403</u>	<u>(\$ 180,930)</u>	<u>\$ 176,393</u>	<u>(\$ 396,125)</u>

c. Income tax assessments

The Company and its subsidiary's income tax returns through 2021 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	Unit: NT\$ Per Share January 1 to September 30, 2022
Basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.24</u>	<u>\$ 0.46</u>	<u>\$ 0.92</u>
Diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.24</u>	<u>\$ 0.46</u>	<u>\$ 0.92</u>

When calculating earnings per share, the impact of bonus shares has been retrospectively adjusted, with the reference date for bonus shares set on July 22, 2023. Due to retrospective adjustments, the changes in basic and diluted earnings per share from July 1 to September 30, 2022 and from January 1 to September 30, 2022 are as follows:

	Before retrospective adjustments July 1 to September 30, 2022	After retrospective adjustments January 1 to September 30, 2022	Unit: NT\$ Per Share Before retrospective adjustments July 1 to September 30, 2022	After retrospective adjustments January 1 to September 30, 2022
Basic earnings per share	<u>\$ 0.25</u>	<u>\$ 0.96</u>	<u>\$ 0.24</u>	<u>\$ 0.92</u>
Diluted earnings per share	<u>\$ 0.25</u>	<u>\$ 0.96</u>	<u>\$ 0.24</u>	<u>\$ 0.92</u>

The earnings and weighted average number of ordinary shares used in the computation of earnings per share are as follows:

Net profit for the period

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Net profit attributable to shareholders of the parent	\$ 430,066	\$ 231,385	\$ 437,862	\$ 877,012

Number of shares

	Unit: In Thousands of Shares			
	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Weighted average ordinary shares used in computation of basic earnings per share	954,890	954,890	954,890	954,890
Effect of dilutive potential ordinary shares: compensation of employees	136	262	184	354
Weighted average ordinary shares used in computation of diluted earnings per share	<u>955,026</u>	<u>955,152</u>	<u>955,074</u>	<u>955,244</u>

The Group may settle the compensation of employees in shares or in cash; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential ordinary shares, if the effect is dilutive, will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential ordinary shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. CAPITAL MANAGEMENT

The Group requires to maintain an adequate level of capital to expand and optimize facilities and equipment. The Group's capital management strategy aims to ensure that the necessary financial resources and operating plans are sufficient to meet the next 12 months' requirements for working capital, capital expenditures, research and development expenses, debt repayments and other needs.

22. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

Please refer to the information on the consolidated balance sheet. The management of the Group considered the carrying amounts of financial assets and liabilities not measured at fair value approximate the fair value and, therefore, used the carrying amounts on the consolidated balance sheet as a reasonable basis for estimating fair values.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,235</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,587</u>	<u>\$ 527,587</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,443</u>	<u>\$ 521,443</u>

September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,317</u>	<u>\$ 488,317</u>

2) Reconciliation of financial instruments measured at Level 3 fair value

<u>Financial assets at FVTOCI - equity instruments</u>	<u>January 1 to September 30, 2023</u>	<u>January 1 to September 30, 2022</u>
Opening balance	\$ 521,443	\$ 479,634
Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	-	(1,259)
Effects of exchange rate	<u>6,144</u>	<u>9,942</u>
Ending balance	<u>\$ 527,587</u>	<u>\$ 488,317</u>

3) Valuation techniques and inputs for Level 3 fair value measurement

Domestic and foreign unlisted equity investments are valued using the market approach and asset-based approach. Market approach is used to determine the fair value of the subject by reference to the stock transaction prices of publicly-traded companies of identical or comparable business on an active market, as well as the valuation multiples implied by these prices, and other relevant transactions and information. Asset-based approach separately evaluates the assets and liabilities of the subject based on fair market value, replacement cost, or liquidation value to reflect the overall value of the enterprise or business. A decrease in significant unobservable inputs, such as control premium and discount for lack of marketability, will result in an increase in the fair value of these investments.

c. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets at FVTPL			
Listed shares	\$ 1,235	\$ 1,319	\$ 1,256
Financial assets at amortized cost (Note 1)			
	15,667,071	13,956,654	15,337,956
Financial assets at FVTOCI			
Investments in equity instruments	527,587	521,443	488,317
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)			
	23,590,521	25,197,086	27,548,089

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, trade payable, other payables, guarantee deposits received and long-term borrowings (including the current portion).

d. Objectives and policies of financial risk management

The Group's major financial instruments include equity investments, trade receivable, trade payable, and borrowings. The financial management department of the Group provides services to each business unit, coordinates access to domestic and international financial markets, and monitors and manages the financial risks related to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risks (including exchange rate risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risks

The Group's activities expose itself primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and changes in interest rates (see (b) below).

There has been no change to the Group's exposure to market risks of financial instruments and the manner in which these risks are managed and measured.

a) Exchange rate risk

Several subsidiaries of the Company engage in sales and purchases denominated in foreign currency, which expose the Group to the exchange rate risk.

Please refer to Note 26 for the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currency at the balance sheet date (including the monetary items denominated in non-functional currency that have been eliminated in the consolidated financial statements).

Sensitivity analysis

The Group is mainly affected by fluctuations in the USD exchange rate.

The sensitivity analysis measures the effect of a 1% increase and decrease of in the exchange rates of TWD and CNY (both functional currencies) against USD. The sensitivity rate of 1% is used when reporting exchange rate risk internally to the key management personnel and also represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only the outstanding foreign currency monetary items, with their translation at end of the year adjusted for the exchange rate change of 1%. When the TWD and CNY strengthen/weaken by 1% against the USD, the effect on the Group's net profit before tax from January 1 to September 30, 2023 and 2022 will increase/decrease by NT\$46,498 thousand and NT\$48,360 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk as the entities in the Group borrow funds simultaneously at fixed and floating rates. By maintaining an appropriate mix of fixed- and floating-rate borrowings, the Group keeps the interest rate risk under control, which results from cash and cash equivalents. Specifically, cash and cash equivalents held at floating rates expose the Group to cash flow interest rate risk, which is partially offset by borrowings issued at floating rates. Cash and cash equivalents held and borrowings issued at fixed rates, on the other hand, expose the Group to fair value interest rate risk. The Group considers the overall interest rate trends and adjusts its portfolio of fixed- and floating-rate instruments accordingly.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the balance sheet date are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
– Financial assets	\$ 3,258,455	\$ 1,921,666	\$ 2,681,959
– Financial liabilities	3,714,001	5,284,212	5,940,594
Cash flow interest rate risk			
– Financial assets	7,698,387	7,623,776	6,899,008
– Financial liabilities	15,550,052	15,739,911	16,920,872

Sensitivity analysis

This sensitivity analysis was based on the interest rate exposure for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis was made assuming the amount of each liability outstanding at the balance sheet date was outstanding for the reporting period.

If interest rates increase/decrease by 10 basis points and all other variables are held constant, the Group's net profit before tax from January 1 to September 30, 2023 and 2022 will decrease/increase by NT\$5,889 thousand and NT\$7,517 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk due to its investments in equity instruments. Equity investments are not held for trading but as strategic investments; the Group does not actively trade these investments. The sensitivity analysis is adopted by the Group to measure the price risk of equity securities.

Sensitivity analysis

This sensitivity analysis was based on the exposure to equity price risk at the balance sheet date.

If the equity price increases/decreases by 5%, the Group's net profit before tax from January 1 to September 30, 2023 and 2022 will change favorably/unfavorably by NT\$62 thousand and NT\$63 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTPL. The Group's other comprehensive income from January 1 to September 30, 2023 and 2022 will change favorably/unfavorably by NT\$26,379 thousand and NT\$24,416 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk of financial loss to the Group due to default on its contractual obligations by a counterparty. As of the balance sheet date, the Group's maximum credit risk exposure, which may be incurred by the financial loss due to a counterparty's non-performance of obligations, resulted mainly from the carrying amount of financial assets recognized in the consolidated balance sheets.

To maintain the quality of trade receivable, the Group established operating-related credit risk management procedures. The risk assessments of individual customers include a customer's financial condition, the Group's internal credit rating, transaction history, current macroeconomic environment, and other items that may affect a customer's ability to pay.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amounts of receivables at the balance sheet date to ensure that adequate allowance for impairment loss is made for irrecoverable amounts. In this regard, the management of the Group believes the credit risk of trade receivable has been significantly reduced. The Group writes off trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, the amounts are recognized in profit or loss.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank lines and ensures compliance with the terms of loan covenants.

The Group manages liquidity risk by maintaining sufficient financing facilities, fulfilling loan commitments, and consistently monitoring both estimated and actual cash flows. The unutilized bank lines of the Group are set out in b) Financing facilities below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is made based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities for the earliest date on which the Group may be required to make a repayment. Accordingly, bank loans that the Group may be required to repay immediately are listed in the earliest time band in the table below, regardless of the probability that the bank will immediately exercise these rights. The maturity analysis of other non-derivative financial liabilities is made for the agreed upon repayment dates.

September 30, 2023

	Within 1 year	1-5 years	More than 5 years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 4,057,916	\$ -	\$ -
Lease liabilities	173,502	293,152	231,584
Floating rate instruments	4,772,990	11,611,009	-
Fixed rate instruments	<u>1,597,036</u>	<u>1,477,900</u>	<u>-</u>
	<u>\$ 10,601,444</u>	<u>\$ 13,382,061</u>	<u>\$ 231,584</u>

December 31, 2022

	<u>Within 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 4,128,651	\$ -	\$ -
Lease liabilities	164,466	228,398	286,803
Floating rate instruments	4,170,303	12,341,880	-
Fixed rate instruments	<u>2,743,901</u>	<u>1,961,691</u>	<u>96</u>
	<u>\$ 11,207,321</u>	<u>\$ 14,531,969</u>	<u>\$ 286,899</u>

September 30, 2022

	<u>Within 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 4,680,725	\$ -	\$ -
Lease liabilities	163,778	281,227	284,097
Floating rate instruments	4,085,761	13,497,603	-
Fixed rate instruments	<u>3,532,627</u>	<u>1,756,506</u>	<u>-</u>
	<u>\$ 12,462,891</u>	<u>\$ 15,535,336</u>	<u>\$ 284,097</u>

b) Financing facilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Secured bank overdraft facilities</u>			
— Amount utilized	\$ 8,709	\$ 6,546	\$ 6,644
— Amount unutilized	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,709</u>	<u>\$ 6,546</u>	<u>\$ 6,644</u>
<u>Unsecured bank loan facilities</u>			
— Amount utilized	\$ 17,106,409	\$ 18,640,567	\$ 19,881,510
— Amount unutilized	<u>17,142,885</u>	<u>14,119,467</u>	<u>12,830,548</u>
	<u>\$ 34,249,294</u>	<u>\$ 32,760,034</u>	<u>\$ 32,712,058</u>
<u>Secured bank loan facilities (extendable by mutual agreement)</u>			
— Amount utilized	\$ 1,450,698	\$ 1,697,343	\$ 2,244,210
— Amount unutilized	<u>2,840,990</u>	<u>2,294,661</u>	<u>1,911,250</u>
	<u>\$ 4,291,688</u>	<u>\$ 3,992,004</u>	<u>\$ 4,155,460</u>

e. Transfers of financial assets

The Group transferred a portion of banker's acceptances receivable in mainland China to its suppliers in order to settle the trade payable. As the Group has transferred

substantially all risks and rewards related to these bills, it derecognized the transferred banker's acceptances receivable and the corresponding trade payable. However, if the derecognized banker's acceptances are not paid at maturity, the suppliers have the right to request settlements from the Group; therefore, the Group is still continuously involved in these bills receivable.

The maximum loss exposure from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable. As of September 30, 2023, December 31 and September 30, 2022, the face amounts of these unsettled bills receivable were NT\$584,294 thousand, NT\$635,549 thousand, and NT\$670,104 thousand, respectively. These unsettled bills receivable will mature within six months from the balance sheet date. Taking into consideration the credit risk of these derecognized bills receivable, the Group evaluated that the fair values for its continuing involvement were not significant.

From January 1 to September 30, 2023 and 2022, the Group did not recognize any profit or loss upon the transfer of the banker's acceptances. No profit or loss was recognized from the continuing involvement in these bills, both during the period or cumulatively.

23. TRANSACTIONS WITH RELATED PARTIES

All intra-group transactions, account balances, income and expenses were eliminated in full upon consolidation and therefore are not disclosed in this note. Details on transactions between the Group and other related parties are disclosed as follows:

a. Names of related parties and their relationships with the Group

<u>Name of related party</u>	<u>Relationship with the Group</u>
Kenlight Trading Corp.	Other related party
Kenjou Co., Ltd.	Other related party
TotalEnergies Marketing Taiwan Ltd. (formerly known as Total Lubricants Taiwan Ltd.)	Other related party
Kenstone Metal Co., Ltd.	Other related party (before June 2022)
Honko Technical Lubricants (Kunshan) Co., Ltd.	Other related party
Kunshan Thrive ECO-Materials Co., Ltd.	Other related party
GronBla Co., Ltd.	Other related party
Americana Development Holding (ADH)	Other related party
Yang & Company, LLC (Y&C)	Other related party
Haro Bikes Corp. (HBC)	Other related party
Greentech Holding Corp. (GHC)	Other related party
STARCO Huanmei	Associate
Yang, Ying-Ming	Director of the Company

Other related party indicates that the chairman of the entity is the same as the chairman of the Company, or is a relative within the second degree of kinship, or is identified as a related party in substance.

b. Revenue

Line Item	Category of Related Party	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Sales revenue	Other related party	<u>\$ 911</u>	<u>\$ 6,096</u>	<u>\$ 1,171</u>	<u>\$ 16,807</u>

c. Purchases

Category of Related Party	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Other related party	\$ 29,574	\$ 41,824	\$ 99,299	\$ 131,374
Associate	<u>37,725</u>	<u>21,690</u>	<u>111,668</u>	<u>105,446</u>
	<u>\$ 67,299</u>	<u>\$ 63,514</u>	<u>\$ 210,967</u>	<u>\$ 236,820</u>

d. Receivables from related parties

Line Item	Category of Related Party	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	Other related party	\$ -	\$ -	\$ 229
Trade receivable	Other related party	956	752	3,333
Other receivables	Other related party	<u>781</u>	<u>1,077</u>	<u>417</u>
		<u>\$ 1,737</u>	<u>\$ 1,829</u>	<u>\$ 3,979</u>

e. Payables to related parties

Line Item	Category of Related Party	September 30, 2023	December 31, 2022	September 30, 2022
Trade payable	Associate	\$ 27,429	\$ 61,395	\$ 48,317
Trade payable	Other related party	45,224	29,145	61,103
Other payables	Other related party	<u>5,699</u>	<u>7,195</u>	<u>8,273</u>
		<u>\$ 78,352</u>	<u>\$ 97,735</u>	<u>\$ 117,693</u>

f. Others

Line Item	Category of Related Party	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Manufacturing expense	Other related party	\$ 3,695	\$ 6,405	\$ 11,998	\$ 12,842
Operating expense	Other related party	<u>520</u>	<u>548</u>	<u>1,466</u>	<u>1,454</u>
		<u>\$ 4,215</u>	<u>\$ 6,953</u>	<u>\$ 13,464</u>	<u>\$ 14,296</u>

g. Lessee's lease agreement

The Group leases offices and warehouses from other related parties based on local rent levels and the rents are paid on a monthly basis.

Category/Name of Related Party	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
<u>Lease expense</u>				
Other related party				
ADH	\$ 4,212	\$ 4,039	\$ 12,333	\$ 11,671
Y&C	2,549	2,445	7,465	7,064
Others	829	806	2,451	2,230
	<u>\$ 7,590</u>	<u>\$ 7,290</u>	<u>\$ 22,249</u>	<u>\$ 20,965</u>

h. Lessor's lease agreement

The Group leases warehouses to other related parties based on local rent levels and the rents are paid on a monthly basis.

Category/Name of Related Party	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
<u>Lease income</u>				
Other related party				
HBC	<u>\$ 563</u>	<u>\$ 540</u>	<u>\$ 1,649</u>	<u>\$ 1,560</u>

i. Acquisition of financial assets

January 1 to September 30, 2023

Category/Name of Related Party	Line Item	Number of Shares Traded	Subject of Transaction	Proceeds Received
Director of the Company/Yang, Ying-Ming`	Investments accounted for using the equity method	1,000	Equity of KI	<u>\$ 31</u>

j. Remuneration of the key management personnel

	July 1 to September 30, 2023	July 1 to September 30, 2022	January 1 to September 30, 2023	January 1 to September 30, 2022
Short-term employee benefits	\$ 9,886	\$ 8,317	\$ 24,142	\$ 30,929
Post-employment benefits	26	26	79	81
	<u>\$ 9,912</u>	<u>\$ 8,343</u>	<u>\$ 24,221</u>	<u>\$ 31,010</u>

24. ASSETS PLEDGED OR MORTGAGED AS COLLATERAL

All of the operating assets of KA, including but not limited to cash and cash equivalents, trade receivable, inventories, property, plant and equipment, and intangible assets, are pledged as collateral for bank borrowings, and are subject to the bank's priority in settlement. The values of the above assets were NT\$7,849,141 thousand, NT\$8,293,633 thousand and

NT\$9,729,637 thousand as of September 30, 2023, December 31, 2022, and September 30, 2022, respectively.

Except as stated above, the following assets of the Group were pledged or mortgaged as collateral for acceptance bills and short-term and long-term borrowings.

	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivable	\$ 5,059	\$ 24,611	\$ 40,673
Property, plant and equipment	166,580	164,510	158,750
Restricted Deposits and Guarantees	<u>71,776</u>	<u>57,127</u>	<u>81,342</u>
	<u>\$ 243,415</u>	<u>\$ 246,248</u>	<u>\$ 280,765</u>

25. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at the balance sheet date are as follows:

- a. Material capital expenditures contracted for but not yet incurred

Item	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	<u>\$ 216,441</u>	<u>\$ 302,612</u>	<u>\$ 511,565</u>

- b. Contingencies

- 1) Product liability insurance

The Group has entered into a product liability insurance for the products manufactured by the Group and sold globally. The period of the insurance agreement is from August 6, 2023 to August 6, 2024. The coverage of insurance policy is from August 6, 2004 to August 6, 2024. The maximum compensation amount for one single incident is US\$10,000 thousand.

- 2) The Company had at first entered into an exclusive agency contract with Gabjohn for sales in Nigeria. The commission agents, however, switched to other local distributors for the sales in Nigeria due to sales considerations, resulting in Gabjohn filing a lawsuit against the Company for breach of exclusive agency contract and demanding NT\$90,000 thousand (NGN500,000 thousand) as compensation. The Company signed a litigation agreement with Tommy & Jason International Intellectual Property Rights Co., Ltd., which then engaged a lawyer of the local intellectual property office, Adeniji Kazeem & Co., to handle the litigation and regularly reported the litigation proceedings. The lawsuit is currently awaiting in the High Court of Nigeria. Upon the date of issuance of the financial statements for the nine months ended September 30, 2023, the outcome of the dispute regarding the agency cannot be estimated with sufficient reliability.

- 3) The U.S. Department of Commerce notified KA in June 2019 of the review results of the U.S. anti-dumping duties on the total import price of car tires imported from China between August 2016 and July 2017. The review results are not applicable to all car tires imported from China. As a result of the anti-dumping tax re-examination, the anti-dumping tax rate was increased from the previously imposed rate of 8.72% to 64.57%. KA believes that this tax rate is unreasonable based on past experience, so it has appealed to the U.S. Federal Circuit Court. However, in 2020, the Group has estimated the tax amount to be approximately US\$7,778 thousand, along with the penalty interest of US\$789 thousand, based on the abovestated tax rate.

26. INFORMATION ON FOREIGN-CURRENCY ASSETS AND LIABILITIES WITH MATERIAL IMPACT

The following information is aggregated and expressed in foreign currencies other than the functional currencies of the Group's entities, and the exchange rates disclosed refer to the exchange rates of these foreign currencies to the functional currencies. The foreign-currency assets and liabilities with material impact are as follows:

September 30, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
<u>Monetary item</u>				
USD	\$ 62,396	32.27	(USD: TWD)	\$ 2,013,404
USD	90,374	7.18	(USD: CNY)	2,916,202
EUR	10,549	7.58	(EUR: CNY)	359,597
JPY	578,362	0.05	(JPY: CNY)	124,984
CNY	88,000	0.14	(CNY: USD)	395,496
				<u>\$ 5,809,683</u>
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD	4,513	32.27	(USD: TWD)	\$ 145,635
USD	4,159	7.18	(USD: CNY)	134,197
EUR	401	34.09	(EUR: TWD)	13,672
VND (in million)	207,058	0.04	(VND: USD)	275,180
GBP	1,168	1.15	(GBP: EUR)	45,820
IDR (in million)	19,305	0.06	(IDR: USD)	40,231
				<u>\$ 654,735</u>

December 31, 2022

	Foreign Currency		Exchange Rate	Carrying Amount
<u>Financial assets</u>				
<u>Monetary item</u>				
USD	\$ 88,873	30.71	(USD: TWD)	\$ 2,728,844
USD	78,748	6.96	(USD: CNY)	2,417,955
EUR	6,597	7.45	(EUR: CNY)	216,833
JPY	674,233	0.05	(JPY: CNY)	157,973
VND (in million)	196,277	0.04	(VND: USD)	255,553
IDR (in million)	147,363	0.06	(IDR: USD)	290,747
				<u>\$ 6,067,905</u>
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD	4,583	30.71	(USD: TWD)	\$ 140,724
USD	3,630	6.96	(USD: CNY)	111,458
VND (in million)	163,448	0.04	(VND: USD)	212,809
IDR (in million)	20,119	0.06	(IDR: USD)	39,696
GBP	1,238	1.13	(GBP: EUR)	45,911
				<u>\$ 550,598</u>

September 30, 2022

	Foreign Currency		Exchange Rate	Carrying Amount
<u>Financial assets</u>				
<u>Monetary item</u>				
USD	\$ 84,373	31.11	(USD: TWD)	\$ 2,678,242
USD	79,738	7.10	(USD: CNY)	2,531,132
IDR (in million)	142,366	0.07	(IDR: USD)	296,833
VND (in million)	185,804	0.04	(VND: USD)	247,306
EUR	10,206	6.99	(EUR: CNY)	317,494
EUR	2,610	0.98	(EUR: USD)	81,178
EUR	1,226	31.11	(EUR: TWD)	38,150
				<u>\$ 6,190,335</u>
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD	6,394	7.10	(USD: CNY)	\$ 202,963
USD	5,370	31.74	(USD: TWD)	170,453
VND (in million)	124,749	0.04	(VND: USD)	166,042
GBP	1,631	1.14	(GBP: EUR)	57,940
IDR (in million)	24,254	0.07	(IDR: USD)	50,571
				<u>\$ 647,969</u>

The Group's gains or losses on foreign currency exchange (realized and unrealized) from July 1 to September 30, 2023 and 2022 and from January 1 to September 30, 2023 and 2022 were gain of NT\$48,781 thousand, gain of NT\$360,640 thousand, gain of NT\$227,435 thousand, and gain of NT\$631,583 thousand, respectively. These foreign exchange gains or losses could not be disclosed by each foreign currency with material impact due to the wide variety of foreign currency transactions and functional currencies of the intra-group entities.

27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

- 1) Loans of funds to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held at the end of the period: Table 3.
- 4) Aggregate purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: None.
- 10) Business relationships and significant transactions and amounts between the parent and subsidiaries and between subsidiaries: Table 6.
- 11) Information on investee companies: Table 7.

c. Information on investments in mainland China:

- 1) Information on investee companies in mainland China, including the company names, principal business activities, paid-in capital, investment methods, remittance and repatriation of funds, ownership percentage, investment income or loss, carrying amounts of investments at the end of the period, repatriations of investment income or loss, and investment limit in mainland China: Table 8.
- 2) Significant transactions with investees in mainland China, either directly or indirectly through a third region, along with their prices, payment terms, and unrealized gains or losses, are as follows:

- a) The amount and percentage of purchases and the balance and percentage of related payables at the end of the period: Table 6.
- b) The amount and percentage of sales and the balance and percentage of related receivables at the end of the period: Table 6.
- c) The amount of property transactions and the amount of the resultant gains or losses: None.
- d) The ending balance of negotiable instrument endorsements or guarantees or pledges of collateral and the purposes: Table 2.
- e) The highest balance, ending balance, interest rate range, and total current period interest with respect to the financing of funds: Table 1.
- f) Other transactions that have a material impact on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

d. Information of major shareholders:

The names, number of shares held, and percentage of ownership of shareholders with equity stake of 5% or more: Table 9.

28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the types of goods or services delivered or provided.

Segment revenue and operating results

The segment revenue and operating results from continuing operations of the Group were analyzed by reportable segments as follows:

January 1 to September 30, 2023

	<u>Asia</u>	<u>Non-Asia Regions</u>	<u>Others</u>	<u>Adjustment and Write-off</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$ 11,503,611	\$ 14,376,410	\$ -	\$ -	\$ 25,880,021
Intersegment revenue	<u>6,926,381</u>	<u>111,355</u>	<u>-</u>	<u>(7,073,736)</u>	<u>-</u>
Total	<u>\$ 18,429,992</u>	<u>\$ 14,487,765</u>	<u>\$ -</u>	<u>(\$ 7,073,736)</u>	<u>\$ 25,880,021</u>
Interest income	<u>\$ 181,482</u>	<u>\$ 4,257</u>	<u>\$ 9,492</u>	<u>(\$ 16,617)</u>	<u>\$ 178,614</u>
Financial costs	<u>\$ 284,300</u>	<u>\$ 157,306</u>	<u>\$ -</u>	<u>(\$ 21,340)</u>	<u>\$ 420,266</u>
Depreciation and amortization	<u>\$ 1,108,793</u>	<u>\$ 263,925</u>	<u>\$ 13</u>	<u>(\$ 10,965)</u>	<u>\$ 1,361,766</u>
Segment profit or loss (excluding investment income and other operating income and expenses)	<u>\$ 452,068</u>	<u>\$ 571,715</u>	<u>\$ 16,939</u>	<u>(\$ 268,766)</u>	\$ 771,956
Investment income or loss accounted for using the equity method					<u>14,207</u>
Net profit before tax					<u>\$ 786,163</u>
Total assets					<u>\$ 45,878,991</u>

January 1 to September 30, 2022

	<u>Asia</u>	<u>Non-Asia Regions</u>	<u>Others</u>	<u>Adjustment and Write-off</u>	<u>Total</u>
<u>Revenue</u>					
Revenue from external customers	\$ 13,852,236	\$ 16,411,023	\$ -	\$ -	\$ 30,263,259
Intersegment revenue	<u>7,574,451</u>	<u>89,240</u>	<u>-</u>	<u>(7,663,691)</u>	<u>-</u>
Total	<u>\$ 21,426,687</u>	<u>\$ 16,500,263</u>	<u>\$ -</u>	<u>(\$ 7,663,691)</u>	<u>\$ 30,263,259</u>
Interest income	<u>\$ 92,080</u>	<u>\$ 13,065</u>	<u>\$ 7,162</u>	<u>(\$ 4,620)</u>	<u>\$ 107,687</u>
Financial costs	<u>\$ 163,098</u>	<u>\$ 89,550</u>	<u>\$ -</u>	<u>(\$ 9,714)</u>	<u>\$ 242,934</u>
Depreciation and amortization	<u>\$ 1,094,504</u>	<u>\$ 225,560</u>	<u>\$ 13</u>	<u>(\$ 10,964)</u>	<u>\$ 1,309,113</u>
Segment profit or loss (excluding investment income and other operating income and expenses)	<u>\$ 754,140</u>	<u>\$ 371,532</u>	<u>\$ 1,725</u>	<u>\$ 39,746</u>	\$ 1,167,143
Other operating income and expenses					(300)
Investment income or loss accounted for using the equity method					<u>3,093</u>
Net profit before tax					<u>\$ 1,169,936</u>
Total assets					<u>\$ 49,972,726</u>

Intersegment sales are valued at market prices.

Segment profit represents the profit before tax earned by each segment, excluding share of profit or loss of associates accounted for using the equity method and income tax expense. This measure is reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TABLE 1

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**LOANS OF FUNDS TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Account Item	Related Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Range of Interest Rates	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Company	KV	Financing receivables	Yes	\$ 314,200	\$ -	\$ -	2.00~5.00%	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	40% of the Company's net worth, \$ 7,545,367	60% of the Company's net worth, \$ 11,318,051
1	STARCO Europe A/S	STARCO DML Ltd.	Financing receivables	Yes	30,974	9,817	9,817	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
1	STARCO Europe A/S	STARCO GS	Financing receivables	Yes	71,278	71,278	71,278	4.00~6.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
1	STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Financing receivables	Yes	24,479	13,908	13,908	2.40%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
1	STARCO Europe A/S	Starco Polska Sp.zoo	Financing receivables	Yes	108,821	107,377	107,377	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
1	STARCO Europe A/S	STARCO GmbH	Financing receivables	Yes	105,595	60,711	60,711	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
1	STARCO Europe A/S	STARCO Baltic OU	Financing receivables	Yes	6,600	-	-	3.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 153,750	85% of the subsidiary's net worth, 326,719
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina	Financing receivables	Yes	13,839	6,783	2,216	2.68%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 134,034	60% of the subsidiary's net worth, 201,051
3	STARCO GB Ltd.	STARCO DML Ltd.	Financing receivables	Yes	35,220	34,327	33,440	3.00~6.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 93,128	60% of the subsidiary's net worth, 139,692
4	STARCO GmbH	STARCO GS	Financing receivables	Yes	3,455	3,409	3,409	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 63,022	60% of the subsidiary's net worth, 94,533
5	KC	KT	Financing receivables	Yes	661,974	624,705	624,705	3.5065%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, 2,728,082	60% of the subsidiary's net worth, 4,092,123

Note 1: All related transactions were written off when preparing the consolidated financial statements.

TABLE 2

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Made for Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at End of Period (Note 4)	Actual Amount Drawn	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Made by Parent for Subsidiaries	Endorsement/ Guarantee Made by Subsidiaries for Parent	Endorsement/ Guarantee Made for Entities in Mainland China	Remark
		Company Name	Relationship (Note 1)											
0	The Company	STARCO Europe A/S	1	\$ 7,545,367	\$ 2,792,602	\$ 2,781,517	\$ 1,597,141	\$ -	14.75%	\$ 15,090,734	Yes	No	No	—
0	The Company	STARCO GmbH	1	7,545,367	645,360	645,360	51,177	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO DML	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO Polska Sp.z.o.o.	1	7,545,367	645,360	645,360	102,322	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO FR SAS	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO GS AG	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO NV	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO GB Ltd	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	STARCO Baltic OÜ	1	7,545,367	645,360	645,360	-	-	3.42%	15,090,734	Yes	No	No	—
0	The Company	ADI	1	7,545,367	193,608	193,608	129,072	-	1.03%	15,090,734	Yes	No	No	—
0	The Company	KA	1	7,545,367	484,020	484,020	290,412	-	2.57%	15,090,734	Yes	No	No	—
0	The Company	KV	1	7,545,367	5,004,915	3,743,088	697,086	-	19.84%	15,090,734	Yes	No	No	—
0	The Company	KT	1	7,545,367	354,948	354,948	-	-	1.88%	15,090,734	Yes	No	Yes	—
0	The Company	KI	1	7,545,367	2,194,224	2,194,224	1,064,844	-	11.63%	15,090,734	Yes	No	No	—
1	KHK	KS	1	1,131,733	898,856	898,856	-	-	63.54%	1,273,199	No	No	Yes	—
2	KGCI	KS	1	4,118,418	1,797,712	1,797,712	-	-	17.46%	8,236,836	No	No	Yes	—
3	STARCO Europe A/S	STARCO GB Ltd	1	384,375	100,882	98,442	-	-	25.61%	768,751	No	No	No	—

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No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Made for Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at End of Period (Note 4)	Actual Amount Drawn	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Made by Parent for Subsidiaries	Endorsement/ Guarantee Made by Subsidiaries for Parent	Endorsement/ Guarantee Made for Entities in Mainland China	Remark
		Company Name	Relationship (Note 1)											
3	STARCO Europe A/S	STARCO NV	1	\$ 384,375	\$ 190,025	\$ 153,396	\$ 5,045	\$ -	39.91%	\$ 768,751	No	No	No	—
3	STARCO Europe A/S	STARCO GS AG	1	384,375	14,432	14,114	7,974	-	3.67%	768,751	No	No	No	—
3	STARCO Europe A/S	STARCO Beli Manastir	1	384,375	120,912	119,308	-	-	31.04%	768,751	No	No	No	—
3	STARCO Europe A/S	STARCO GmbH	1	384,375	76,251	43,564	-	-	11.33%	768,751	No	No	No	—

Note 1: Relationships between the endorser/guarantor and endorsee/guarantee:

1. A company in which the Company directly and indirectly holds more than 90% of the voting shares.

Note 2: The limit on endorsements/guarantees made by the Company for each company is 40% of the Company's net worth.

The limit on endorsements/guarantees made by KHK for a single enterprise is 40% of KHK's net worth, whereas the limit on endorsements/guarantees made by KHK for an enterprise whose voting shares are 100% held by KHK or the Company, either directly or indirectly, is 80% of KHK's net worth.

The limit on endorsements/guarantees made by KGCI for a single enterprise is 40% of KGCI's net worth.

The limit on endorsements/guarantees made by STARCO Europe A/S for a single enterprise is 100% of STARCO Europe A/S's net worth.

Note 3: The Company's aggregate endorsement/guarantee limit is 80% of its net worth.

KHK's aggregate endorsement/guarantee limit is 90% of its net worth.

KGCI's aggregate endorsement/guarantee limit is 80% of its net worth.

STARCO Europe A/S's aggregate endorsement/guarantee limit is 200% of its net worth.

Note 4: KGCI and KHK jointly provided a guarantee of RMB400 million for KS, but KHK's guarantee is limited to RMB200 million.

Note 5: The Company provided endorsement/guarantee for two subsidiaries, KV and KI, with a shared limit of US\$20 million, of which the available limits are US\$17 million for KV and US\$8 million for KI.

Note 6: The Company provided endorsements/guarantees for nine subsidiaries, including STARCO Europe A/S, STARCO GmbH, STARCO Polska Sp. z o.o, STARCO SAS, STARCO GS AG, STARCO NV, STARCO GB Ltd, STARCO DML and STARCO Baltic OÜ, with a shared limit of US\$20 million.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD AT THE END OF THE PERIOD

SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with Holding Company	Account Item	End of the Period				Remark
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)	
The Company	<u>Shares and equity</u>							
	China Development Financial Holding Corporation	—	Financial assets at FVTPL - current	105	\$ 1,235	-	\$ 1,235	—
	Kenjou Industrial Co., Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	7,382	336,766	10.86%	336,766	—
	Chang Hwa Golf Co., Ltd.	—	Equity instruments at FVTOCI - non-current	30	375	0.08%	375	—
	Ou Hua Venture Capital Co., Ltd.	—	Equity instruments at FVTOCI - non-current	41	-	5.15%	-	—
	Yu Hua Venture Capital Co., Ltd.	—	Equity instruments at FVTOCI - non-current	10	-	2.50%	-	—
	TotalEnergies Marketing Taiwan Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	81	48,217	6.80%	48,217	—
	BOMY(BVI)CO., LTD.	—	Equity instruments at FVTOCI - non-current	2,000	15,386	9.73%	15,386	—
KGI	<u>Shares and equity</u>							
	Kenjou Investment Co., Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	1,703	126,843	13.00%	126,843	—

Note 1: The calculation of the fair values of domestic listed shares is based on the closing price at September 30, 2023.

TABLE 4**KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Counterparty	Relationship	Transaction Details				Justification of Unusual Transaction Terms		Notes/Trade Receivable (Payable)		Remark
			Purchases/ Sales	Amount	Ratio to Total Purchase (Sale)	Credit Terms	Unit Price	Credit Terms	Balance	Ratio to Total Notes/Trade Receivable (Payable)	
The Company	KA	Subsidiary	Sales	\$ 186,743	6.38%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	\$ 86,733	9.02%	Note
	KF	Subsidiary	Sales	518,300	17.71%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	191,244	19.88%	Note
	ADI	Indirectly invested subsidiary	Sales	731,606	24.99%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	372,238	38.70%	Note
KC	KA	Subsidiary of the ultimate parent company	Sales	180,136	3.85%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	98,627	10.33%	Note
	ADI	Subsidiary of the ultimate parent company	Sales	162,629	3.48%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	65,548	6.87%	Note
	STARCO NV BELGIUM	Subsidiary of the ultimate parent company	Sales	141,264	3.02%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	65,008	6.81%	Note
KV	KA	Subsidiary of the ultimate parent company	Sales	2,643,949	46.08%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	1,500,127	70.05%	Note
	ADI	Subsidiary of the ultimate parent company	Sales	669,944	11.68%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	357,489	16.69%	Note
KT	KS	Subsidiary of the ultimate parent company	Sales	626,987	27.50%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	129,304	20.51%	Note
STARCO Beli Manastir d.o.o.	STARCO GmbH	Subsidiary of the ultimate parent company	Sales	176,698	5.96%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	35,628	7.54%	Note
STARCO Europe A/S	STARCO Huanmei	Associate	Purchases	(111,668)	(5.47%)	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	(27,429)	(6.89%)	—

Note: All related transactions were written off when preparing the consolidated financial statements.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company of Receivables	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amounts Recovered in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ADI	Indirectly invested subsidiary	Trade receivable NT\$ 372,238	1.51	\$ 86,938	—	\$ 68,160	\$ -
KC	KF	Subsidiary	Trade receivable 191,244	3.65	-	—	65,130	-
	KT	Subsidiary of the ultimate parent company	Other receivables 636,972	Note 2	-	—	-	-
KV	KA	Subsidiary of the ultimate parent company	Trade receivable 1,500,127	2.56	12,730	—	531,613	-
KT	ADI	Subsidiary of the ultimate parent company	Trade receivable 357,489	2.06	15,772	—	79,564	-
	KS	Subsidiary of the ultimate parent company	Trade receivable 129,304	5.77	-	—	75,028	-

Note 1: All related transactions were written off when preparing the consolidated financial statements.

Note 2: Primarily other receivables and thus not applicable.

Note 3: Amounts recovered as of October 31, 2023.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AND AMOUNTS BETWEEN THE PARENT AND SUBSIDIARIES AND BETWEEN SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Number (Note 1)	Trader	Counterparty	Relationship with Trader (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	% of Consolidated Total Revenue or Total Assets
0	The Company	ADI	1	Sales revenue	\$ 731,606	(Note 4)	2.83%
		KA	1	Sales revenue	186,743	(Note 4)	0.72%
		KC	1	Service revenue	94,149	(Note 4)	0.36%
		KF	1	Sales revenue	518,300	(Note 4)	2.00%
		KF	1	Service revenue	22,059	(Note 4)	0.09%
		KI	1	Sales revenue	19,127	(Note 4)	0.07%
		KI	1	Service revenue	30,649	(Note 4)	0.12%
		KT	1	Service revenue	37,304	(Note 4)	0.14%
		KV	1	Sales revenue	75,269	(Note 4)	0.29%
		KV	1	Service revenue	189,104	(Note 4)	0.73%
		STARCO GMBH	1	Sales revenue	16,558	(Note 4)	0.06%
1	KC	ADI	3	Sales revenue	162,629	(Note 4)	0.63%
		KA	3	Sales revenue	180,136	(Note 4)	0.70%
		KS	3	Sales revenue	73,144	(Note 4)	0.28%
		KT	3	Interest income	16,616	(Note 4)	0.06%
		KF	3	Sales revenue	15,406	(Note 4)	0.06%
		STARCO GB UK	3	Sales revenue	39,043	(Note 4)	0.15%
		STARCO NV BELGIUM	3	Sales revenue	141,264	(Note 4)	0.55%
		STARCO POLSKA POLAND	3	Sales revenue	77,010	(Note 4)	0.30%
2	KT	ADI	3	Sales revenue	93,455	(Note 4)	0.36%
		KS	3	Sales revenue	626,987	(Note 4)	2.42%
		STARCO NV BELGIUM	3	Sales revenue	23,189	(Note 4)	0.09%
		STARCO POLSKA POLAND	3	Sales revenue	14,620	(Note 4)	0.06%
		STARCO GS AG SWISS	3	Sales revenue	17,804	(Note 4)	0.07%
3	KI	KV	3	Sales revenue	27,652	(Note 4)	0.11%
4	KV	ADI	3	Sales revenue	669,944	(Note 4)	2.59%
		KA	3	Sales revenue	2,643,949	(Note 4)	10.22%
5	KE	The Company	2	Service revenue	110,640	(Note 4)	0.43%

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Number (Note 1)	Trader	Counterparty	Relationship with Trader (Note 2)	Transaction Details (Note 3)			% of Consolidated Total Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	ADI	1	Trade receivable	\$ 372,238	(Note 4)	0.81%
		KT	1	Other receivables	36,301	(Note 4)	0.08%
		KI	1	Other receivables	14,705	(Note 4)	0.03%
		KI	1	Trade receivable	17,521	(Note 4)	0.04%
		KA	1	Trade receivable	86,733	(Note 4)	0.19%
		KV	1	Other receivables	31,767	(Note 4)	0.07%
		KV	1	Trade receivable	26,563	(Note 4)	0.06%
		KF	1	Trade receivable	191,244	(Note 4)	0.42%
		1	KC	ADI	3	Trade receivable	65,548
KT	3			Other receivables	624,704	(Note 4)	1.36%
KA	3			Trade receivable	98,627	(Note 4)	0.21%
KS	3			Trade receivable	34,830	(Note 4)	0.08%
STARCO GB UK	3			Trade receivable	15,848	(Note 4)	0.03%
STARCO NV BELGIUM	3			Trade receivable	65,008	(Note 4)	0.14%
STARCO POLSKA POLAND	3			Trade receivable	21,299	(Note 4)	0.05%
2	KT	ADI	3	Trade receivable	43,846	(Note 4)	0.10%
		KS	3	Trade receivable	129,304	(Note 4)	0.28%
		STARCO GS AG SWISS	3	Trade receivable	15,097	(Note 4)	0.03%
6	KA	The Company	2	Trade receivable	29,289	(Note 4)	0.06%
4	KV	ADI	3	Trade receivable	357,489	(Note 4)	0.78%
		KA	3	Trade receivable	1,500,127	(Note 4)	3.27%
7	STARCO Europe A/S	STARCO GS AG	1	Other receivables	71,278	(Note 4)	0.16%
		STARCO GmbH	1	Other receivables	60,711	(Note 4)	0.13%
		STARCO Beli Manastir d.o.o.	1	Other receivables	13,908	(Note 4)	0.03%
		Starco Polska Sp.z.o.o.	1	Other receivables	107,377	(Note 4)	0.23%
		STARCO GB UK	1	Other receivables	13,423	(Note 4)	0.03%
		STARCO NV	1	Other receivables	16,721	(Note 4)	0.04%
		STARCO Beli Manastir d.o.o.	1	Trade receivable	35,628	(Note 4)	0.08%
9	STARCO GB Ltd.	STARCO DML Ltd.	3	Other receivables	33,440	(Note 4)	0.07%
10	STARCO FR SAS	STARCO Europe A/S	3	Trade receivable	25,492	(Note 4)	0.06%
7	STARCO Europe A/S	STARCO GB Ltd.	1	Sales revenue	24,083	(Note 4)	0.09%
		STARCO NV	1	Sales revenue	45,536	(Note 4)	0.18%
		STARCO GmbH	1	Sales revenue	14,870	(Note 4)	0.06%
		STARCO Polska Sp. Z.o.o.	1	Sales revenue	25,015	(Note 4)	0.10%

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Number (Note 1)	Trader	Counterparty	Relationship with Trader (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	% of Consolidated Total Revenue or Total Assets
8	STARCO Beli Manastir d.o.o.	STARCO GB Ltd.	3	Sales revenue	\$ 70,384	(Note 4)	0.27%
		STARCO GmbH	3	Sales revenue	176,698	(Note 4)	0.68%
		STARCO Polska Sp. Z.o.o.	3	Sales revenue	73,006	(Note 4)	0.28%
		STARCO GS AG	3	Sales revenue	39,028	(Note 4)	0.15%
		STARCO NV	3	Sales revenue	26,073	(Note 4)	0.10%
11	STARCO GmbH	STARCO FR SAS	3	Sales revenue	31,370	(Note 4)	0.12%
12	STARCO NV	STARCO FR SAS	3	Sales revenue	63,298	(Note 4)	0.24%
		STARCO POLSKA Sp. z o. o.	3	Sales revenue	14,546	(Note 4)	0.06%
13	STARCO Polska Sp. z o.o.	STARCO Baltic OÜ	3	Sales revenue	82,637	(Note 4)	0.32%

Note 1: The information about business transactions between the parent company and the subsidiaries should be indicated in the code column, respectively, and the code shall be filled in as follows:

1. Fill in 0 for the parent company.
2. Subsidiaries are coded in sequence starting from Arabic numeral 1 according to the company types.

Note 2: There are three types of relationships with the trader, as indicated below:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: For the calculation of the ratio of transaction amount to consolidated total revenue or total assets, ending balance to consolidated total assets is used to calculate for those that belong to accounts on the balance sheet; accumulated amount for the period to consolidated net sales revenue is used to calculate for those that belong to accounts on the income statement.

Note 4: In accordance with the transaction terms and conditions agreed by both parties.

TABLE 7

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars; In Thousands of Foreign Currency)

Investor	Investee	Location	Primary Businesses	Initial Investment Amount		Ending Shareholding			Profit (Loss) of the Investee for the Period (Note 1)	Investment Profit (Loss) Recognized for the Period (Note 1)	Remark
				End of Period (Note 1)	End of Last Year (Note 1)	Number of Shares	Percentage	Carrying Amount (Note 1)			
The Company	KA	United States	Trading, investment	USD 9,000	USD 9,000	-	100%	NTD 2,769,776	NTD 424,659	NTD 424,659	Note 3
	KHK	Hong Kong	Trading, investment	HKD 100	HKD 100	-	100%	NTD 1,395,140	(NTD 76,931)	(NTD 76,931)	Note 3
	KV	Vietnam	Manufacturing of tires	USD 67,680	USD 67,680	-	100%	NTD 9,015,613	NTD 509,880	NTD 267,760	Notes 2 and 3
	KIC	Cayman Islands	Investment	USD 81,753	USD 81,753	-	100%	NTD 11,403,405	(NTD 15,166)	(NTD 15,166)	Note 3
	KE	Germany	Marketing planning and R&D	EUR 405	EUR 405	-	100%	NTD 45,649	NTD 7,873	NTD 7,873	Note 3
	KF	Taiwan	Selling of tires	NTD 199,000	NTD 199,000	19,900	100%	NTD 272,490	NTD 42,743	NTD 42,743	Note 3
	KI	Indonesia	Manufacturing of tires	USD 52,999	USD 52,999	-	99.99%	NTD 831,928	(NTD 166,578)	(NTD 166,578)	Note 3
KF	KI	Indonesia	Manufacturing of tires	USD 1	USD -	-	0.01%	NTD 14	(NTD 166,578)	(NTD 3)	Note 3
KA	ADI	United States	Manufacturing of rims and distribution and selling of tires and rims	USD 20,000	USD 20,000	1	100%	USD 70,668	USD 5,935	Note 1	Note 3
KIC	KGH	Cayman Islands	Investment	USD 112,050	USD 112,050	-	100%	USD 338,957	(USD 51)	Note 1	Note 3
	KGI	Mauritius	Investment	USD 1,703	USD 1,703	-	100%	USD 14,011	(USD 448)	Note 1	Note 3
KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100%	USD 8,170	(USD 780)	Note 1	Note 3
STARCO Europe A/S	STARCO GB Ltd	United Kingdom	Distribution and selling of tires and rims	EUR 552	EUR 552	-	100%	EUR 9,046	EUR 2,040	Note 1	Note 3
	STARCO GmbH	Germany	Distribution and selling of tires and rims	EUR 511	EUR 511	-	100%	EUR 3,433	EUR 988	Note 1	Note 3
	STARCO Polska Sp.z.o.o.	Poland	Distribution and selling of tires and rims	EUR 30	EUR 30	-	100%	EUR 2,376	(EUR 59)	Note 1	Note 3
	STARCO NV	Belgium	Distribution and selling of tires and rims	EUR 2,810	EUR 2,810	-	100%	EUR 3,203	(EUR 878)	Note 1	Note 3
	STARCO GS AG	Switzerland	Distribution and selling of tires and rims	EUR 355	EUR 355	-	100%	EUR 1,315	EUR 4	Note 1	Note 3
	STARCO Baltic OÜ	Estonia	Distribution and selling of tires and rims	EUR 3	EUR 3	-	100%	EUR 717	(EUR 298)	Note 1	Note 3
	STARCO FR SAS	France	Distribution and selling of tires and rims	EUR 183	EUR 183	-	100%	EUR 1,336	EUR 235	Note 1	Note 3
	STARCO Beli Manastir d.o.o.	Croatia	Manufacturing of rims	EUR 9,614	EUR 9,614	-	100%	EUR 9,501	(EUR 332)	Note 1	Note 3
	STARCO DML	United Kingdom	Manufacturing of rims and distribution and selling of tires and rims	EUR 1,031	EUR 1,031	-	100%	EUR 91	(EUR 634)	Note 1	Note 3
	STARCO Imovinad. d.o.o.	Croatia	Investment	EUR 3	EUR 3	-	100%	EUR 1,699	EUR 33	Note 1	Note 3

Note 1: The profit or loss of the investee is included in its investor and is not presented herein to avoid confusion.

Note 2: The differences refer to the elimination (reversal) of unrealized gross profit of the investee.

Note 3: All the transactions were written off when preparing the consolidated financial statements.

TABLE 8**KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023****(In Thousands of New Taiwan Dollars; In Thousands of Foreign Currency)**

Investee Company	Primary Businesses	Paid-in Capital	Investment Methods	Accumulated Investment Amount Remitted from Taiwan at Beginning of Period	Remittance or Repatriation for the Period Investment Amount		Accumulated Investment Amount Remitted from Taiwan at End of Period	Profit (Loss) of the Investee for the Period	Ownership of Direct or Indirect Investment	Investment Profit (Loss) Recognized in the Period (Note 3)	Carrying Amount of Investment at End of Period	Accumulated Repatriation of Investment Income as of the Current Period	Remark
					Remitted	Repatriated							
KS	Manufacturing and selling of various tubes and tires for vehicles	\$ 806,700 USD 25,000	Note 1	\$ 806,700 USD 25,000	\$ -	\$ -	\$ 806,700 USD 25,000	(\$ 88,766)	100%	(\$ 86,489)	\$ 1,501,894	\$ 8,436,340	Note 10
KC	Manufacturing and selling of various tubes and tires for vehicles	2,258,760 USD 70,000	Notes 1 and 7	2,258,760 USD 70,000	-	-	2,258,760 USD 70,000	204,241	100%	Note 4	Note 4	-	-
KT	Manufacturing and selling of various tubes and tires for vehicles	7,098,960 USD 220,000	Notes 1, 2 and 7	503,381 USD 15,600	-	-	503,381 USD 15,600	(171,694)	100%	(183,216)	3,421,967	-	Note 10
KGCI	Investment	5,195,148 USD 161,000	Notes 1 and 2	-	-	-	-	34,398	100%	34,398	10,330,720	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing, processing and selling of various foods and beverages	645,360 USD 20,000	Note 1	64,536 USD 2,000	-	-	64,536 USD 2,000	-	10%	-	15,386	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Interior and exterior parts for automobiles	843,260 USD 26,133	Note 1	54,952 USD 1,703	-	-	54,952 USD 1,703	-	2.6%	-	126,843	144,690	-
STARCO Huanmei	Manufacturing of rims	170,440 EUR 5,000	Note 1	Note 9	-	-	Note 9	42,792	33%	14,207	130,809	-	-

Accumulated Amount of Investment in Mainland China Remitted from Taiwan at End of Period	Investment Amount Authorized by the Department of Investment Review, MOEA	Limit Amount of Investment Stipulated by the Department of Investment Review, MOEA (Note 5)
\$ 3,688,329 USD 114,303 Note 5	\$ 10,372,762 USD 319,703 EUR 1,660 Note 5	Note 6

Note 1: Investments in the companies in mainland China through a company in a third region.

Note 2: Differences between the paid-in capital and the investment amounts remitted from Taiwan resulted from the reinvestment of dividends received and the repatriation of cash capital increase from offshore subsidiaries.

Note 3: The investment profits (losses) recognized in the period, except for those of KC, KT and KGCI, are recognized based on the financial statements prepared by the investees, which have not been reviewed by auditors.

Note 4: The investment income and carrying amount of investment at the end of the period of KC is included in that of KGCI and is not presented herein to avoid confusion.

Note 5: The difference of US\$205,400 thousand between the investment amount of US\$319,703 thousand authorized by the Department of Investment Review, MOEA and the accumulated outward remittance of US\$114,303 thousand for investment from Taiwan was due to direct reinvestment of dividends received and the inward remittance of cash capital increase by offshore subsidiaries.

Note 6: Per the certificate of qualification for operational headquarters issued by the Industrial Development Administration, MOEA, the Company has no limitation on the accumulated remittance for investments in mainland China.

Note 7: The paid-in capital of KC and a portion of KT's was included in the paid-in capital of the investor. Therefore, such paid-in capital was not double counted when calculating the investment amounts authorized and remitted.

Note 8: Any foreign currency involved in the above figures were translated into TWD using the exchange rate at the end of corresponding financial reporting period, or the average exchange rate for the period.

Note 9: The remittance is indirectly included through mergers and acquisitions.

Note 10: The difference between net income (loss) of the investee and investment gains (losses) are unrealized profit or loss on intra-group transactions.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON MAJOR SHAREHOLDERS

SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership (%)
Yang, Chi-Jen	96,051,725	10.05%
Yang, Ying-Ming	66,905,428	7.00%