

# KENDA RUBBER INDUSTRIAL CO., LTD and Subsidiaries

## Consolidated Financial Statements and Auditors' Review Report MARCH 31, 2023 AND 2022

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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**

KENDA RUBBER INDUSTRIAL CO., LTD

### **Introduction**

We have duly reviewed the accompanying consolidated balance sheets of Kenda Rubber Ind. Co.,Ltd. and its subsidiaries (hereinafter referred to as the "Company") as of March 31, 2023 and 2022, the related consolidated statements of income, changes in equity, and cash flows for January 1 to March 31, 2023 and 2022, as well as the accompanying notes to the consolidated financial statements, which include a summary of significant accounting policies. It is the responsibility of company management to prepare financial statements that present fairly the financial position of the Company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission and issued in effect. Our responsibility is to express an opinion on the consolidated financial statements based on our audit review.

### **Scope of Review**

We conducted our review work in accordance with TWSRE 2410, "Review of Financial Statements," except for those described in the Basis of Qualified Opinions paragraph. The procedures applied in reviewing the consolidated financial statements include making inquiries (primarily of persons responsible for financial and accounting matters), analytical procedures, and other review procedures. The scope of the review is significantly smaller than the scope of an audit and consequently we may not be able to identify all significant matters that might be identified by an audit and hence cannot express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 11 to the consolidated financial statements, the financial statements of the non-significant subsidiaries included in the aforementioned consolidated financial statements have not been duly reviewed, and their total assets amounted to NT\$8,256,150 thousand and NT\$9,516,043 thousand as of March 31, 2023 and 2022 respectively, representing 18% and 19% of the consolidated total assets. Total liabilities amounted to NT\$4,711,385 thousand and NT\$4,576,903 thousand, accounting for 17% and 15% of the total consolidated liabilities, respectively. Total comprehensive income and loss amounted to NT\$72,093 thousand and NT\$171,554 thousand as of January 1 to March 31, 2023 and 2022, accounting for 18% and 19% of the total consolidated income and loss, respectively.

### **Qualified Conclusion**

Based on our review, nothing has come to our attention which causes us to believe that the consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Kenda Rubber Ind. Co., Ltd. as of March 31, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows for January 1 to March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting", as endorsed and issued by the Financial Supervisory Commission, except for the effect of possible adjustments to the consolidated financial statements that might have been made had the financial statements of non-significant subsidiaries been reviewed as described in the Basis for Qualified Conclusions paragraph.

Deloitte Taiwan  
Janice Wang, CPA

Rock Tseng, CPA

FSC Approval No.  
Jin-Guan-Zheng-Shen-Zi No. 0980032818

Securities and Futures Bureau Approval No.  
Tai-Cai-Zheng-Liu-Zi No. 0920123784

May 10, 2023

KENDA RUBBER INDUSTRIAL CO., LTD and Subsidiaries  
Consolidated Balance Sheets  
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Code	Asset	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
		Amount	%	Amount	%	Amount	%
<b>Current Assets</b>							
1100	Cash and Cash Equivalents (Note 6)	\$ 5,720,251	13	\$ 6,007,721	13	\$ 5,777,441	12
1110	Financial asset or financial liability at fair value through profit or loss	1,314	-	1,319	-	2,010	-
1150	Notes receivable (Notes 8 and 23)	210,013	-	198,265	-	204,945	-
1170	Accounts receivable (Notes 8, 23 and 24)	4,102,787	9	3,713,612	8	4,882,088	10
130X	Inventories (Notes 9 and 24)	10,816,106	24	12,330,155	26	13,835,195	28
1410	Prepayments	312,334	1	280,229	1	641,557	1
1476	Other financial assets - current (Notes 10 and 24)	2,220,316	5	1,626,218	4	2,031,627	4
1479	Other current assets	571,877	1	616,148	1	429,187	1
11XX	Total current assets	<u>23,954,998</u>	<u>53</u>	<u>24,773,667</u>	<u>53</u>	<u>27,804,050</u>	<u>56</u>
<b>non-current assets</b>							
1517	Financial assets at fair value through other comprehensive income or loss - non-current (Note 7)	520,428	1	521,443	1	481,942	1
1550	Investments accounted for using the equity method	131,462	-	134,473	-	111,339	-
1600	Property, plant and equipment (Notes 12 and 24)	16,155,027	36	16,334,327	35	15,468,441	32
1755	Right-of-use assets (Note 13)	1,730,391	4	1,775,986	4	1,636,071	4
1760	Investment real estate (Note 14)	26,743	-	26,610	-	27,944	-
1840	Deferred tax assets	498,287	1	449,680	1	586,326	1
1980	Other financial assets - current (Note 10)	1,800,698	4	1,931,157	4	2,088,009	4
1990	Other non-current assets (Note 12)	639,875	1	652,806	2	1,019,153	2
15XX	Total non-current assets	<u>21,502,911</u>	<u>47</u>	<u>21,826,482</u>	<u>47</u>	<u>21,419,225</u>	<u>44</u>
1XXX	Total Assets	<u>\$ 45,457,909</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 49,223,275</u>	<u>100</u>
<b>Liabilities and Equity</b>							
<b>Current liabilities</b>							
2100	Short-term loans (Note 15)	\$ 4,486,040	10	\$ 4,590,273	10	\$ 5,339,445	11
2130	Contractual liabilities - current	288,822	1	232,063	1	388,231	1
2150	Notes payable	102,397	-	105,965	-	205,246	-
2170	Accounts payable (Note 23)	2,227,058	5	2,410,155	5	3,779,944	8
2280	Lease liabilities - current (Note 13)	122,760	-	164,466	-	86,954	-
2216	Dividends payable	454,705	1	-	-	909,410	2
2219	Other payables (Note 23)	1,427,657	3	1,612,531	3	1,683,060	4
2230	Current income tax liabilities	288,848	1	272,342	1	26,623	-
2320	Long-term liabilities due within one year (Note 15)	1,919,727	4	1,735,672	4	1,163,094	2
2399	Other current liabilities (Note 17)	130,466	-	110,785	-	117,766	-
21XX	Total current liabilities	<u>11,448,480</u>	<u>25</u>	<u>11,234,252</u>	<u>24</u>	<u>13,699,773</u>	<u>28</u>
<b>Non-current liabilities</b>							
2540	Long-term borrowings (Note 15)	13,470,190	30	14,018,511	30	14,869,535	30
2570	Deferred income tax liabilities	658,714	1	602,774	1	762,065	2
2580	Lease liabilities - non-current (Note 13)	514,945	1	515,201	1	480,430	1
2640	Net defined benefit liabilities	94,557	-	100,938	-	209,654	-
2670	Other non-current liabilities (Note 13)	750,959	2	746,077	2	491,191	1
25XX	Total non-current liabilities	<u>15,489,365</u>	<u>34</u>	<u>15,983,501</u>	<u>34</u>	<u>16,812,875</u>	<u>34</u>
2XXX	Total liabilities	<u>26,937,845</u>	<u>59</u>	<u>27,217,753</u>	<u>58</u>	<u>30,512,648</u>	<u>62</u>
<b>Equity attributable to owners of the parent company (Note 16)</b>							
3110	Ordinary shares	9,094,100	20	9,094,100	20	9,094,100	19
3200	Additional paid-in capital	41	-	41	-	41	-
<b>Retained earnings</b>							
3310	Legal reserve	3,398,776	8	3,398,776	7	3,308,030	7
3320	Special reserve	1,970,995	4	1,970,995	4	1,601,002	3
3350	Undistributed earnings	4,915,633	11	5,749,958	13	5,983,382	12
3,300	Total retained earnings	<u>10,285,404</u>	<u>23</u>	<u>11,119,729</u>	<u>24</u>	<u>10,892,414</u>	<u>22</u>
3,400	Other equity interests	(859,481)	(2)	(831,490)	(2)	(1,275,946)	(3)
31XX	Total equity attributable to shareholders of the Company	<u>18,520,064</u>	<u>41</u>	<u>19,382,380</u>	<u>42</u>	<u>18,710,609</u>	<u>38</u>
36XX	Non-controlling interests	-	-	16	-	18	-
3XXX	Total equity	<u>18,520,064</u>	<u>41</u>	<u>19,382,396</u>	<u>42</u>	<u>18,710,627</u>	<u>38</u>
<b>Total liabilities and equity</b>		<u>\$ 45,457,909</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 49,223,275</u>	<u>100</u>

The accompanying supplementary notes are an integral part of this consolidated financial statements.  
(Please refer to the review report dated May 10, 2023 duly issued by Deloitte Taiwan)

KENDA RUBBER INDUSTRIAL CO., LTD and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except earnings(loss) per share)  
(Reviewed only, not audited in accordance with GAAS)

Code		Three-month periods ended March 31			
		2023		2022	
		Amount	%	Amount	%
4000	Net operating revenues (Notes 17 and 23)	\$ 8,220,272	100	\$ 9,448,922	100
5000	Operating costs (Notes 9, 18 and 23)	<u>7,167,504</u>	<u>87</u>	<u>7,909,610</u>	<u>84</u>
5900	Gross profit from operations	<u>1,052,768</u>	<u>13</u>	<u>1,539,312</u>	<u>16</u>
	Operating expenses (Notes 18 and 23)				
6100	Marketing expenses	571,370	7	652,635	7
6200	Management fees	352,842	5	297,221	3
6300	Research and development expenses	348,934	4	388,609	4
6450	Expected benefits from reversal of credit losses	( 9,517)	-	( 8,668)	-
6000	Total operating expenses	<u>1,263,629</u>	<u>16</u>	<u>1,329,797</u>	<u>14</u>
6500	Other gains and losses (Note 18)	<u>-</u>	<u>-</u>	<u>( 298)</u>	<u>-</u>
6900	Net operating (loss) income	<u>( 210,861)</u>	<u>( 3)</u>	<u>209,217</u>	<u>2</u>
	Non-operating income and expenses (Notes 18 and 23)				
7100	Interest income	49,258	1	37,521	1
7010	Other income	25,697	-	29,700	-
7020	Other gains and losses	( 51,022)	-	58,583	1
7050	Finance costs	( 138,396)	( 2)	( 66,094)	( 1)
7060	Share of profits and losses of affiliated companies recognized under the equity method	<u>( 780)</u>	<u>-</u>	<u>( 214)</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>( 115,243)</u>	<u>( 1)</u>	<u>59,496</u>	<u>1</u>

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Code		Three-month periods ended March 31			
		2023		2022	
		Amount	%	Amount	%
7900	Net income (loss) before income tax	(\$ 326,104)	( 4)	\$ 268,713	3
7950	Income tax expense (Note 19)	( 53,501)	( 1)	( 81,513)	( 1)
8200	Net (loss) profit for the period	( 379,605)	( 5)	187,200	2
8360	Other comprehensive income Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of financial statements of overseas operations	( 34,989)	-	868,811	9
8399	Income taxes related to items that may be reclassified	6,998	-	( 173,762)	( 2)
8300	Other comprehensive income (net of tax) recognized for the period	( 27,991)	-	695,049	7
8500	Total consolidated profit or loss for the period	(\$ 407,596)	( 5)	\$ 882,249	9
	Net income attributable to:				
8610	Owners of the parent company	(\$ 379,605)	( 5)	\$ 187,200	2
8620	Non-controlling interests	-	-	-	-
8600		(\$ 379,605)	( 5)	\$ 187,200	2
	Total consolidated profit or loss attributable to:				
8710	Owners of the parent company	(\$ 407,596)	( 5)	\$ 882,249	9
8720	Non-controlling interests	-	-	-	-
8700		(\$ 407,596)	( 5)	\$ 882,249	9
	Earnings (loss) per share (Note 20)				
9710	Basic	(\$ 0.42)		\$ 0.21	
9810	Diluted	(\$ 0.42)		\$ 0.21	

The accompanying supplementary notes are an integral part of this consolidated financial statements.

(Please refer to the review report dated May 10, 2023 duly issued by Deloitte Taiwan)

KENDA RUBBER INDUSTRIAL CO., LTD and Subsidiaries  
Consolidated Statement of Changes in Equity  
THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed only, not audited in accordance with GAAS)

		Equity attributable to owners of the Company					Other equity items				
		Retained earnings					Overseas operating entities Translation of financial statements	Through other consolidated Profit or loss at fair value Financial assets measured at fair value Unrealized gain or loss on valuation	Total	Non-controlling interests	Total equity
Code		Share capital	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences				
A1	Balance as of 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
B5	Earnings distribution for FY2021 Cash dividends - NT\$1 per share	-	-	-	-	( 909,410)	-	-	( 909,410)	-	( 909,410)
D1	Net profit from January 1 to March 31, 2022	-	-	-	-	187,200	-	-	187,200	-	187,200
D3	Other comprehensive income after tax for the period from January 1 to March 31, 2022	-	-	-	-	-	695,049	-	695,049	-	695,049
D5	Total consolidated profit and loss for January 1 to March 31, 2022	-	-	-	-	187,200	695,049	-	882,249	-	882,249
Z1	Balance as of March 31, 2022	<u>\$ 9,094,100</u>	<u>\$ 41</u>	<u>\$ 3,308,030</u>	<u>\$ 1,601,002</u>	<u>\$ 5,983,382</u>	<u>(\$ 1,624,739)</u>	<u>\$ 348,793</u>	<u>\$ 18,710,609</u>	<u>\$ 18</u>	<u>\$ 18,710,627</u>
A1	Balance as of 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
B5	Earnings distribution for FY2022 Cash dividends - NT\$0.5 per share	-	-	-	-	( 454,705)	-	-	( 454,705)	-	( 454,705)
D1	January 1 to March 31, 2023	-	-	-	-	( 379,605)	-	-	( 379,605)	-	( 379,605)
D3	Other comprehensive income after tax for the period from January 1 to March 31, 2023	-	-	-	-	-	( 27,991)	-	( 27,991)	-	( 27,991)
D5	Total consolidated profit and loss for January 1, 2023 to March 31, 2023	-	-	-	-	( 379,605)	( 27,991)	-	( 407,596)	-	( 407,596)
M7	Change in equity interest in subsidiaries	-	-	-	-	( 15)	-	-	( 15)	( 16)	( 31)
Z1	Balance on March 31, 2023	<u>\$ 9,094,100</u>	<u>\$ 41</u>	<u>\$ 3,398,776</u>	<u>\$ 1,970,995</u>	<u>\$ 4,915,633</u>	<u>(\$ 1,241,310)</u>	<u>\$ 381,829</u>	<u>\$ 18,520,064</u>	<u>\$ -</u>	<u>\$ 18,520,064</u>

The accompanying supplementary notes are an integral part of this consolidated financial statements.  
(Please refer to the review report dated May 10, 2023 duly issued by Deloitte Taiwan)

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Consolidated Statement of Cash Flows

THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

(Reviewed only, not audited in accordance with GAAS)

Code		Three-month periods ended March 31	
		2023	2022
	Net cash flow from operating activities		
A00010	Net income (loss) before income tax	(\$ 326,104)	\$ 268,713
A20010	Income and expense items		
A20100	Depreciation	447,703	410,824
A20200	Amortization	4,068	2,190
A20300	Expected benefits from reversal of credit losses	( 9,517)	( 8,668)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	5	( 178)
A20900	Finance costs	138,396	66,094
A21200	Interest income	( 49,258)	( 37,521)
A22300	Share of profits and losses of affiliated companies recognized under the equity method	780	214
A22500	Net (gain) loss on disposal of property, plant and equipment	( 324)	904
A23700	(Reversal) Provision for decline in value of inventories and doubtful accounts	( 60,799)	9,468
A24100	Net foreign currency exchange loss (gain)	144,074	( 226,714)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	( 11,748)	76,651
A31150	Accounts receivable	( 374,326)	( 947,984)
A31180	Other receivables	( 17,192)	2,837
A31200	Inventory	1,454,830	( 915,142)
A31230	Prepayments	( 30,690)	( 57,465)
A31240	Other current assets	25,934	27,761
A31990	Other non-current assets	( 2,481)	6,077
A32125	Contract liabilities	56,759	91,465
A32130	Notes payable	( 3,568)	62,735
A32150	Accounts payable	( 180,235)	( 254,903)
A32180	Other payables	( 179,230)	( 179,571)
A32230	Other current liabilities	19,681	5,588

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Code		Three-month periods ended March 31	
		2023	2022
A32240	Net defined benefit liabilities	(\$ 6,381)	(\$ 6,170)
A32990	Other non-current liabilities	( 460)	-
A33000	Cash inflows (outflows) from operations	1,039,917	( 1,602,795)
A33100	Interest received	50,538	24,309
A33200	Dividends received	17,314	-
A33300	Interest paid	( 132,323)	( 52,547)
A33500	Income tax paid	( 5,729)	( 29,325)
AAAA	Net cash inflow (outflow) from operating activities	<u>969,717</u>	<u>( 1,660,358)</u>
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	( 212,295)	( 111,095)
B02800	Disposal of property, plant and equipment	5,990	4,772
B03700	Increase in refundable deposits	( 567)	( 29,726)
B04500	Acquisition of intangible assets	( 5,089)	( 7,120)
B06600	Increase in other financial assets	( 463,755)	( 48,460)
B07100	Increase in prepayments for equipment	( 44,870)	( 350,153)
BBBB	Net cash outflow from investing activities	<u>( 720,586)</u>	<u>( 541,782)</u>
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	( 85,038)	1,463,988
C01600	Long-term borrowings	4,763,804	4,235,499
C01700	Repayment of long-term borrowings	( 5,112,284)	( 3,714,637)
C03000	Increase in deposits received	-	20,471
C04020	Repayment of lease principal	( 81,786)	( 50,054)
C05800	Change in equity interest in subsidiaries	( 31)	-
CCCC	Net cash flow (out) from financing activities	<u>( 515,335)</u>	<u>1,955,267</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>( 21,266)</u>	<u>71,532</u>
EEEE	Decrease in cash and cash equivalents for the period	( 287,470)	( 175,341)
E00100	Cash and cash equivalents at beginning of period	<u>6,007,721</u>	<u>5,952,782</u>
E00200	Cash and cash equivalents at the end of the period	<u>\$ 5,720,251</u>	<u>\$ 5,777,441</u>

The accompanying supplementary notes are an integral part of this consolidated financial statements.

(Please refer to the review report dated May 10, 2023 duly issued by Deloitte Taiwan)

KENDA RUBBER INDUSTRIAL CO., LTD and Subsidiaries

Notes to Consolidated Financial Statements

THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed only, not audited in accordance with GAAS)

I. Company History

Kenda Rubber Ind. Co.,Ltd. (the "Company") was founded in March 1962 and is mainly engaged in the manufacture, processing and sale of rubber products for bicycles, motorcycles, industrial vehicles and automobile inner tubes and outer tires, as well as various carbon fiber products.

The Company's shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since December 20, 1990.

The consolidated financial statements are presented in New Taiwan dollars, which is the functional currency of the Company.

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on May 10, 2023.

III. Applicability of Newly Issued and Amended Standards and Interpretations

- (I) First-time application of International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS"), Interpretations ("IFRICs") and Interpretations ("SICs") (hereinafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission ("FSC").

The application of IFRSs endorsed by the FSC and issued into effect does not result in significant changes to the accounting policies of the Consolidated Company.

- (II) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

<u>Newly issued/amended/revised standards and interpretations</u>	<u>Effective date of IASB issuance (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Affiliates or Joint Ventures"	Not yet determined
Amendments to IFRS 16, "Lease Liabilities in Sale and Leasebacks"	January 1, 2024 (Note 2)
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
Amendment to IAS 1 "Classification of liabilities as current or non-current"	January 1, 2024
Amendment to IAS 1, "Non-current liabilities with contractual terms"	January 1, 2024

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

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

As of the date of adoption of this consolidated financial statements, the Consolidated Company is still evaluating the impact of the amendments to other standards and interpretations on the financial position and financial performance; the related impacts will be disclosed when the evaluation is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting", as approved and issued into effect by the FSC. The consolidated financial statements do not contain all of the disclosures required by IFRSs for the entire annual financial statements.

##### (II) Basis of Preparation

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

Fair value measurements are categorized into Levels 1 through 3 based on the degree of observability and significance of the related inputs:

1. Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are available as of the measurement date.
2. Level 2 inputs: Inputs other than those quoted in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs: Unobservable inputs for the asset or liability.

##### (III) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and entities (subsidiaries) controlled by the Company. The consolidated statement of income incorporates the operating profit or loss of the acquired or disposed subsidiary for the period from the date of acquisition or up to the date of disposal. The financial statements of the subsidiaries have been adjusted to conform to the accounting policies of the Consolidated Company. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and losses have been offset. The total consolidated income or loss of the subsidiaries is attributed to the Company's owners and noncontrolling interests, even if the noncontrolling interests become a loss balance as a result.

When a change in the ownership interest of a subsidiary does not result in a loss of control, it is treated as an equity transaction. The carrying amounts of the Consolidated Company and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjusted amount of the noncontrolling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 7 and 8 for details of subsidiaries, shareholding ratios and operating items.

(IV) Other Significant Accounting Policies

In addition to the descriptions below, please refer to the summary of significant accounting policies in the consolidated financial statements for FY2022.

1. Defined benefit post-employment benefits

The pension cost for the interim period is calculated using the actuarially determined pension cost rate as of the end of the previous year, based on the beginning of the year to the end of the current period, adjusted for significant market fluctuations, significant plan amendments, liquidations or other significant one-off events during the period.

2. Income Tax Expense

Income tax expense is the sum of current income tax and deferred income tax. Income taxes for the interim period are assessed on an annual basis using the tax rate that is expected to apply to total earnings for the year and are computed on the pre-tax benefit for the period.

V. Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

In adopting accounting policies, the Consolidated Company's management is required to make judgments, estimates and assumptions that are based on historical experience and other relevant factors when the information is not readily available from other sources. Actual results may differ from those estimates.

In developing significant accounting estimates, the Consolidated Company takes into account the recent development of the COVID-19 outbreak and the possible impact on the economic environment in making significant accounting estimates. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

Major sources of estimation and assumption uncertainty

Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of inputs required for completion and the estimated costs

required to complete the sale of the inventories, which are based on current market conditions and historical sales experience of similar products. Changes in market conditions could materially affect the results of these estimates.

VI. Cash and Cash Equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and working capital	\$ 6,964	\$ 6,904	\$ 6,377
Bank checks and demand deposits	5,179,273	5,690,473	4,957,604
Cash equivalents (time deposits with original maturity of less than 3 months)	<u>534,014</u>	<u>310,344</u>	<u>813,460</u>
	<u>\$ 5,720,251</u>	<u>\$ 6,007,721</u>	<u>\$ 5,777,441</u>

VII. Financial assets at fair value through other comprehensive income - non-current

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Investments in equity instruments			
Domestic stocks not listed in TWSE or TPEX	\$ 385,358	\$ 385,358	\$ 391,896
Foreign stocks not listed in the stock market or OTC market	<u>135,070</u>	<u>136,085</u>	<u>90,046</u>
	<u>\$ 520,428</u>	<u>\$ 521,443</u>	<u>\$ 481,942</u>

The Consolidated Company invests in the common stock of domestic and foreign unlisted companies for medium- to long-term strategic purposes and expects to earn profits from its long-term investments. The management of the Consolidated Company considers that it is inconsistent with the aforementioned long-term investment plan to include short-term fair value fluctuations of these investments in profit or loss, and therefore chooses to designate these investments as measured at fair value through other comprehensive income.

VIII. Notes and Accounts Receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Notes receivable</u>			
Measured at amortized cost	<u>\$ 210,013</u>	<u>\$ 198,265</u>	<u>\$ 204,945</u>
<u>Accounts receivable</u>			
Measured at amortized cost			
Total carrying amount	\$ 4,173,899	\$ 3,793,908	\$ 4,958,396
Less: Allowance for losses	<u>( 71,112 )</u>	<u>( 80,296 )</u>	<u>( 76,308 )</u>
	<u>\$ 4,102,787</u>	<u>\$ 3,713,612</u>	<u>\$ 4,882,088</u>

The Consolidated Company's primary credit period for merchandise sales is from 30 to 90 days after the invoice date, and the accounts receivable do not bear interest.

The Consolidated Company recognizes an allowance for losses on accounts receivable based on expected credit losses over the life of the receivable. The Consolidated Company takes into account the customer's past default history, current financial condition and the economic situation of the industry. The Consolidated Company classifies customers according to the number of days of credit and the country in which the customers are located, and establishes the expected credit loss rate.

If there is sufficient evidence that the counter-party is in serious financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount due, the Consolidated Company may directly write off the related accounts receivable, but will continue the recovery activities, and the amount recovered from the recovery is recognized in profit or loss.

The allowance for losses on notes and accounts receivable of the Consolidated Company is as follows:

### March 31, 2023

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue 61~90 days</u>	<u>Overdue 91~120 days</u>	<u>Overdue 121~180 days</u>	<u>Overdue 181 days or more</u>	<u>T o t a l</u>
Total carrying amount	\$ 4,015,274	\$ 273,204	\$ 19,452	\$ 8,527	\$ 4,161	\$ 4,745	\$ 58,549	\$ 4,383,912
Allowance for losses (lifetime expected credit losses)	( 960 )	( 2,497 )	( 1,566 )	( 1,967 )	( 2,591 )	( 3,342 )	( 58,189 )	( 71,112 )
Cost after amortization	\$ 4,014,314	\$ 270,707	\$ 17,886	\$ 6,560	\$ 1,570	\$ 1,403	\$ 360	\$ 4,312,800

### December 31, 2022

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue 61~90 days</u>	<u>Overdue 91~120 days</u>	<u>Overdue 121~180 days</u>	<u>Overdue 181 days or more</u>	<u>T o t a l</u>
Total carrying amount	\$ 3,447,681	\$ 353,354	\$ 66,368	\$ 22,182	\$ 5,340	\$ 36,932	\$ 60,316	\$ 3,992,173
Allowance for losses (lifetime expected credit losses)	( 865 )	( 2,535 )	( 1,967 )	( 2,320 )	( 1,495 )	( 12,888 )	( 58,226 )	( 80,296 )
Cost after amortization	\$ 3,446,816	\$ 350,819	\$ 64,401	\$ 19,862	\$ 3,845	\$ 24,044	\$ 7,090	\$ 3,911,877

### March 31, 2022

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue 61~90 days</u>	<u>Overdue 91~120 days</u>	<u>Overdue 121~180 days</u>	<u>Overdue 181 days or more</u>	<u>T o t a l</u>
Total carrying amount	\$ 4,732,718	\$ 296,871	\$ 28,171	\$ 12,342	\$ 4,718	\$ 19,833	\$ 68,688	\$ 5,163,341
Allowance for losses (lifetime expected credit losses)	( 368 )	( 4,166 )	( 795 )	( 644 )	( 653 )	( 1,810 )	( 67,872 )	( 76,308 )
Cost after amortization	\$ 4,732,350	\$ 292,705	\$ 27,376	\$ 11,698	\$ 4,065	\$ 18,023	\$ 816	\$ 5,087,033

Information on the changes in allowance for losses on notes and accounts receivable is as follows

	<u>Three-month period ended March 31,2023</u>	<u>Three-month period ended March 31,2022</u>
Balance at beginning of period	\$ 80,296	\$ 94,106
Reversal of impairment loss for the period	( 9,517 )	( 8,653 )
Actual write-off for the period	( 219 )	( 10,703 )
Foreign currency translation differences	552	1,558
Balance at end of period	\$ 71,112	\$ 76,308

Please refer to Note 24 for the amount of notes and accounts receivable pledged as collateral for loans by the Consolidated Company.

IX. Inventory

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Finished goods	\$ 3,990,300	\$ 4,471,764	\$ 5,978,784
Goods-in-process	1,026,429	1,147,512	709,479
Raw materials	4,503,933	5,538,764	5,834,726
Materials	516,232	498,951	447,887
Merchandise	88,410	79,311	110,910
Inventory in transit	<u>690,802</u>	<u>593,853</u>	<u>753,409</u>
	<u>\$ 10,816,106</u>	<u>\$ 12,330,155</u>	<u>\$ 13,835,195</u>

The cost of goods sold related to inventories was NT\$7,167,504 thousand and MT\$7,909,610 thousand for January 1 to March 31, 2023 and 2022, respectively. Cost of goods sold from January 1 to March 31, 2023 included NT\$60,799 thousand of reversal of inventory decline and doubtful loss, which was mainly due to the depletion of inventory stock. Cost of goods sold from January 1 to March 31, 2022 included a provision of NT\$9,468 thousand for decline in value of inventories and losses on doubtful accounts.

Please refer to Note 24 for the amount of inventory pledged as collateral for loans.

X. Other Financial Assets

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Current</u>			
Original maturity of more than three months			
Time deposits	\$ 2,218,096	\$ 1,624,010	\$ 2,029,367
Others	<u>2,220</u>	<u>2,208</u>	<u>2,260</u>
	<u>\$ 2,220,316</u>	<u>\$ 1,626,218</u>	<u>\$ 2,031,627</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Non-current (accounted for as other non-current assets)</u>			
Funds remitted to Taiwan in line with special act for repatriation of foreign funds to Taiwan	\$ 958,849	\$ 1,049,412	\$ 1,186,336
Time deposits with original maturities of more than one year	<u>841,849</u>	<u>881,745</u>	<u>901,673</u>
	<u>\$ 1,800,698</u>	<u>\$ 1,931,157</u>	<u>\$ 2,088,009</u>

The funds repatriated to Taiwan are demand and time deposits subject to the repatriation law and their use is restricted by the special act.

For the related credit risk management and evaluation, please refer to Note 22. For other financial assets pledged as collaterals for loans, please refer to Note 24.

XI. The Company's subsidiaries

(I) Subsidiaries included in the consolidated financial statements

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

Name of investing company	Name of subsidiary	Nature of Business	Percentage of shareholding			Description
			2023 March 31	2022 December 31	2022 March 31	
The Company	AMERICAN KENDA RUBBER IND. CO., LTD. (KA)	Trading, investment	100%	100%	100%	-
The Company	KENDA RUBBER (HONG KONG) CO., LTD. (KHK)	Trading, investment	100%	100%	100%	-
The Company	KENDA RUBBER (VIETNAM) CO., LTD. (KV)	Production and sales of vehicle inner tubes and outer tires	100%	100%	100%	-
The Company	KENDA RUBBER INDUSTRIAL CO. EUROPE GMBH (KE)	Marketing and Planning	100%	100%	100%	Note 1
The Company	KENDA INTERNATIONAL CORPORATION (KIC)	Investment	100%	100%	100%	-
The Company	KENFONG INDUSTRIAL CO., LTD. (KF)	Production and sales of vehicle inner tubes and outer tires	100%	100%	100%	Note 1
The Company	PT. KENDA RUBBER INDONESIA (KI)	Production and sales of vehicle inner tubes and outer tires	99.99%	99.99%	99.99%	Note 1
KENFONG INDUSTRIAL	KI	Production and sales of vehicle inner tubes and outer tires	0.01%	-	-	Note 2
KA	Americana Development, Inc.(ADI)	Production of wheels and sales of tire and rim assemblies	100%	100%	100%	-
KHK	KENDA RUBBER (SHENZHEN) CO., LTD. (KS)	Production and sales of vehicle inner tubes and outer tires	60%	60%	60%	Note 1
KHK	KENDA RUBBER (TIANJIN) LIMITED (KT)	Production and sales of vehicle inner tubes and outer tires	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 INVESTMENT (CHINA) CO., LTD. (KGCI)	Investment	100%	100%	100%	-
KGH	KS	Production and sales of vehicle inner tubes and outer tires	40%	40%	40%	Note 1
KGCI	KT	Production and sales of vehicle inner tubes and outer tires	86.36%	86.36%	86.36%	-

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Name of investing company	Name of subsidiary	Nature of Business	Percentage of shareholding			Description
			2023 March 31	2022 December 31	2022 March 31	
KGCI	KENDA RUBBER (CHINA) CO., LTD. (KC)	Production and sales of vehicle inner tubes and outer tires	100%	100%	100%	-
STARCO Europe A/S	STARCO GB Ltd.	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GmbH	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Polska Sp.z.o.o.	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO NV	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GS AG	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Baltic OÜ	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO FR SAS	Tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Production of rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO DML	Production of wheels and sales of tire and rim assemblies	100%	100%	100%	Note 1
STARCO Europe A/S	Jelshoj Imovina d.o.o. (STARCO Jelshoj)	Investment	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO IPR GmbH	Investment	-	-	100%	Note 1

Note 1: It is an insignificant subsidiary and its financial statements have not been reviewed by an auditor.

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

(II) Subsidiaries not included in the consolidated financial statements: None.

XII. Property, plant and equipment

	March 31, 2023	December 31, 2022	March 31, 2022
Land	\$ 2,569,855	\$ 2,570,600	\$ 2,558,525
Buildings	4,409,751	4,464,753	4,406,458
Machinery and equipment	7,756,261	8,005,606	7,668,246
Other equipment	618,074	619,133	617,515
Equipment and work in progress	801,086	674,235	217,697
	<u>\$ 16,155,027</u>	<u>\$ 16,334,327</u>	<u>\$ 15,468,441</u>

The Consolidated Company added NT\$200,294 thousand and NT\$146,855 thousand of new equipment from January 1 to March 31, 2023 and 2022, respectively.

Other than the above changes and the recognition of depreciation expense, there were no significant changes in the Consolidated Company's property, plant and equipment.

Depreciation expense is provided on a straight-line basis over the following useful lifetime:

Buildings	10 to 55 years
Machinery and equipment	3 to 30 years
Other equipment	2 to 20 years

As some of the Company's land in the central section of Yuanlin City and Cihong Township, Yunlin County is categorized as land for agricultural and grazing use, the Company's ownership is subject to change of land use and is currently held in the name of a related party, Chen ○○. The Company retains title to the land and has entered into an agreement with the related party, which stipulates that the title deed of the subject property cannot be transferred to a third party.

As of March 31, 2023 and December 31 and March 31, 2022, the prepayments for equipment amounted to NT\$455,427 thousand, NT\$473,177 thousand and NT\$778,463 thousand, respectively, and were recorded as other non-current assets.

For the amount of property, plant and equipment pledged as collateral for loans by the Consolidated Company, please refer to Note 24.

XIII. Lease agreements

(I) Right-of-use assets

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Carrying amount of right-of-use assets			
Land	\$ 1,405,249	\$ 1,421,851	\$ 1,366,105
Buildings	293,471	316,859	228,974
Machinery and equipment	14,737	19,867	25,611
Other equipment	<u>16,934</u>	<u>17,409</u>	<u>15,381</u>
	<u>\$ 1,730,391</u>	<u>\$ 1,775,986</u>	<u>\$ 1,636,071</u>

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Additions to right-of-use assets	<u>\$ 10,057</u>	<u>\$ 72,812</u>
Depreciation expense of right-of-use assets		
Land	\$ 7,494	\$ 5,769
Buildings	32,788	16,594
Machinery and equipment	1,216	2,182
Other equipment	<u>1,832</u>	<u>1,796</u>
	<u>\$ 43,330</u>	<u>\$ 26,341</u>

Except for the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Consolidated Company's right-of-use assets for January 1 to March 31, 2023 and 2022.

(II) Lease liabilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Carrying amount of lease liabilities			
Current	<u>\$ 122,760</u>	<u>\$ 164,466</u>	<u>\$ 86,954</u>
Non-current	<u>\$ 514,945</u>	<u>\$ 515,201</u>	<u>\$ 480,430</u>

The discount rate range for lease liabilities is as follows

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Land	3.00%	3.00%	3.00%
Buildings	2.75%~3.20%	2.75%~3.20%	2.75%~3.20%
Machinery and 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%

(III) Significant lease activities and terms

KS, KC, and KT entered into land use contracts with the People's Government of Longhua Township, the People's Government of Penglantownship, Kunshan City and the People's Government of Tianjin City for a term of 40 to 50 years, respectively. KV obtained the land use rights of Ho Nai and Giang Dien Industrial Zone in Dong Nai Province with a term of 33 to 43 years.

The above companies have the rights to use the land, the right to income, and the right to 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 the construction of production plants, office buildings and staff dormitories.

KI acquired the land use right of Kabupaten Serang, Banten Province, which is used for the construction of production plants, office buildings and staff dormitories.

(IV) Other Lease Information

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Short-term lease payments	\$ 35,229	\$ 7,917
Low-value asset lease payments	\$ 57	\$ 18
Total cash outflow from leases	\$ 121,578	\$ 61,776

All lease commitments for the lease period beginning after the balance sheet date are as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Lease commitments	\$ 797,034	\$ 847,431	\$ 711,246

XIV. Investment property

	March 31, 2023	December 31, 2022	March 31, 2022
Right-of-use assets	\$ 26,743	\$ 26,610	\$ 27,944

Except for the recognition of depreciation expense, there were no significant additions, disposals or impairments of the Consolidated Company's investment properties from January 1 to March 31, 2023. Investment property is depreciated on a straight-line basis over the following useful lives:

Right-of-use assets	40~50 years
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In response to Shenzhen's future urban development policy, Kenda Shenzhen (KS) entered into an urban renewal cooperation agreement with Kaisa Urban Renewal Development Group (Shenzhen) Co.,Ltd. (hereinafter referred to as Kaisa in October 2014 for the development of land use rights to convert industrial land in Shenzhen into new industrial buildings (office buildings), new industrial supporting commercial buildings, new industrial supporting residential buildings and government supporting security buildings, housing and housing reserved for government use. The joint construction and subdivision will be 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 the original factory and the retirement of employees, while Kaisa is responsible for the demolition of the buildings, property search, appraisal, confirmation of rights, preparation of special plans, signing of compensation agreements, land formation, land acquisition, construction, and project development within the renewal unit of the renovation project. In order to support the capital needs of KS, Kaisa paid RMB100,000 thousand (equivalent to NT\$443,078 thousand, recorded as other non-current liabilities) in advance in accordance with the contract, which shall be returned upon completion and delivery of the properties to KS.

However, in June 2022, KS reached a tripartite agreement with Kaisa and Shenzhen Heju Property Company Limited (hereinafter referred to as Heju) to undertake the first phase of the land development project with the original property allocation ratio on the premise of protecting the original rights and interests of KS and not increasing the responsibilities of KS. Therefore, in July 2022, KS entered into a partial release agreement of the original urban renewal cooperation agreement with Kaisa to terminate the cooperation of the Phase I land development project and entered into an urban renewal cooperation agreement of the Phase I land development project with Heju. In accordance with the agreement, Heju paid the Consolidated Company RMB50,000 thousand (equivalent to NT\$221,539 thousand, recorded as other non-current liabilities) for the urban renewal project allocation.

In accordance with the relevant regulations for land development projects in Mainland China, the land recovery agreement was signed in September 2022 with Heju and the Shenzhen Planning and Natural Resources Bureau (hereinafter referred to as the Shenzhen Planning Bureau), under which the Shenzhen Planning Bureau will first resume the land use right of the land, and then the construction land will be granted by the Longhua District Government to Heju for urban development and construction in accordance with the relevant procedures.

The fair values 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 Consolidated Company, there was no significant change in the fair value as of March 31, 2023 and 2022 compared to December 31, 2022 and 2021.

XV. Borrowings

(I) Short-term borrowings

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Credit Borrowings	\$ 4,036,276	\$ 4,337,200	\$ 5,160,537
Guaranteed loans (Note 24)			
(1)	<u>449,764</u>	<u>253,073</u>	<u>178,908</u>
	<u>\$ 4,486,040</u>	<u>\$ 4,590,273</u>	<u>\$ 5,339,445</u>
Interest Rate Range	0.75% to 5.67%	0.60%~5.75%	0.60% to 3.50%

(II) Long-term borrowings

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured borrowings	\$ 13,212,792	\$ 13,479,372	\$ 13,894,892
Guaranteed loans (Note 24)			
(1)	1,933,934	1,997,881	1,771,881
Project loans (2)	<u>243,191</u>	<u>276,930</u>	<u>365,856</u>
Sub-total	15,389,917	15,754,183	16,032,629
Less: Amount due within one year	<u>1,919,727</u>	<u>1,735,672</u>	<u>1,163,094</u>
Long-term borrowings	<u>\$ 13,470,190</u>	<u>\$ 14,018,511</u>	<u>\$ 14,869,535</u>
Interest Rate Range	0.00%~6.25%	0.00%~5.75%	0.00%~2.00%
Maturity	2023 to 2027	2023 to 2027	2022 to 2027

(1) Certain subsidiaries of the Company, KA, ADI and STARCO are required by contract to maintain certain financial ratios, in addition to providing assets as collateral, and to periodically review their potential defaults on a semi-annual or annual basis. As of March 31, 2023, there were no defaults due to the above financial ratios.

(2) In September 2019, the Consolidated Company responded to the Ministry of Economic Affairs' action plan to welcome overseas Taiwanese businesses to invest in Taiwan. The Consolidated Company expects to construct new (expanded) factories and purchase machinery and equipment in Taiwan from 2019 to 2022, and to loans from banks in the event of shortages in own capital.

XVI. Equity

(I) Ordinary shares

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Authorized shares (in thousands)	<u>1,100,000</u>	<u>1,100,000</u>	<u>910,000</u>
Share capital	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 9,100,000</u>
Number of issued and fully paid shares (in thousands)	<u>909,410</u>	<u>909,410</u>	<u>909,410</u>
Issued share capital	<u>\$ 9,094,100</u>	<u>\$ 9,094,100</u>	<u>\$ 9,094,100</u>

(II) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, the Company shall first set aside 10% of its annual earnings, if any, as legal reserve after paying taxes to cover past losses, except when the legal reserve has reached the Company's total registered capital, and then set aside or reverse the special reserve, if necessary, as required by law or by the competent authorities. The Company will take into account the market environment and growth stage of the Company, its future capital requirements and long-term financial planning, as well as the shareholders' need for cash, and will propose by the Board of Directors, together with the accumulated undistributed earnings from the previous year, to set aside 10% to 80% of the available earnings for distribution. When new shares are issued, a resolution shall be submitted

to the shareholders' meeting to distribute dividends to shareholders. However, the ratio of new shares to be issued for the earnings distribution may be adjusted by a resolution of the shareholders' meeting, depending on the actual profitability and capital position of the year; of which the cash dividends shall not be less than 10% of the total dividends. The Company authorizes the Board of Directors, with the presence of at least two-thirds of the Directors and a resolution of a majority of the Directors present, to distribute all or part of the dividends and bonuses, legal reserve and capital reserve in the form of cash and report the same to the shareholders' meeting. The Company's policy on the distribution of remuneration to employees and directors is described in Note 18(5).

Legal reserve may be used to offset losses. If the Company has no deficit, the excess of legal reserve over 25% of the paid-in capital may be distributed in cash in addition to expanding the Company's capital.

In accordance with the provisions of Jin-Guan-Zheng-Fa-Zi No. 1090150022 and Jin-Guan-Zheng-Fa-Zi No. 1010012865 and the "Questions and Answers on the Adoption of International Financial Reporting Standards (IFRSs) for Special Reserve", the special reserve may be reversed and included in retained earnings available for distribution when the debit balance of other equity items is reversed.

The distribution of earnings for the years ended December 31, 2022 and 2021 were as follows

	Earnings distribution		Dividends per share (NT\$)	
	FY2022	FY2021	FY2022	FY2021
Provision for legal reserve	\$ 41,452	\$ 90,746		
(Reversal) Provision for special reserve	( 1,139,505 )	369,993		
Cash dividends	454,705	909,410	\$ 0.5	\$ 1.0
Stock dividends	454,800	-	0.500104	1.0

The above cash dividends were approved by the Board of Directors on March 10, 2023 and March 23, 2022, respectively, and the remaining appropriation of earnings for FY2021 was approved by the shareholders' meeting on June 30, 2022. The remaining appropriation of earnings for FY2022 is pending the resolution of the shareholders' meeting held on May 31, 2023.

XVII. Revenue

(I) Breakdown of customer contracts

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
<u>Main products/service lines</u>		
Motorcycle and other bias tires	\$ 3,858,274	\$ 4,280,416
Radial tires	1,949,080	2,148,622
Bicycle Tires	553,666	927,214
Inner tube	303,266	690,219
Others	<u>1,555,986</u>	<u>1,402,451</u>
Total	<u>\$ 8,220,272</u>	<u>\$ 9,448,922</u>

(II) Contract balance

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Refundable liabilities - current	<u>\$ 78,137</u>	<u>\$ 74,958</u>	<u>\$ 74,342</u>

The sales of tires and related products are mainly to distributors. The Consolidated Company and the distributors have agreed that if the distributors' purchases from the Consolidated Company reach the contracted amount, the Consolidated Company will grant a rebate based on the contracted rate of the purchase amount. Based on past experience, the Consolidated Company estimates the potential rebate amount and recognizes a refund liability (recorded as other current liabilities).

XVIII. Net (loss) profit for the period

Net income (loss) for the period consists of the following items:

(I) Other gains and losses

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Net foreign currency exchange gain (loss)	(\$ 48,480)	\$ 59,935
Disposal of interest (loss) in property, plant and equipment	324	( 904)
(Loss) gain on financial assets at fair value through profit or loss	( 5)	178
Others	<u>( 2,861)</u>	<u>( 626)</u>
	<u>(\$ 51,022)</u>	<u>\$ 58,583</u>



(II)	Finance costs	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	Interest expense on bank loans	\$ 134,384	\$ 62,666
	Interest on lease liabilities	4,506	3,787
	Less: Amount of cost of qualifying assets	( 494 )	( 359 )
		<u>\$ 138,396</u>	<u>\$ 66,094</u>
(III)	Depreciation and Amortization	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	Property, plant and equipment	\$ 404,373	\$ 384,053
	Right-of-use assets	43,330	26,341
	Investment property	-	430
	Intangible assets	4,068	2,190
		<u>\$ 451,771</u>	<u>\$ 413,014</u>
	Depreciation expense is aggregated by function		
	Operating costs	\$ 343,145	\$ 318,998
	Operating expenses	104,558	91,826
		<u>\$ 447,703</u>	<u>\$ 410,824</u>
	Amortization expense is aggregated by function		
	Operating costs	\$ 1,260	\$ 900
	Operating expenses	2,808	1,290
		<u>\$ 4,068</u>	<u>\$ 2,190</u>
(IV)	Employee benefit expenses	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	Short-term Employee Benefits		
	Salary expenses	\$ 1,233,824	\$ 1,311,779
	Labor and health insurance costs	145,373	131,545
		<u>1,379,197</u>	<u>1,443,324</u>
	Post-employment benefits		
	Defined contribution plans	76,563	80,074
	Defined benefit plans	1,169	1,569
		<u>77,732</u>	<u>81,643</u>
	Post-employment benefits	-	298
	Other employee benefits	53,504	56,445
	Total employee benefit expenses	<u>\$ 1,510,433</u>	<u>\$ 1,581,710</u>

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	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Total by function		
Operating costs	\$ 865,542	\$ 924,318
Operating expenses	644,891	657,094
Other gains and losses	<u>-</u>	<u>298</u>
	<u>\$ 1,510,433</u>	<u>\$ 1,581,710</u>

(V) Remuneration of Employees and Directors

In accordance with the Company's Articles of Incorporation, the Company shall distribute employee remuneration at no less than 0.5% of the Company's earnings for the year; and shall distribute directors' remuneration at no more than 3% of the Company's earnings for the year. From January 1 to March 31, 2023, employees' remuneration was not estimated because of the pre-tax net loss. For the period from January 1 to March 31, 2022, estimated employees' remuneration was NT\$1,049 thousand and the estimated remuneration to directors was NT\$1,574 thousand.

If there is any change in the amount after the adoption of the annual consolidated financial statements, it will be adjusted in the following year in accordance with the change in accounting estimates.

The remuneration to employees and directors for FY2022 and FY2021, as resolved by the Board of Directors, are as follows:

	<u>FY2022</u>	<u>FY2021</u>
	C    a    s    h	C    a    s    h
Employees' remuneration	<u>\$ 5,937</u>	<u>\$ 10,192</u>
Directors' remuneration	<u>\$ 8,911</u>	<u>\$ 15,297</u>

The actual amounts of employee and director's remuneration for FY2022 and FY2021 were not different from the amounts recognized in the consolidated financial statements for each of the respective fiscal years.

Please refer to the Market Observation Post System of the TWSE for information on the remuneration provided to employees and directors as resolved by the Board of Directors.

XIX. Income Tax

(I) Income taxes recognized in profit or loss

The major components of income tax expense are as follows

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Income tax		
for the current period	\$ 39,080	\$ 66,599
Adjustment of the previous year	<u>-</u>	<u>( 17 )</u>
	<u>39,080</u>	<u>66,582</u>
Deferred income tax		
for the current period	<u>14,421</u>	<u>14,931</u>
Income tax expense recognized in profit or loss	<u>\$ 53,501</u>	<u>\$ 81,513</u>

(II) Income tax recognized in other comprehensive income

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
<u>Deferred income tax</u>		
Translation of overseas operating entities	<u>( \$ 6,998 )</u>	<u>\$ 173,762</u>

(III) Income Tax Approved

The income tax returns of the Company and its subsidiaries were approved by the competent tax authorities up to FY2020 and FY2021, respectively.

XX. (Loss) earnings per share

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
		Unit: NT\$ per share
Basic and diluted (loss) earnings per share	<u>( \$ 0.42 )</u>	<u>\$ 0.21</u>

The net income (loss) and the weighted average number of common shares used to calculate earnings per share are as follows:

Net (loss) profit for the period

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Net income (loss) attributable to owners of the Company	<u>( \$ 379,605 )</u>	<u>\$ 187,200</u>

<u>Number of shares</u>	Unit: Thousands of shares	
	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Weighted-average number of common shares used in calculating basic earnings per share	909,410	909,410
Effect of dilutive potential common shares:		
Employees' remuneration	<u>-</u>	<u>311</u>
Weighted average number of common shares used to calculate diluted earnings per share	<u>909,410</u>	<u>909,721</u>

If the Consolidated Company has the option to pay employees in stock or cash, the calculation of diluted loss per share assumes that employee remuneration will be paid in stock and is included in the weighted-average number of common shares outstanding for the purpose of calculating diluted earnings per share when the potential common shares have a dilutive effect. The dilutive effect of these potential common shares will continue to be considered in the calculation of diluted earnings per share prior to the issuance of employee shares in the following year.

XXI. Capital Risk Management

The Consolidated Company is required to maintain sufficient capital to support the expansion and upgrading of its plant and equipment. Therefore, the Consolidated Company's capital is managed to ensure that it has the necessary financial resources and operating plans to meet its needs for working capital, capital expenditures, research and development expenses, and debt service for the next 12 months.

XXII. Financial Instruments

(I) Fair Value Information - Financial Instruments Not Measured at Fair Value

Please refer to the information in the consolidated balance sheet. The management of the Consolidated Company considers that the carrying amounts of financial assets and financial liabilities that are not measured at fair value are approximate to their fair values, and therefore the carrying amounts on the Consolidated Balance Sheets are a reasonable basis for estimating fair values.

(II) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

March 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed in TWSE or TPEX	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,314</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
Domestic and foreign unlisted (OTC) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,428</u>	<u>\$ 520,428</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed in TWSE or TPEX	<u>\$ 1,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
Domestic and foreign unlisted (OTC) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,443</u>	<u>\$ 521,443</u>

March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed in TWSE or TPEX	<u>\$ 2,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,010</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
Domestic and foreign unlisted (OTC) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,942</u>	<u>\$ 481,942</u>

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial assets measured at fair value through other comprehensive income or loss - equity instruments		
Balance at beginning of period	<u>Three-month period ended March 31, 2023</u> \$ 521,443	<u>Three-month period ended March 31, 2022</u> \$ 479,634
Exchange rate impact	<u>( 1,015 )</u>	<u>2,308</u>
Balance at end of period	<u>\$ 520,428</u>	<u>\$ 481,942</u>

3. Level 3 fair value measurement techniques and inputs

Domestic and foreign unlisted equity investments are valued using the market approach and the asset-based approach. The market approach refers to the transaction prices of the shares of listed (OTC-listed) companies engaged in the same or similar business in an active market, the value multipliers implied by these prices, and related transactions and information to determine the value of the target subject. The asset method is used to estimate the value of individual assets and liabilities of the subject company based on fair market value, replacement cost or liquidation value to reflect the overall value of the enterprise or business. The fair value of these investments will increase accordingly when the significant unobservable inputs (control premium discount and liquidity discount) decrease.

(III) Types of financial instruments

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial asset</u>			
Profit or loss at fair value			
Financial assets measured at fair value			
Domestic stocks listed in TWSE or TPEX	\$ 1,314	\$ 1,319	\$ 2,010
Measured at amortized cost			
Other Financial Assets (Note 1)	14,532,911	13,956,654	15,449,710
Financial assets measured at fair value through other comprehensive income or loss			
Investments in equity instruments	520,428	521,443	481,942
<u>Financial liability</u>			
Measured at amortized cost (Note 2)	24,817,095	25,197,086	28,440,925

Note 1: The balance includes financial assets measured at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, other payables, deposits received, and long-term borrowings (including long-term liabilities due within one year).

(IV) Financial risk management objectives and policies

The Consolidated Company's main financial instruments include investments in equity instruments, accounts receivable, accounts payable, and borrowings. The Consolidated Company's Finance Department provides services to each business unit, coordinates access to domestic and international financial markets, and monitors and manages financial risks associated with the Consolidated Company's operations through internal risk reports that analyze risk exposure based on level and breadth of risk. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. Market risk

The main financial risks to which the Consolidated Company is exposed as a result of the Consolidated Company's operating activities are changes in foreign currency exchange rates (see (1) below) and changes in interest rates (see (2) below).

There is no change in the Consolidated Company's exposure to market risk of financial instruments and its management and measurement of such risk.

(1) Exchange rate risk

Several subsidiaries of the Company engage in foreign currency-denominated sales and purchase transactions, which expose the Consolidated Company to exchange rate risks.

The carrying amounts of the Consolidated Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements) are described in Note 26.

Sensitivity Analysis

The Consolidated Company is mainly affected by the fluctuation of the U.S. dollar exchange rate.

When the exchange rate of New Taiwan dollars and RMB (functional currency) increases and decreases by 1% against the U.S. dollar, 1% is the sensitivity ratio used for internal reporting of exchange rate risk to key management and represents management's assessment of the reasonable range of possible changes in foreign currency exchange rates. The sensitivity analysis includes only foreign currency monetary items in circulation and adjusts their year-end translation by a 1% change in exchange rates. When the New Taiwan dollar and RMB strengthens/weakens by 1% against the U.S. dollar, the effect on the Consolidated Company's net income before income taxes from January 1 to

March 31, 2023 and 2022 would decrease/increase by NT\$52,070 thousand and NT\$36,805 thousand, respectively.

(2) Interest rate risk

Interest rate risk arises because the Consolidated Company borrows funds at both fixed and floating interest rates. The Consolidated Company manages interest rate risk by maintaining an appropriate mix of fixed and floating interest rates, and the Consolidated Company's interest rate risk arises from cash and cash equivalents. Cash and cash equivalents held at floating rates exposes the Consolidated Company to cash flow interest rate risk, partially offset by borrowings issued at floating rates. Cash and cash equivalents held at fixed rates and borrowings issued expose the Consolidated Company to fair value interest rate risk. The Consolidated Company's policy is to dynamically adjust the ratio of fixed-rate to floating-rate instruments depending on the overall interest rate trend.

The carrying amounts of the Consolidated Company's financial assets and financial liabilities exposed to interest rate risk as of the balance sheet date were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Interest rate risk at fair value			
- financial assets	\$ 2,739,404	\$ 1,921,666	\$ 2,830,948
- financial liabilities	4,674,505	5,284,212	5,455,847
Cash flow interest rate risk			
- financial assets	6,982,127	7,623,776	7,047,810
- financial liabilities	15,839,157	15,739,911	16,483,611

Sensitivity Analysis

The sensitivity analysis below is based on the interest rate risk of derivative and non-derivative instruments as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding as of the reporting date.

If the interest rate increases/decreases by 10 basis points, with all other variables held constant, the Consolidated Company's net income before income taxes would decrease/increase by NT\$2,214 thousand and NT\$2,359 thousand from January 1 to March 31, 2023 and 2022, respectively.



(3) Other price risks

The Consolidated Company has equity price risk due to investment in equity instruments. The said equity investments are not held for trading but as a strategic investment, and the Consolidated Company does not actively trade these investments. The Consolidated Company adopts sensitivity analysis to measure the price risk of equity securities.

Sensitivity Analysis

The following sensitivity analysis is based on the equity price risk at the balance sheet date.

If the equity price increases/decreases by 5%, the Consolidated Company's net income before income tax from January 1 to March 31, 2023 and 2022 will change favorably/unfavorably by NT\$66 thousand and NT\$100 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. The Consolidated Company's other comprehensive income from January 1 to March 31, 2023 and 2022 will result in favorable/unfavorable changes of NT\$26,021 thousand and NT\$24,097 thousand, respectively, from changes in the fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss due to default on contractual obligations by the counter-parties. As of the balance sheet reporting date, the Consolidated Company's maximum exposure to credit risk of financial loss due to non-performance of counter-parties' obligations mainly arises from the carrying amount of financial assets recognized in the consolidated balance sheet.

To ensure the quality of accounts receivable, the Consolidated Company has established operating-related credit risk management procedures. The risk assessment of individual customers (counterparties) takes into account a number of factors that may affect the customer's ability to pay, including the customer's financial condition, the Consolidated Company's internal credit rating, historical transaction history and current economic conditions.

To mitigate credit risk, the management team of the Consolidated Company assigns a dedicated team to determine and approve credit limits and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables and to review the recoverable amounts of receivables at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the management of the Consolidated Company believes that the credit risk of accounts receivable has been significantly reduced. If there is sufficient

evidence that the counterparty is in serious financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount due, the Consolidated Company may directly write off the related accounts receivable, but will continue the recovery activities, and the amount recovered from the recovery is recognized in profit or loss.

3. Liquidity risk

The Consolidated Company manages and maintains a sufficient portion of cash and cash equivalents to support the its business operations and mitigate the impact of cash flow fluctuations. The Consolidated Company's management monitors the use of bank financing credit lines and ensures compliance with the terms of the loan agreements.

The Consolidated Company monitors projected and actual cash flows on an ongoing basis by maintaining adequate banking facilities and borrowing commitments. The Consolidated Company's unutilized financing facilities are described in (2) Financing Facilities below.

(1) Liquidity and interest rate risk of non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared on the basis of the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest possible date on which the Consolidated Company could be required to make repayment. Accordingly, bank loans that the Consolidated Company may be required to repay immediately are listed in the table below for the earliest period, without regard to the probability that the bank will exercise such rights immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the respective contractual repayment dates.

March 31, 2023

	<u>Within 1 year</u>	<u>1~5 years</u>	<u>5 years or more</u>
<u>Non-derivative</u>			
<u>financial liabilities</u>			
No interest-bearing liabilities	\$ 4,211,817	\$ -	\$ -
Lease liabilities	122,760	241,898	273,047
floating rate instruments	4,200,364	12,154,777	-
Fixed rate instruments	<u>2,338,891</u>	<u>1,795,422</u>	<u>-</u>
	<u>\$ 10,873,832</u>	<u>\$ 14,192,097</u>	<u>\$ 273,047</u>

December 31, 2022

	<u>Within 1 year</u>	<u>1~5 years</u>	<u>5 years or more</u>
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Non-derivative  
financial liabilities

No 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>

March 31, 2022

	<u>Within 1 year</u>	<u>1~5 years</u>	<u>5 years or more</u>
<u>Non-derivative financial liabilities</u>			
No interest-bearing liabilities	\$ 6,577,660	\$ -	\$ -
Lease liabilities	86,954	218,377	262,053
floating rate instruments	3,397,051	13,425,792	-
Fixed rate instruments	<u>3,197,372</u>	<u>1,731,701</u>	<u>965</u>
	<u>\$ 13,259,037</u>	<u>\$ 15,375,870</u>	<u>\$ 263,018</u>

(2) Financing limit

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank overdraft limit (revisited annually)			
- Amount utilized	\$ 7	\$ -	\$ 99,491
- Amount not utilized	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 99,491</u>
Secured bank overdraft limit			
- Amount utilized	\$ -	\$ 6,546	\$ 3,890
- Amount not utilized	<u>-</u>	<u>-</u>	<u>8,449</u>
	<u>\$ -</u>	<u>\$ 6,546</u>	<u>\$ 12,339</u>
Secured bank loan facility			
- Amount utilized	\$ 18,226,041	\$ 18,640,567	\$ 19,608,010
- Amount not utilized	<u>16,683,835</u>	<u>14,119,467</u>	<u>9,553,624</u>
	<u>\$ 34,909,876</u>	<u>\$ 32,760,034</u>	<u>\$ 29,161,634</u>
Secured bank loan facility (extendable by mutual consent)			
- Amount utilized	\$ 1,649,909	\$ 1,697,343	\$ 1,660,683
- Amount not utilized	<u>2,355,420</u>	<u>2,294,661</u>	<u>631,689</u>
	<u>\$ 4,005,329</u>	<u>\$ 3,992,004</u>	<u>\$ 2,292,372</u>

(V) Transfer of Financial Assets

The Consolidated Company transferred some of the bankers' acceptances receivable in Mainland China to suppliers for the payment of accounts payable. Since almost all the risks and rewards of these instruments were transferred, the Consolidated Company derecognized the transferred bankers' acceptances receivable and the corresponding accounts payable. However, if such de-recognized banker's acceptances are not honored at maturity, the supplier still has the right to demand the Consolidated Company to settle accounts payable. Therefore, the Consolidated Company continues to participate in these notes.

The Consolidated Company's maximum exposure to loss on the re-recognized bankers' acceptances is NT\$546,140 thousand, NT\$635,549 thousand and NT\$844,347 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, which will mature within 12 months after the balance sheet date. Considering the credit risk of the bankers' acceptances de-recognized, the Consolidated Company assessed that the fair value of their continued participation was immaterial.

From January 1 to March 31, 2023 and 2022, the Consolidated Company did not recognize any gain or loss on the transfer of the bankers' acceptances receivable, and no gain or loss was recognized on the continuing participation in these notes for the current and cumulative periods.

XXIII. Related Party Transactions

All inter-company transactions, account balances, revenues and expenses of the Consolidated Company were eliminated upon consolidation and are therefore not disclosed in this note. Transactions between the Consolidated Company and other related parties were as follows

(I) Names of related parties and their relationships

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

Other related party means the chairman of such individual company is the same as the chairman of the Company or is a relative within the second degree of kinship, etc., or a related party who is judged to be substantially related.

(II) Operating income

Account Items	Type of related party	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Sales revenue	Other related parties	<u>\$ 249</u>	<u>\$ 5,230</u>

(III) Inventory purchase

Type of related party	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Other related parties	\$ 30,617	\$ 48,875
Affiliated company	<u>31,915</u>	<u>46,714</u>
	<u>\$ 62,532</u>	<u>\$ 95,589</u>

(IV) Amount receivable from related parties

Account Items	Type of related party	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	Other related parties	\$ 103	\$ 752	\$ 5,085
Other receivables	Other related parties	<u>406</u>	<u>1,077</u>	<u>4,925</u>
		<u>\$ 509</u>	<u>\$ 1,829</u>	<u>\$ 10,010</u>

(V) Amounts payable to related parties

Account Items	Type of related party	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable	Other related parties	\$ 49,068	\$ 61,395	\$ 70,795
Accounts payable	Affiliated company	32,007	29,145	70,179
Other payables	Other related parties	<u>6,167</u>	<u>7,195</u>	<u>5,373</u>
		<u>\$ 87,242</u>	<u>\$ 97,735</u>	<u>\$ 146,347</u>

(VI) Others

Account Items	Type of related party	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Production overheads	Other related parties	\$ 4,189	\$ 2,833
Operating expenses	Other related parties	<u>465</u>	<u>449</u>
		<u>\$ 4,654</u>	<u>\$ 3,282</u>

(VII) Lease Agreement

The Consolidated Company leases office and warehouse space from other related parties with reference to local rental rates, which are paid on a monthly basis.

<u>Type of related party/ name</u>	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
<u>Lease expenses</u>		
Other related parties		
ADH	\$ 4,042	\$ 3,720
Y&C	2,446	2,252
Others	<u>809</u>	<u>633</u>
	<u>\$ 7,297</u>	<u>\$ 6,605</u>

(VIII) Rental Agreement

The Consolidated Company leases warehouses and other related parties with reference to local rental rates, which are paid on a monthly basis.

<u>Type of related party/ name</u>	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
<u>Lease Income</u>		
Other related parties		
HBC	<u>\$ 540</u>	<u>\$ 1,990</u>

(IX) Acquisition of Financial Assets

Three-month period ended March 31, 2023

<u>Type of related party/ name</u>	<u>Account Items</u>	<u>Number of shares traded</u>	<u>Subject of transaction</u>	<u>Acquired price</u>
Director of the Company/ Yang, Ying Ming	Investments accounted for using the equity method	1,000	Shareholdings of Kenda Indonesia	<u>\$ 31</u>

(X) Remuneration to key management

	<u>Three-month period ended March 31, 2023</u>	<u>Three-month period ended March 31, 2022</u>
Short-term Employee Benefits	\$ 10,381	\$ 7,590
Post-employment benefits	<u>26</u>	<u>29</u>
	<u>\$ 10,407</u>	<u>\$ 7,619</u>

XXIV. Pledged Assets

All of the operating assets of Kenda US includes cash and cash equivalents, accounts receivable, inventories, property, plant and equipment and intangible assets, which have been pledged as collaterals for bank loans and are subject to the bank's priority of compensation. The above assets amounted to NT\$8,110,389 thousand, NT\$8,293,633 thousand and NT\$9,300,773 thousand as of March 31, 2023 and December 31 and March 31, 2022, respectively.

In addition to the above, the following assets of the Consolidated Company were pledged as collaterals for the use of promissory notes and some of the short- and long-term borrowing credit facilities:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 47,441	\$ 24,611	\$ 67,929
Property, plant and equipment	163,447	164,510	172,166
Others	<u>61,068</u>	<u>57,127</u>	<u>61,105</u>
	<u>\$ 271,956</u>	<u>\$ 246,248</u>	<u>\$ 301,200</u>

XXV. Significant Contingencies and Unrecognized Contractual Commitments

In addition to those described in other notes, the significant commitments and contingencies of the Consolidated Company as of the balance sheet date were as follows:

(I) Material capital expenditures contracted for but not yet incurred

<u>Item</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Property, plant and equipment	<u>\$ 274,706</u>	<u>\$ 302,612</u>	<u>\$ 389,862</u>

(II) Contingencies

1. Product liability insurance

The Consolidated Company has subscribed to product liability insurance for tires and other products manufactured by the Consolidated Company for sale in all regions of the world, and the policy contract period is from August 6, 2022 to August 6, 2023. The policy is valid from Aug 6, 2004 to Aug 6, 2023; the maximum amount of the policy is USD10,000 thousand for a single accident.

2. The Company previously had an exclusive distribution agreement with Gabjohn in Nigeria. Due to the sales condition, the trading companies commissioned by the Company switched to other distributors in Nigeria to sell our products. Gabjohn filed a lawsuit against the Company regarding the breach of the exclusive distribution contract and demands a compensation of about NT\$90,000 thousand (or NGN 500,000 thousand). For the local liaison with regard to this litigation, the Company entered a litigation contract with Chu Mao Intellectual Property Limited for Nigeria so that Chu Mao Intellectual Property Limited can handle the litigation via AdenijiKazeem & Co., a local intellectual property law firm in Nigeria. According to the regular updates from Chu Mao Intellectual Property Limited on the litigation, the case is still with the high court. As of the publication date for 2023 Q1 financial report, it has not been possible to reasonably estimate the possible outcome of the dispute regarding distribution rights.
3. In June 2019, the U.S. Department of Commerce notified KENDA USA of the results of a review of the anti-dumping duty on the total import price of automobile tires imported from the PRC between August 2016 and July 2017, which was not applicable to all companies importing automobile tires from the PRC and which increased the anti-dumping duty rate from 8.72% to 64.57% from the original rate that had previously been imposed. KENDA USA believes that this rate is unreasonable based on past experience and has filed an appeal with the U.S. Circuit Court. However, the Consolidated Company has estimated the tax amount of approximately USD7,778 thousand and the related interest of USD789 thousand for FY2020 based on the above tax rate.

XXVI. Information on foreign currency assets and liabilities with material impact

The following information is expressed in aggregate in foreign currencies other than the functional currency of each of the consolidated companies, and the exchange rates disclosed refer to the exchange rates at which these foreign currencies were translated into the functional currency.

The foreign currency assets and liabilities with material impact are as follows:

March 31, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 97,580	30.45 (USD:NT\$)	\$ 2,971,008
USD	82,050	6.87 (USD:RMB)	2,498,188
IDR (million)	149,184	0.07 (IDR:USD)	302,993
VND (million)	115,261	0.04 (VND:USD)	149,609
EUR	8,756	7.49 (EUR:RMB)	288,945
JPY	701,312	0.05 (JPY:RMB)	160,811
			\$ 6,371,554
<u>Financial liability</u>			
<u>Monetary items</u>			
USD	4,302	30.45 (USD:NT\$)	\$ 130,977
USD	4,310	6.87 (USD:RMB)	131,223
EUR	399	1.08 (EUR:USD)	13,167
IDR (million)	19,305	0.07 (IDR:USD)	39,208
GBP	1,479	1.14 (GBP:EUR)	55,700
JPY	62,319	0.23 (JPY:NT\$)	14,290
VND (million)	170,776	0.04 (VND:USD)	221,668
			\$ 606,233

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 88,873	30.71 (USD:NT\$)	\$ 2,728,844
USD	78,748	6.96 (USD:RMB)	2,417,955
EUR	6,597	7.45 (EUR:RMB)	216,833
JPY	674,233	0.05 (JPY:RMB)	157,973
VND (million)	196,277	0.04 (VND:USD)	255,553
IDR (million)	147,363	0.06 (IDR:USD)	290,747
			\$ 6,067,905

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	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial liability</u>			
<u>Monetary items</u>			
USD	\$ 4,583	30.71 (USD:NT\$)	\$ 140,724
USD	3,630	6.96 (USD:RMB)	111,458
VND (million)	163,448	0.04 (VND:USD)	212,809
IDR (million)	20,119	0.06 (IDR:USD)	39,696
GBP	1,238	1.13 (GBP:EUR)	45,911
			<u>\$ 550,598</u>

March 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 74,418	28.62 (USD:NT\$)	\$ 2,129,843
USD	67,165	6.35 (USD:RMB)	1,922,271
IDR (million)	114,120	0.07 (IDR:USD)	227,555
VND (million)	168,148	0.04 (VND:USD)	210,690
EUR	5,627	1.11 (EUR:USD)	178,207
EUR	5,079	7.12 (EUR:RMB)	160,864
EUR	1,522	31.67 (EUR:NT\$)	48,217
			<u>\$ 4,877,647</u>
<u>Financial liability</u>			
<u>Monetary items</u>			
USD	8,255	28.62 (USD:NT\$)	\$ 236,260
VND (million)	148,479	0.04 (VND:USD)	186,044
USD	4,728	6.35 (USD:RMB)	135,319
GBP	2,646	1.19 (GBP:EUR)	99,555
IDR (million)	36,695	0.07 (IDR:USD)	73,170
			<u>\$ 730,348</u>

The Consolidated Company recorded foreign currency exchange (loss) gains of NT\$(48,480) thousand and NT\$59,935 thousand from January 1 to March 31, 2023 and 2022, respectively. Due to the wide variety of foreign currency transactions and the individual functional currencies of the Group's operating Entities, it is not possible to disclose the exchange gains or losses by each material currency.

## XXVII. Supplementary Disclosures

- (I) Information on material transactions and (II) reinvestment business:
1. Operating Procedures for Loaning Funds to Others: Table 1.
  2. Endorsement for others: Table 2.
  3. Marketable securities held at the end of the period: Table 3.
  4. Cumulative purchase or sale of the same marketable securities amounting to at least NT\$300 million or 20% of the Company's paid-in capital: None.
  5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the Company's paid-in capital: None.
  6. Disposal of real estate amounting to at least NT\$300 million or 20% of the Company's paid-in capital: None.
  7. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the Company's paid-in capital: Table 4.
  8. Amounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
  9. Engaged in derivatives trading: None.
  10. Business relationships and material intercompany transactions between the parent and subsidiaries and between subsidiaries and their amounts: Table 6.
  11. Information on investee companies: Table 7.
- (III) Investments in Mainland China
1. Name of the investee company in Mainland China, main business scopes, paid-in capital, investment method, capital remittance, shareholding ratio, investment gain or loss, carrying amount of investment at the end of the period, remitted investment gain or loss, and investment limit in Mainland China: Table 8 (attached).
  2. Material transactions with Mainland China investees, directly or indirectly through third parties, and their prices, payment terms, and unrealized gains or losses:
    - (1) Amounts and percentages of goods purchased and related payables at the end of the period: Table 6.
    - (2) Amount and percentage of sales and related receivables at the end of the period: Table 6.
    - (3) The amount of property transactions and the amount of gain or loss arising therefrom: None.
    - (4) Ending balance of endorsement of notes or provision of collaterals and their purpose: Table 2.
    - (5) The maximum balance, ending balance, interest rate range and total interest for the period: Table 1.

(6) Other transactions that have a material effect on the current profit or loss or financial position, such as the provision or receipt of labor services: None.

(IV) Information on Major Shareholders:

Name, amount and percentage of ownership of shareholders with 5% or more of the shares: Table 9.

XVIII Department Information

The information provided to the chief operating decision maker to allocate resources and measure departmental performance focuses on the type of product or service delivered or provided.

Department Revenue and Operating Results

The revenue and operating results of the Consolidated Company's continuing business units are analyzed by reportable departments as follows:

Three-month period ended March 31, 2023

	Asia	EMEA	Others	Adjustments of offsets	Total
<u>Revenue</u>					
Revenue derived from external customers	\$ 3,533,341	\$ 4,686,931	\$ -	\$ -	\$ 8,220,272
Inter-departmental revenue	2,001,755	36,549	-	( 2,038,304 )	-
Total	<u>\$ 5,535,096</u>	<u>\$ 4,723,480</u>	<u>\$ -</u>	<u>( \$ 2,038,304 )</u>	<u>\$ 8,220,272</u>
Interest income	\$ 51,093	\$ 854	\$ 2,963	( \$ 5,652 )	\$ 49,258
Finance costs	\$ 94,465	\$ 51,102	\$ -	( \$ 7,171 )	\$ 138,396
Depreciation and Amortization	\$ 375,704	\$ 87,027	\$ 4	( \$ 10,964 )	\$ 451,771
Departmental profit or loss (excluding investment income)	( \$ 294,121 )	\$ 56,578	\$ 1,925	( \$ 89,706 )	( \$ 325,324 )
Gains or losses on investments accounted for using the equity method					( 780 )
Net loss before income tax					( \$ 326,104 )
Total Assets					<u>\$ 45,457,909</u>

Three-month period ended March 31, 2022

	Asia	EMEA	Others	Adjustments of offsets	Total
<u>Revenue</u>					
Revenue derived from external customers	\$ 4,292,308	\$ 5,156,614	\$ -	\$ -	\$ 9,448,922
Inter-departmental revenue	2,474,305	33,617	-	( 2,507,922 )	-
Total	<u>\$ 6,766,613</u>	<u>\$ 5,190,231</u>	<u>\$ -</u>	<u>( \$ 2,507,922 )</u>	<u>\$ 9,448,922</u>
Interest income	\$ 24,758	\$ 10,825	\$ 2,239	( \$ 301 )	\$ 37,521
Finance costs	\$ 37,420	\$ 30,319	\$ -	( \$ 1,645 )	\$ 66,094
Depreciation and Amortization	\$ 354,499	\$ 63,716	\$ 4	( \$ 5,205 )	\$ 413,014
Department profit or loss (excluding investment income and other gains and losses)	\$ 91,377	\$ 193,629	\$ 185	( \$ 15,966 )	\$ 269,225
Other gains and losses					( 298 )
Gains or losses on investments accounted for using the equity method					( 214 )
Profit before tax					\$ 268,713
Total Assets					<u>\$ 49,223,275</u>

Interdepartmental sales are valued at market prices.

Department profit represents the profit earned by each department unit, excluding the share of profit or loss of affiliated companies using the equity method and income tax expense. This measure is provided to the chief operating decision maker to allocate resources to departments and to measure their performance.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries  
Loaning Funds to Others  
Three-month period ended March 31, 2023

Table 1

Expressed in thousands of NTD

No.	Loan granting company	Loan granted to	Item	Related party	Current year Highest balance	Balance at end of period	Actual amount utilized	Interest Rate Range	Nature of loan to others	Amount of transactions	Reason for short-term financing needs	Allowance for losses	Collateral		Lending of funds to individual parties and limits	Nature of for loans
													Name	Value		
0	The Company	KV	Financing receivables	Yes	\$ 304,680	\$ 304,470	\$ -	2.00~5.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the company, being \$ 7,752,952	60% of the net value of the company, being \$ 11,629,428
1	STARCO Europe A/S	STARCO DML Ltd.	Financing receivables	Yes	30,974	21,482	9,372	4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
1	STARCO Europe A/S	STARCO GS	Financing receivables	Yes	54,899	54,810	25,442	4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
1	STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Financing receivables	Yes	24,479	16,499	14,189	2.40%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
1	STARCO Europe A/S	Starco Polska Sp.zoo	Financing receivables	Yes	19,583	-	-	4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
1	STARCO Europe A/S	STARCO GmbH	Financing receivables	Yes	105,595	105,595	59,397	3.00~4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
1	STARCO Europe A/S	STARCO Baltic OU	Financing receivables	Yes	6,600	6,600	2,739	3.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 148,836	60% of the net value of the subsidiary company, being 223,255
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina	Financing receivables	Yes	13,839	6,567	2,640	2.68%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 129,750	60% of the net value of the subsidiary company, being 194,625
3	STARCO GB Ltd.	STARCO DML Ltd.	Financing receivables	Yes	21,515	21,515	21,218	0.00~4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 90,152	60% of the net value of the subsidiary company, being 135,228
4	STARCO GmbH	STARCO GS	Financing receivables	Yes	3,300	3,300	3,300	4.00%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 61,008	60% of the net value of the subsidiary company, being 91,511
5	KC	KT	Financing receivables	Yes	661,974	615,878	615,878	3.5065~3.5565%	Short-term financing	-	Business operations	-	-	-	40% of the net value of the subsidiary company, being 2,643,752	60% of the net value of the subsidiary company, being 3,965,629

Note 1: At the time of preparation of the consolidated report, the related party transactions were fully offset.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Endorsement for others

Three-month period ended March 31,2023

Table 2

Expressed in thousands of NTD

No.	Name of endorsing company	Subject of endorsement/guarantee		Endorsement guarantee limit for a single enterprise (Note 2)	Maximum endorsement guarantee balance for the year	Endorsement guarantee balance at the end of the year (Note 4)	Actual amount utilized	Amount of endorsement guarantee secured by property	Ratio of accumulated endorsement guarantee amount to the net value of the most recent financial statements (%)	Endorsements/guarantees: Maximum limit (Note 3)	Endorsements and guarantees by parent company Endorsements/guarantees:	Endorsements and guarantees by subsidiary to Endorsements/guarantees:	Endorsements and guarantees to Mainland China Endorsements/guarantees:	Remarks
		Name of company	Relation (Note 1)											
0	The Company	STARCO Europe A/S	1	\$ 7,752,952	\$ 2,695,327	\$ 2,695,327	\$ 1,317,827	\$ -	13.91%	\$ 15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO GmbH	1	7,752,952	609,360	608,940	82,481	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO DML	1	7,752,952	609,360	608,940	-	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO Polska Sp.z.o.o.	1	7,752,952	609,360	608,940	202,929	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO SAS	1	7,752,952	609,360	608,940	-	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO GS AG	1	7,752,952	609,360	608,940	42,900	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO NV	1	7,752,952	609,360	608,940	-	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO GB	1	7,752,952	609,360	608,940	-	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	STARCO Baltic OÜ	1	7,752,952	609,360	608,940	-	-	3.14%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	AMERICANA DEVELOPMENT, INC.	1	7,752,952	182,808	182,682	121,788	-	0.94%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	KA	1	7,752,952	457,020	456,705	274,023	-	2.36%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	KV	1	7,752,952	5,004,915	4,414,815	1,616,736	-	22.78%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	KI	1	7,752,952	2,071,824	2,070,396	1,004,751	-	10.68%	15,505,904 (Note 3)	Yes	No	No	-
0	The Company	KT	1	7,752,952	335,148	334,917	-	-	1.73%	15,505,904 (Note 3)	Yes	No	Yes	-
1	KHK	KS	1	1,140,205	888,556	886,156	-	-	62.18%	1,282,730 (Note 3)	No	No	Yes	-
2	KGCI	KS	1	4,060,081	1,777,112	1,772,312	-	-	17.46%	8,120,163 (Note 3)	No	No	Yes	-

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No.	Name of endorsing company	Subject of endorsement/guarantee		Endorsement guarantee limit for a single enterprise (Note 2)	Maximum endorsement guarantee balance for the year	Endorsement guarantee balance at the end of the year (Note 4)	Actual amount utilized	Amount of endorsement guarantee secured by property	Ratio of accumulated endorsement guarantee amount to the net value of the most recent financial statements (%)	Endorsements/guarantees: Maximum limit (Note 3)	Endorsements and guarantees by parent company Endorsements/guarantees:	Endorsements and guarantees by subsidiary to Endorsements/guarantees:	Endorsements and guarantees to Mainland China Endorsements/guarantees:	Remarks
		Name of company	Relation (Note 1)											
3	STARCO Europe A/S	STARCO GB Ltd.	1	\$ 372,091	\$ 93,876	\$ 93,876	\$ 9,913	\$ -	25.23%	\$ 744,181 (Note 3)	No	No	No	-
3	STARCO Europe A/S	STARCO NV	1	372,091	190,025	148,493	37,532	-	39.91%	744,181 (Note 3)	No	No	No	-
3	STARCO Europe A/S	STARCO GS AG	1	372,091	13,313	13,313	-	-	3.58%	744,181 (Note 3)	No	No	No	-
3	STARCO Europe A/S	STARCO GmbH	1	372,091	76,251	55,246	-	-	14.85%	744,181 (Note 3)	No	No	No	-
3	STARCO Europe A/S	Starco Beli Manastir	1	372,091	115,495	115,495	-	-	31.04%	744,181 (Note 3)	No	No	No	-

Note 1: Relationship between the Endorser and the Endorsed Party

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

Note 2: The Company's endorsement of a single enterprise is limited to 40% of the Company's net value.

The amount of guarantee endorsed by KHK to a single company is limited to 40% of the net value of KHK, except that the amount of guarantee endorsed by KHK to a single company does not exceed 80% of the net value of KHK between companies in which KHK and its head office directly or indirectly hold 100% of the voting shares.

The amount of guarantee endorsed by KGCI to a single company is limited to of the net value of KGCI.

The amount of guarantee endorsed by STARCO Europe A/S to a single company is limited to 100% of the net value of STARCO Europe A/S.

Note 3: The Company's endorsement of a single enterprise is limited to 80% of the Company's net value.

The maximum amount of the endorsement guarantee of KHK is 90% of the net value of KHK.

The maximum amount of the endorsement guarantee of KGCI is 90% of the net value of KGCI.

The maximum amount of the endorsement guarantee of STARCO Europe A/S is 100% of the net value of STARCO Europe A/S.

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

Note 5: The Company provides endorsement 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. The combined amount of guarantee endorsements is USD 20 million.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries  
 Marketable securities held at the end of the period  
 March 31, 2023

Table 3

Expressed in thousands of NTD

Held by	Type and name of marketable securities	Relationship with the issuer of marketable securities	Accounting item	End of Year				Remarks
				Shares/ Unit	Carrying amount	Shareholding %	Fair value (Note 1)	
The Company	<u>Stocks and shareholdings</u>							
	China Development Financial Holding Corporation	-	Financial asset or financial liability at fair value through profit or loss	105	\$ 1,314	0.00%	\$ 1,314	-
	Kenjou Ind. Co., Ltd.	The Chairman is a second degree relative of the Chairman of the Company	Financial assets at fair value through other comprehensive income - non-current	7,382	336,766	10.86%	336,766	-
	Chang Hwa Golf Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	375	0.08%	375	-
	Ou Hua Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	41	-	5.15%	-	-
	Yu Hua Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	10	-	2.50%	-	-
	TotalEnergies Marketing Taiwan Ltd. (originally Total Lubricants Taiwan Ltd.)	The Chairman is a second degree relative of the Chairman of the Company	Financial assets at fair value through other comprehensive income - non-current	81	48,217	6.80%	48,217	-
	BOMY (BVI) CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	15,386	9.73%	15,386	-
KGI	<u>Stocks and shareholdings</u>							
Kenjou Investment Co., Ltd.	The Chairman is a second degree relative of the Chairman of the Company	Financial assets at fair value through other comprehensive income - non-current	1,703	119,684	13.00%	119,684	-	

Note 1: The calculation of fair value of domestic listed TWSE (TPEX) stocks is based on the closing price as of March 31, 2023.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the Company's paid-in capital

Three-month period ended March 31, 2023

Table 4

Expressed in thousands of NTD  
, unless otherwise specified

Purchase (sales) company	Name of counterparty	Relation	Transaction				The circumstances and reasons why the transaction conditions are different from those of ordinary transactions		Notes and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Share of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	KENFONG INDUSTRIAL	The Company's subsidiaries	Sales	\$ 174,077	18.01%	According to the terms and conditions set forth by both parties	By mutual agreement	-	\$ 187,307	11.89%	-
	ADI	Indirectly invested subsidiaries	Sales	237,440	24.57%	According to the terms and conditions set forth by both parties	By mutual agreement	-	813,981	51.67%	-
KV	KA	Subsidiary of the ultimate parent company	Sales	674,813	42.44%	According to the terms and conditions set forth by both parties	By mutual agreement	-	1,423,410	65.12%	-
	ADI	Subsidiary of the ultimate parent company	Sales	210,136	13.22%	According to the terms and conditions set forth by both parties	By mutual agreement	-	509,605	23.32%	-
KT	KS	Subsidiary of the ultimate parent company	Sales	179,286	27.48%	According to the terms and conditions set forth by both parties	By mutual agreement	-	130,663	26.89%	-

Note 1: At the time of preparation of the consolidated report, the related party transactions were fully offset.



KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries  
Amounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital  
March 31, 2023

Table 5

Expressed in thousands of NTD  
, unless otherwise specified

Companies included in accounts receivable	Name of counterparty	Relation	Amount receivable from related parties Balance	Turnover	Overdue amounts receivable from related parties		Amount receivable from related parties Amount recovered after the period (Note 2)	Allowance for losses
					Amount	Handling method		
The Company	KA	The Company's subsidiaries	\$ 249,543	1.12	\$ 84,418	-	\$ 189,335	\$ -
	ADI	Indirectly invested subsidiaries	813,981	1.09	383,580	-	487,647	-
	KENFONG INDUSTRIAL	The Company's subsidiaries	187,307	3.72	-	-	249,385	-
	KV	The Company's subsidiaries	130,953	0.72	45,008	-	183,098	-
KC	KA	Subsidiary of the ultimate parent company	102,398	1.99	49,749	-	16,826	-
	KT	Subsidiary of the ultimate parent company	626,282	Note 2	-	-	-	-
KV	KA	Subsidiary of the ultimate parent company	1,423,410	2.02	645,566	-	744,011	-
	ADI	Subsidiary of the ultimate parent company	509,605	1.65	38,450	-	300,344	-
KT	KS	Subsidiary of the ultimate parent company	130,663	4.93	-	-	68,678	-
STARCO Europe A/S	STARCO Polska Sp. z o.o.	Subsidiary of the ultimate parent company	113,710	Note 2	-	-	-	-

Note 1: At the time of preparation of the consolidated report, the related party transactions were fully offset.

Note 2: Mainly other receivables, therefore, not applicable.

Note 3: Represents the amount recovered as of May 3, 2023.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Business relationships and material intercompany transactions between the parent and subsidiaries and between subsidiaries and their amounts

Three-month period ended March 31, 2023

Table 6

Expressed in thousands of NTD  
, unless otherwise specified

No. (Note 1)	Name of the transaction party	Name of counterparty	Relationship with transaction party (Note 2)	Status of transactions (Note 3)			
				Accounting item	Amount	Transaction terms and conditions	Percentage of total consolidated revenue or total assets
0	The Company	ADI	1	Sales revenue	\$ 237,440	(Note 4)	2.89%
		KA	1	Sales revenue	62,948	(Note 4)	0.77%
		KC	1	Service (labor) revenue	26,392	(Note 4)	0.32%
		KENFONG INDUSTRIAL	1	Sales revenue	174,077	(Note 4)	2.12%
		KI	1	Sales revenue	8,312	(Note 4)	0.10%
		KI	1	Service (labor) revenue	9,040	(Note 4)	0.11%
		KT	1	Service (labor) revenue	10,416	(Note 4)	0.13%
		KV	1	Sales revenue	22,117	(Note 4)	0.27%
		KV	1	Service (labor) revenue	49,951	(Note 4)	0.61%
1	KC	ADI	3	Sales revenue	53,045	(Note 4)	0.65%
		KA	3	Sales revenue	44,709	(Note 4)	0.54%
		KS	3	Sales revenue	18,208	(Note 4)	0.22%
		KENFONG INDUSTRIAL	3	Sales revenue	8,347	(Note 4)	0.10%
		STARCO GB Ltd.	3	Sales revenue	15,610	(Note 4)	0.19%
		STARCO GS AG	3	Sales revenue	8,913	(Note 4)	0.11%
		STARCO NV	3	Sales revenue	22,668	(Note 4)	0.28%
		STARCO Polska Sp. Z.o.o.	3	Sales revenue	24,215	(Note 4)	0.29%
		ADI	3	Sales revenue	32,368	(Note 4)	0.39%
2	KT	KS	3	Sales revenue	179,286	(Note 4)	2.18%
		STARCO NV	3	Sales revenue	7,213	(Note 4)	0.09%
		KV	3	Sales revenue	12,433	(Note 4)	0.15%
3	KI	KV	3	Sales revenue	12,433	(Note 4)	0.15%
		ADI	3	Sales revenue	210,136	(Note 4)	2.56%
4	KV	KA	3	Sales revenue	674,813	(Note 4)	8.21%
		STARCO Beli Manastir d.o.o.	3	Sales revenue	6,884	(Note 4)	0.08%
5	KE	The Company	2	Service (labor) revenue	36,549	(Note 4)	0.44%
0	The Company	ADI	1	Accounts receivable	813,922	(Note 4)	1.79%
		KC	1	Other receivables	18,956	(Note 4)	0.04%
		KC	1	Accounts receivable	4,301	(Note 4)	0.01%
		KT	1	Other receivables	31,137	(Note 4)	0.07%
		KI	1	Other receivables	6,580	(Note 4)	0.01%
		KI	1	Accounts receivable	22,155	(Note 4)	0.05%

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No. (Note 1)	Name of the transaction party	Name of counterparty	Relationship with transaction party (Note 2)	Status of transactions (Note 3)					
				Accounting item	Amount	Transaction terms and conditions	Percentage of total consolidated revenue or total assets		
1	KC	KA	1	Other receivables	\$ 25,651	(Note 4)	0.06%		
		KA	1	Accounts receivable	223,892	(Note 4)	0.49%		
		KV	1	Other receivables	61,023	(Note 4)	0.13%		
		KV	1	Accounts receivable	69,931	(Note 4)	0.15%		
		KENFONG INDUSTRIAL	1	Accounts receivable	187,307	(Note 4)	0.41%		
		KE	1	Accounts receivable	4,465	(Note 4)	0.01%		
		STARCO Europe A/S	1	Other receivables	5,387	(Note 4)	0.01%		
		STARCO GmbH	1	Accounts receivable	7,214	(Note 4)	0.02%		
		STARCO GB Ltd.	1	Accounts receivable	5,686	(Note 4)	0.01%		
		ADI	3	Accounts receivable	67,943	(Note 4)	0.15%		
		KT	3	Other receivables	615,879	(Note 4)	1.36%		
		KT	3	Earned revenue receivable	10,403	(Note 4)	0.02%		
		KA	3	Accounts receivable	102,398	(Note 4)	0.23%		
		KS	3	Accounts receivable	17,296	(Note 4)	0.04%		
		KENFONG INDUSTRIAL	3	Accounts receivable	8,358	(Note 4)	0.02%		
		STARCO GB Ltd.	3	Accounts receivable	21,654	(Note 4)	0.05%		
		STARCO GmbH	3	Accounts receivable	7,147	(Note 4)	0.02%		
		STARCO NV	3	Accounts receivable	23,660	(Note 4)	0.05%		
		2	KT	STARCO Polska Sp. Z.o.o.	3	Accounts receivable	22,062	(Note 4)	0.05%
				STARCO GS AG	3	Accounts receivable	8,926	(Note 4)	0.02%
ADI	3			Accounts receivable	42,706	(Note 4)	0.09%		
KA	3			Accounts receivable	4,305	(Note 4)	0.01%		
KS	3			Accounts receivable	130,663	(Note 4)	0.29%		
KENFONG INDUSTRIAL	3			Accounts receivable	4,460	(Note 4)	0.01%		
STARCO NV	3			Accounts receivable	9,833	(Note 4)	0.02%		
The Company	2			Accounts receivable	23,982	(Note 4)	0.05%		
KC	2			Accounts receivable	3,932	(Note 4)	0.01%		
The Company	2			Accounts receivable	5,838	(Note 4)	0.01%		
4	KA	ADI	3	Accounts receivable	509,605	(Note 4)	1.12%		
		KI	3	Accounts receivable	30,255	(Note 4)	0.07%		
		KA	3	Accounts receivable	1,423,410	(Note 4)	3.14%		
		KT	3	Accounts receivable	4,531	(Note 4)	0.01%		
		KA	3	Accounts receivable	3,909	(Note 4)	0.01%		
3	KI	KV	3	Accounts receivable	12,450	(Note 4)	0.03%		
		STARCO Europe A/S	1	Other receivables	2,739	(Note 4)	0.01%		
		STARCO DML Ltd.	1	Other receivables	9,372	(Note 4)	0.02%		
8	STARCO Europe A/S	STARCO GS AG	1	Other receivables	25,442	(Note 4)	0.06%		

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No. (Note 1)	Name of the transaction party	Name of counterparty	Relationship with transaction party (Note 2)	Status of transactions (Note 3)			
				Accounting item	Amount	Transaction terms and conditions	Percentage of total consolidated revenue or total assets
9	STARCO Beli Manastir d.o.o.	STARCO GmbH	1	Other receivables	\$ 59,397	(Note 4)	0.13%
		STARCO GB Ltd.	1	Accounts receivable	28,342	(Note 4)	0.06%
		STARCO NV	1	Accounts receivable	41,242	(Note 4)	0.09%
		STARCO GmbH	3	Accounts receivable	60,878	(Note 4)	0.13%
		STARCO GS AG	3	Accounts receivable	7,732	(Note 4)	0.02%
		STARCO Polska Sp.z.o.o.	3	Accounts receivable	13,696	(Note 4)	0.03%
10	STARCO GmbH	STARCO GB Ltd.	3	Accounts receivable	10,016	(Note 4)	0.02%
		STARCO NV	3	Accounts receivable	22,306	(Note 4)	0.05%
		STARCO France	3	Accounts receivable	6,835	(Note 4)	0.02%
11	STARCO NV	STARCO DML Ltd.	3	Accounts receivable	21,218	(Note 4)	0.05%
		STARCO Polska Sp.z.o.o.	3	Accounts receivable	28,747	(Note 4)	0.06%
12	STARCO Polska Sp.z.o.o.	STARCO France	3	Accounts receivable	26,434	(Note 4)	0.06%
		STARCO Baltic OÜ	3	Accounts receivable	14,216	(Note 4)	0.03%
16	STARCO France	STARCO NV	3	Accounts receivable	8,224	(Note 4)	0.02%
		STARCO Europe A/S	3	Accounts receivable	24,677	(Note 4)	0.05%
8	STARCO Europe A/S	STARCO GB Ltd.	1	Sales revenue	574	(Note 4)	0.01%
		STARCO NV	1	Sales revenue	288	(Note 4)	0.00%
9	STARCO Beli Manastir d.o.o.	STARCO GB Ltd.	3	Sales revenue	686	(Note 4)	0.01%
		STARCO GmbH	3	Sales revenue	2,030	(Note 4)	0.02%
		STARCO Polska Sp.z.o.o.	3	Sales revenue	873	(Note 4)	0.01%
		STARCO GS AG	3	Sales revenue	429	(Note 4)	0.01%
		STARCO NV	3	Sales revenue	297	(Note 4)	0.00%
		STARCO SAS	3	Sales revenue	497	(Note 4)	0.01%
10	STARCO GmbH	STARCO SAS	3	Sales revenue	497	(Note 4)	0.01%
11	STARCO NV	STARCO SAS	3	Sales revenue	762	(Note 4)	0.01%
12	STARCO Polska Sp.z.o.o.	STARCO Baltic OÜ	3	Sales revenue	897	(Note 4)	0.01%
12	STARCO Polska Sp.z.o.o.	STARCO NV	3	Sales revenue	247	(Note 4)	0.00%

Note 1: Information on business transactions between the parent company and the subsidiary company should be indicated in the indexed column respectively, and the number should be completed as follows:

1. Fill in 0 for parent company
2. The subsidiaries are numbered sequentially by company, starting with the number 1.

Note 2: There are three types of relationships with transaction counterparties, and it is sufficient to indicate the type:

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

Note 3: The ratio of transaction amount to total consolidated revenue or total assets is calculated as the balance of total consolidated assets at the end of the year for assets and liabilities accounts, and as the cumulative amount to consolidated net sales revenue for the year for profit and loss accounts.

Note 4: The transaction is subject to the terms and conditions agreed upon by the parties.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Information about the investee company, its location, etc.

Three-month period ended March 31, 2023

Table 7

Expressed in thousands of NTD; foreign currency in thousands

Name of investing company	Name of investee company	Location	Main business scope and activities	Original investment amount		Shares held at end of year			Name of investee company Profit or loss for the year (Note 1)	Investment income or loss recognized during the year (Note 1)	Remarks	
				End of the year (Note 1)	End of last year (Note 1)	Number of Share	Ratio	Total carrying amount (Note 1)				
The Company	KA	USA	Trading, investment	USD 9,000	USD 9,000	-	100%	NT\$ 2,227,460	NT\$ 32,047	NT\$ 32,047	Note 3	
	KHK	Hong Kong	Trading, investment	HKD 100	HKD 100	-	100%	NT\$ 1,420,024	( NT\$ 31,602 )	( NT\$ 31,602 )	Note 3	
KENFONG INDUSTRIAL KA	KV	Vietnam	Production of tires	USD 67,680	USD 67,680	-	100%	NT\$ 8,168,427	NT\$ 18,699	( NT\$ 63,940 )	Note 2 and 3	
	KIC	Cayman Islands	Investment	USD 81,753	USD 81,753	-	100%	NT\$ 11,056,861	( NT\$ 181,272 )	( NT\$ 181,272 )	Note 3	
	KE	Germany	Marketing and Planning	EUR 405	EUR 405	-	100%	NT\$ 40,627	NT\$ 4,144	NT\$ 4,144	Note 3	
	KENFONG INDUSTRIAL	Taiwan	Sales of tires	NT\$ 199,000	NT\$ 199,000	19,900	100%	NT\$ 244,796	NT\$ 15,050	NT\$ 15,050	Note 3	
	KI	Indonesia	Production of tires	USD 52,999	USD 52,999	-	99.99%	NT\$ 900,691	( NT\$ 48,225 )	( NT\$ 48,224 )	Note 3	
	KI	Indonesia	Production of tires	USD 1	-	-	0.01%	NT\$ 15	( NT\$ 48,225 )	( NT\$ 1 )	Note 3	
	ADI	USA	Production of wheels and sales of tire and rim assemblies	USD 20,000	USD 20,000	1	100%	USD 64,958	USD 224	Note 1	Note 3	
	KIC	KGH	Cayman Islands	Investment	USD 112,050	USD 112,050	-	100%	USD 348,465	( USD 5,756 )	Note 1	Note 3
	KGI	KGI	Mauritius	Investment	USD 1,703	USD 1,703	-	100%	USD 14,265	( USD 208 )	Note 1	Note 3
	KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100%	USD 8,739	( USD 224 )	Note 1	Note 3
STARCO Europe A/S	STARCO GB Ltd.	UK	Tire and rim assembly and sales	EUR 552	EUR 552	-	100%	EUR 7,805	EUR 916	Note 1	Note 3	
	STARCO GmbH	Germany	Tire and rim assembly and sales	EUR 511	EUR 511	-	100%	EUR 2,844	EUR 399	Note 1	Note 3	
	STARCO Polska Sp.z.o.o.	Poland	Tire and rim assembly and sales	EUR 30	EUR 30	-	100%	EUR 2,324	( EUR 89 )	Note 1	Note 3	
	STARCO NV	Belgium	Tire and rim assembly and sales	EUR 2,810	EUR 2,810	-	100%	EUR 3,475	( EUR 606 )	Note 1	Note 3	
	STARCO GS AG	Switzerland	Tire and rim assembly and sales	EUR 355	EUR 355	-	100%	EUR 1,356	EUR 85	Note 1	Note 3	
	STARCO Baltic OÜ	Estonia	Tire and rim assembly and sales	EUR 3	EUR 3	-	100%	EUR 936	( EUR 80 )	Note 1	Note 3	
	STARCO FR SAS	France	Tire and rim assembly and sales	EUR 183	EUR 183	-	100%	EUR 1,159	EUR 58	Note 1	Note 3	
	STARCO Beli Manastir d.o.o.	Croatia	Production of rims	EUR 9,614	EUR 9,614	-	100%	EUR 9,884	EUR 52	Note 1	Note 3	
	STARCO DML	UK	Production of wheels and sales of tire and rim assemblies	EUR 1,031	EUR 1,031	-	100%	EUR 497	( EUR 216 )	Note 1	Note 3	
	STARCO Imovina d.o.o.	Croatia	Investment	EUR 3	EUR 3	-	100%	EUR 1,677	EUR 11	Note 1	Note 3	

Note 1: The profit or loss of the investee company is already included in its investment company, so to avoid confusion, it is not presented here.

Note 2: The difference represents the offset (reversal) of unrealized gross profit from sales of the investee company.

Note 3: Offset in the preparation of the consolidated financial statements.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Investments in Mainland China

Three-month period ended March 31, 2023

Table 8

Expressed in thousands of NTD; foreign currency in thousands

Name of investee company Name of company	Main business scope and activities Item	Paid-in Capital	Investment type	Value at beginning of the year Cumulative outward remittance from Taiwan Investment amount	Remitted or recovered during the year Investment amount		Value at end of the year Cumulative outward remittance from Taiwan Investment amount	Name of investee company Profit or loss for the year	Shareholding of the Company's direct or indirect investments	Investment income or loss recognized during the year (Note 3)	Book value of investments at end of the year	Investment income remitted back at end of the year	Remarks
					Outward remittance	Recovered							
KS	Manufacture and sale of all kinds of vehicle inner tubes and outer tires	\$ 761,175 USD 25,000	Note 1	\$ 761,175 USD 25,000	\$ -	\$ -	\$ 761,175 USD 25,000	( \$ 34,990 )	100%	( \$ 29,793 )	\$ 1,537,590	\$ 7,960,246	Note 10
KC	Manufacture and sale of all kinds of vehicle inner tubes and outer tires	2,131,290 USD 70,000	Note 1, 7	2,131,290 USD 70,000	-	-	2,131,290 USD 70,000	( 67,960 )	100%	Note 4	Note 4	Note 4	-
KT	Manufacture and sale of all kinds of vehicle inner tubes and outer tires	6,698,340 USD 220,000	Note 1, 2, 7	474,973 USD 15,600	-	-	474,973 USD 15,600	( 97,452 )	100%	( 101,026 )	3,456,889	-	Note 10
KGCI	Investment	4,901,967 USD 161,000	Note 1, 2	-	-	-	-	( 162,436 )	100%	( 162,436 )	9,988,201	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing, processing and sales of various food and beverage products	608,940 USD 20,000	Note 1	60,894 USD 2,000	-	-	60,894 USD 2,000	-	10%	-	15,386	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Interior and exterior automotive parts	795,671 USD 26,133	Note 1	51,851 USD 1,703	-	-	51,851 USD 1,703	-	2.6%	-	119,684	136,524	-
STARCO Huanmei	Production of rims	164,993 EUR 5,000	Note 1	Note 9	-	-	Note 9	( 2,351 )	33%	( 780 )	115,193	-	Note 9

Cumulative outward remittances from Taiwan at the end of the year Amount of investment in Mainland China	Investment Commission, Ministry of Economic Affairs Approved investment amount	In accordance with the regulations of the Investment Commission, Ministry of Economic Affairs Maximum amount of investment in Mainland China (Note 5)
\$ 3,480,183 USD 114,303 Note 5	\$ 9,788,775 USD 319,703 EUR 1,660 Note 5	Note 6

Note 1: Reinvestment in Mainland China through a third-party overseas company.

Note 2: The difference between the amount of paid-in capital and the amount of investment remitted from Taiwan is due to the reinvestment of dividends received by the foreign subsidiary and the remittance of additional cash.

Note 3: The investment income or loss recognized in the current period is based on the financial statements audited by international accounting firms with which the attesting accounting firm has a relationship.

Note 4: The investment income and the carrying value of investment in China are already included in KGCI, so to avoid confusion, they are not presented here.

Note 5: The investment amount approved by the Investment Commission of the Ministry of Economic Affairs was USD319,703 thousand, a difference of USD205,400 thousand from the accumulated investment amount of USD114,303 thousand remitted from Taiwan, which was directly invested by the foreign subsidiary by transferring the dividend received and cash capital increase.

Note 6: The Company is certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that meets the operational scope of the operating headquarters, therefore, there is no limit on the cumulative amount of investment in Mainland China.

Note 7: The paid-in capital of KC and part of KT is included in the paid-in capital of the investee company, therefore, the approved investment amount and the outward remitted investment amount are not double-counted.

Note 8: The above figures are translated into New Taiwan dollars using the exchange rates as of the end of each financial reporting period and the average exchange rates for the respective year.

Note 9: Indirectly acquired through mergers and acquisitions.

Note 10: The difference represents the gain or loss on unrealized inter-group company transactions.

KENDA RUBBER INDUSTRIAL CO., LTD and its Subsidiaries

Major Shareholders

March 31, 2023

Table 9

Expressed in thousands of NTD  
, unless otherwise specified

Name of major shareholder	Share	
	Number of shares held	Shares Ratio
Yang, Chih-Jen	91,476,924	10.05%
Yang, Ying-Ming	63,718,822	7.00%