

**Kenda Rubber Ind. Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements and Independent  
Auditors' Review Report  
For the Six Months Ended June 30, 2023 and 2022**

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

## **INDEPENDENT AUDITOR’S REVIEW REPORT TRANSLATED FROM CHINESE**

To Kenda Rubber Ind. Co., Ltd.

### **Introduction**

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

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As mentioned in Note 11 to the consolidated financial statements, the financial statements of non-significant subsidiaries for the same period included in the above consolidated financial statements have not been reviewed by us. The total assets as of June 30, 2023 and 2022 were NT\$8,377,847 thousand and NT\$8,486,635 thousand, respectively, accounting for 18% and 17% of the total consolidated assets, respectively. The total liabilities were NT\$4,827,128 thousand and NT\$4,520,540 thousand, respectively, accounting for 18% and 14% of the total consolidated liabilities, respectively; The total comprehensive income from April 1 to June 30, 2023 and 2022 and those from January 1 to June 30, 2023 and 2022 were NT\$(36,283) thousand, NT\$93,816 thousand, NT\$(108,376) thousand and NT\$265,370 thousand, respectively, accounting for (10.6)%, 15%, 169% and 18% of the total consolidated comprehensive income, respectively.

## Qualified Conclusion

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 8, 2023

### Notice to Readers

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

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

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

JUNE 30, 2023 AND DECEMBER 31, 2022 AND JUNE 30, 2022

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 6,761,485	15	\$ 6,007,721	13	\$ 6,199,348	12
Financial assets at fair value through profit or loss - current	1,298	-	1,319	-	1,539	-
Notes receivable (Note 8)	251,282	-	198,265	-	221,469	-
Trade receivable (Notes 8, 23 and 24)	3,729,826	8	3,713,612	8	5,412,665	11
Inventories (Notes 9 and 24)	10,290,762	23	12,330,155	26	14,603,422	29
Prepayments	349,496	1	280,229	1	561,290	1
Other financial assets - current (Notes 10 and 24)	2,307,557	5	1,626,218	4	1,965,463	4
Other current assets	<u>587,631</u>	<u>1</u>	<u>616,148</u>	<u>1</u>	<u>507,917</u>	<u>1</u>
Total current assets	<u>24,279,337</u>	<u>53</u>	<u>24,773,667</u>	<u>53</u>	<u>29,473,113</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	523,133	1	521,443	1	483,362	1
Investments accounted for using the equity method	126,390	-	134,473	-	115,619	-
Property, plant and equipment (Notes 12 and 24)	16,024,513	35	16,334,327	35	15,664,755	31
Right-of-use assets (Note 13)	1,811,343	4	1,775,986	4	1,760,217	3
Investment properties (Note 14)	26,007	-	26,610	-	27,012	-
Deferred tax assets	509,700	1	449,680	1	548,918	1
Other financial assets - non-current (Note 10)	1,633,643	4	1,931,157	4	2,054,162	4
Other non-current assets (Notes 10, 12 and 24)	<u>642,447</u>	<u>2</u>	<u>652,806</u>	<u>2</u>	<u>1,084,244</u>	<u>2</u>
Total non-current assets	<u>21,297,176</u>	<u>47</u>	<u>21,826,482</u>	<u>47</u>	<u>21,738,289</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 45,576,513</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 51,211,402</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 15)	\$ 4,598,922	10	\$ 4,590,273	10	\$ 6,098,359	12
Contract liabilities - current	243,163	1	232,063	1	330,416	1
Notes payable	142,234	-	105,965	-	285,832	1
Trade payable (Note 23)	2,192,975	5	2,410,155	5	3,513,214	7
Dividends payable	454,705	1	-	-	909,410	2
Other payables (Note 23)	1,557,277	4	1,612,531	3	1,697,045	3
Current tax liabilities	170,858	-	272,342	1	167,182	-
Lease liabilities - current (Note 13)	172,140	1	164,466	1	125,813	-
Current portion of long-term borrowings (Note 15)	1,905,193	4	1,735,672	4	1,300,152	2
Other current liabilities (Note 17)	<u>136,789</u>	<u>-</u>	<u>110,785</u>	<u>-</u>	<u>137,492</u>	<u>-</u>
Total current liabilities	<u>11,574,256</u>	<u>26</u>	<u>11,234,252</u>	<u>24</u>	<u>14,564,915</u>	<u>28</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 15)	12,889,299	28	14,018,511	30	15,503,330	30
Deferred tax liabilities	678,197	2	602,774	1	572,251	1
Lease liabilities - non-current (Note 13)	542,056	1	515,201	1	546,420	1
Net Defined Benefit Liabilities	88,582	-	100,938	-	203,291	1
Other non-current liabilities (Note 14)	<u>940,705</u>	<u>2</u>	<u>746,077</u>	<u>2</u>	<u>487,667</u>	<u>1</u>
Total non-current liabilities	<u>15,138,839</u>	<u>33</u>	<u>15,983,501</u>	<u>34</u>	<u>17,312,959</u>	<u>34</u>
Total liabilities	<u>26,713,095</u>	<u>59</u>	<u>27,217,753</u>	<u>58</u>	<u>31,877,874</u>	<u>62</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b> (Note 16)						
Share capital	<u>9,094,100</u>	<u>20</u>	<u>9,094,100</u>	<u>20</u>	<u>9,094,100</u>	<u>18</u>
Share dividends distributable	<u>454,800</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital surplus	<u>41</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>41</u>	<u>-</u>
Retained earnings						
Legal reserve	3,440,228	7	3,398,776	7	3,398,776	6
Special reserve	831,490	2	1,970,995	4	1,970,995	4
Unappropriated earnings	<u>5,946,287</u>	<u>13</u>	<u>5,749,958</u>	<u>13</u>	<u>5,981,070</u>	<u>12</u>
Total retained earnings	<u>10,218,005</u>	<u>22</u>	<u>11,119,729</u>	<u>24</u>	<u>11,350,841</u>	<u>22</u>
Other equity	( 903,528 )	( 2 )	( 831,490 )	( 2 )	( 1,111,472 )	( 2 )
Equity attributable to shareholders of the parent	18,863,418	41	19,382,380	42	19,333,510	38
<b>NON-CONTROLLING INTERESTS</b>						
	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>18</u>	<u>-</u>
Total equity	<u>18,863,418</u>	<u>41</u>	<u>19,382,396</u>	<u>42</u>	<u>19,333,528</u>	<u>38</u>
<b>TOTAL</b>	<u>\$ 45,576,513</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 51,211,402</u>	<u>100</u>

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

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022 AND FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Three-month periods ended June 30				Six-month periods ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 17 and 23)	\$ 8,704,003	100	\$ 10,451,122	100	\$ 16,924,275	100	\$ 19,900,044	100
COST OF REVENUE (Notes 9, 18 and 23)	7,102,966	82	8,750,862	84	14,270,470	85	16,660,472	84
GROSS PROFIT	1,601,037	18	1,700,260	16	2,653,805	15	3,239,572	16
OPERATING EXPENSES (Notes 18 and 23)								
Selling and marketing expenses	599,489	7	666,820	6	1,170,859	7	1,319,455	7
General and administrative expenses	357,545	4	379,200	4	710,387	4	676,421	3
Research and development expenses	359,931	4	344,375	3	708,865	4	732,984	4
Expected credit losses or reversal of expected credit losses	(2,425)	-	2,167	-	(11,942)	-	(6,501)	-
Total operating expenses	1,314,540	15	1,392,562	13	2,578,169	15	2,722,359	14
OTHER OPERATING INCOME AND EXPENSES (Note 18)	-	-	(2)	-	-	-	(300)	-
INCOME FROM OPERATIONS	286,497	3	307,696	3	75,636	-	516,913	2
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 23)								
Interest income	69,807	1	31,256	-	119,065	1	68,777	-
Other income	93,777	1	96,411	1	119,474	1	126,111	1
Other gains and losses	219,087	3	219,828	2	168,065	1	278,411	2
Financial costs	(138,997)	(2)	(72,410)	(1)	(277,393)	(2)	(138,504)	(1)
Share of profit or loss of associates recognized under the equity method	(1,176)	-	1,290	-	(1,956)	-	1,076	-
Total non-operating income and expenses	242,498	3	276,375	2	127,255	1	335,871	2
Net profit before tax for the period	528,995	6	584,071	5	202,891	1	852,784	4
INCOME TAX EXPENSE (Note 19)	(141,594)	(2)	(125,644)	(1)	(195,095)	(1)	(207,157)	(1)
NET PROFIT FOR THE PERIOD	387,401	4	458,427	4	7,796	-	645,627	3
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	-	-	(1,259)	-	-	-	(1,259)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	(55,059)	-	207,167	2	(90,048)	-	1,075,978	6
Income tax related to items that may be reclassified subsequently to profit or loss	11,012	-	(41,434)	-	18,010	-	(215,196)	(1)
Other comprehensive income for the period, net of income tax	(44,047)	-	164,474	2	(72,038)	-	859,523	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 343,354	4	\$ 622,901	6	(\$ 64,242)	-	\$ 1,505,150	8
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 387,401	4	\$ 458,427	4	\$ 7,796	-	\$ 645,627	3
Non-controlling interests	-	-	-	-	-	-	-	-
	\$ 387,401	4	\$ 458,427	4	\$ 7,796	-	\$ 645,627	3
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 343,354	4	\$ 622,901	6	(\$ 64,242)	-	\$ 1,505,150	8
Non-controlling interests	-	-	-	-	-	-	-	-
	\$ 343,354	4	\$ 622,901	6	(\$ 64,242)	-	\$ 1,505,150	8
EARNINGS PER SHARE (Note 20)								
Basic	\$ 0.41		\$ 0.48		\$ 0.01		\$ 0.68	
Diluted	\$ 0.41		\$ 0.48		\$ 0.01		\$ 0.68	

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

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

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

	Equity Attributable to Shareholders of the Parent											
	Share Capital							Other Equity			Non-controlling Interests	Total Equity
	Ordinary Share Capital	Share dividends distributable	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
BALANCE AT JANUARY 1, 2022	\$ 9,094,100	\$ -	\$ 41	\$ 3,308,030	\$ 1,601,002	\$ 6,705,592	(\$ 2,319,788)	\$ 348,793	\$ 18,737,770	\$ 18	\$ 18,737,788	
Appropriations of 2021 earnings												
Legal reserve	-	-	-	90,746	-	( 90,746 )	-	-	-	-	-	
Special reserve	-	-	-	-	369,993	( 369,993 )	-	-	-	-	-	
Cash dividends to shareholders - NT\$1.00 per share	-	-	-	-	-	( 909,410 )	-	-	( 909,410 )	-	( 909,410 )	
Net profit for the six months ended June 30, 2022	-	-	-	-	-	645,627	-	-	645,627	-	645,627	
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	860,782	( 1,259 )	859,523	-	859,523	
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	645,627	860,782	( 1,259 )	1,505,150	-	1,505,150	
BALANCE AT JUNE 30, 2022	<u>\$ 9,094,100</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 3,398,776</u>	<u>\$ 1,970,995</u>	<u>\$ 5,981,070</u>	<u>(\$ 1,459,006)</u>	<u>\$ 347,534</u>	<u>\$ 19,333,510</u>	<u>\$ 18</u>	<u>\$ 19,333,528</u>	
BALANCE AT JANUARY 1, 2023	\$ 9,094,100	\$ -	\$ 41	\$ 3,398,776	\$ 1,970,995	\$ 5,749,958	(\$ 1,213,319)	\$ 381,829	\$ 19,382,380	\$ 16	\$ 19,382,396	
Appropriations of 2022 earnings												
Legal reserve	-	-	-	41,452	-	( 41,452 )	-	-	-	-	-	
Special reserve	-	-	-	-	( 1,139,505 )	1,139,505	-	-	-	-	-	
Cash dividends to shareholders - NT\$0.5 per share	-	-	-	-	-	( 454,705 )	-	-	( 454,705 )	-	( 454,705 )	
Share dividends to shareholders - NT\$0.5 per share	-	454,800	-	-	-	( 454,800 )	-	-	-	-	-	
Net profit for the six months ended June 30, 2023	-	-	-	-	-	7,796	-	-	7,796	-	7,796	
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	-	( 72,038 )	-	( 72,038 )	-	( 72,038 )	
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	7,796	( 72,038 )	-	( 64,242 )	-	( 64,242 )	
Changes in ownership equity of subsidiaries	-	-	-	-	-	( 15 )	-	-	( 15 )	( 16 )	( 31 )	
BALANCE AT JUNE 30, 2023	<u>\$ 9,094,100</u>	<u>\$ 454,800</u>	<u>\$ 41</u>	<u>\$ 3,440,228</u>	<u>\$ 831,490</u>	<u>\$ 5,946,287</u>	<u>(\$ 1,285,357)</u>	<u>\$ 381,829</u>	<u>\$ 18,863,418</u>	<u>\$ -</u>	<u>\$ 18,863,418</u>	

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

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

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

	<b>Six-month periods ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax for the period	\$ 202,891	\$ 852,784
Adjustments for:		
Depreciation expense	896,571	859,625
Amortization expense	7,870	6,052
Reversal of expected credit losses	( 11,942)	( 6,501)
Loss on financial assets at fair value through profit or loss	21	293
Financial costs	277,393	138,504
Interest income	( 119,065)	( 68,777)
Dividend income	( 46,821)	( 49,504)
Share of profit or loss of associates accounted for using the equity method	1,956	( 1,076)
Reversal of allowance for inventory valuation and obsolescence loss	( 42,434)	( 3,748)
Net gain or loss on disposal of property, plant and equipment	56	( 3,337)
Net gain on foreign currency exchange	( 6,267)	( 213,512)
Changes in operating assets and liabilities		
Notes receivable	( 53,017)	60,127
Trade receivable	13,920	( 1,538,714)
Other receivables	( 15,571)	( 87,922)
Inventories	2,013,840	( 1,404,105)
Prepayments	( 69,267)	21,523
Other current assets	7,566	39,790
Contract liabilities	11,100	33,650
Notes payable	36,269	143,321
Trade payable	( 225,584)	( 663,312)
Other payables	( 35,600)	( 158,291)
Other current liabilities	17,994	25,314
Net defined benefit liabilities	( 12,356)	( 12,533)
Other non-current liabilities	( 592)	-
Cash generated from (used in) operations	2,848,931	( 2,030,349)
Interest received	78,758	35,408
Dividends received	\$ 23,906	\$ 49,504
Interest paid	( 269,363)	( 121,169)
Income tax paid	( 163,428)	( 86,744)
Net cash generated from (used in) operating activities	<u>2,518,804</u>	<u>( 2,153,350)</u>

(Continued)

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

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

	<b>Six-month periods ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	( 367,092 )	( 468,548 )
Proceeds from disposal of property, plant and equipment	10,936	22,344
Increase in refundable deposits	( 18,333 )	( 12,747 )
Payments for intangible assets	( 9,728 )	( 11,774 )
Decrease (increase) in other financial assets	( 404,949 )	21,787
Increase in prepayments for equipment	( <u>87,263</u> )	( <u>550,364</u> )
Net cash generated from (used in) investing activities	( <u>876,429</u> )	( <u>999,302</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	( 67,677 )	2,101,101
Proceeds from long-term borrowings	10,583,588	11,894,564
Repayments of long-term borrowings	( 11,581,927 )	( 10,680,544 )
Proceeds from guarantee deposits received	215,443	5,771
Repayment of the principal portion of lease	( 73,608 )	( 85,116 )
Changes in ownership equity of subsidiaries	( <u>31</u> )	<u>-</u>
Net cash generated from (used in) financing activities	( <u>924,212</u> )	<u>3,235,776</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>35,601</u>	<u>163,442</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>	753,764	246,566
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>6,007,721</u>	<u>5,952,782</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 6,761,485</u>	<u>\$ 6,199,348</u>

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



# KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. AUTHORIZATION OF FINANCIAL STATEMENTS

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

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

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

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

Note 3: After the issuance of these amendments, the exceptions and disclosures about standards and interpretations which have already been applied shall be applied immediately and retrospectively applied in accordance with the provisions of IAS 8. Other disclosure requirements shall be applied for annual reporting periods beginning on or after January 1, 2023. Those other disclosure requirements shall not be applied to interim financial reporting with an interim period ending before December 31, 2023.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

##### **c. Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (i.e., subsidiaries). The consolidated statements of comprehensive income incorporates the operating profit or loss of subsidiaries acquired or disposed of for the period from the date of acquisition or up to the date of disposal. Adjustments

are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, account balances, income and expenses are eliminated in full when preparing consolidated financial statements. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

d. Other significant accounting policies

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

1) Defined benefit post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations of the period, and for significant plan amendments, settlements or other significant one-off events.

2) Income tax expense

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

In developing significant accounting estimates, the Consolidated Company takes into consideration the recent development of the COVID-19 and the possible impact on the economic environment in making significant accounting estimates. The estimates and underlying assumptions are reviewed by the management on an ongoing basis. 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.

**Key Sources of Estimation Uncertainty**  
**Write-down of Inventories**

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

**6. CASH AND CASH EQUIVALENTS**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 7,395	\$ 6,904	\$ 7,489
Checking accounts and demand deposits	6,359,959	5,690,473	5,884,741
Cash equivalents (time deposits with original maturities of 3 months or less)	<u>394,131</u>	<u>310,344</u>	<u>307,118</u>
	<u>\$ 6,761,485</u>	<u>\$ 6,007,721</u>	<u>\$ 6,199,348</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Non-current</u>			
Investments in equity instruments			
Domestic unlisted shares	\$ 385,358	\$ 385,358	\$ 410,721
Foreign unlisted shares	<u>137,775</u>	<u>136,085</u>	<u>72,641</u>
	<u>\$ 523,133</u>	<u>\$ 521,443</u>	<u>\$ 483,362</u>

The Group invests in the ordinary shares of domestic and foreign unlisted companies for medium- to long-term strategic purposes and expects to earn profits from long-term investments. The management of the Group chooses to designate these investments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss will not be consistent with the aforementioned long-term investment plan.

**8. NOTES AND TRADE RECEIVABLE**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Notes receivable</u>			
At amortized cost	<u>\$ 251,282</u>	<u>\$ 198,265</u>	<u>\$ 221,469</u>
<u>Trade receivable</u>			
At amortized cost			
Gross carrying amount	\$ 3,798,100	\$ 3,793,908	\$ 5,479,625
Less: Allowance for impairment loss	( 68,274)	( 80,296)	( 66,960)
	<u>\$ 3,729,826</u>	<u>\$ 3,713,612</u>	<u>\$ 5,412,665</u>

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

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

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

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

### June 30, 2023

	<u>Not Past Due</u>	<u>1 to 30 Days Past Due</u>	<u>31 to 60 Days Past Due</u>	<u>61 to 90 Days Past Due</u>	<u>91 to 120 Days Past Due</u>	<u>121 to 180 Days Past Due</u>	<u>Over 181 Days Past Due</u>	<u>Total</u>
Gross carrying amount	\$ 3,700,379	\$ 259,475	\$ 27,950	\$ 6,667	\$ -	\$ 2,680	\$ 52,231	\$ 4,049,382
Loss allowance (Lifetime ECLs)	( 816 )	( 2,993 )	( 6,753 )	( 2,801 )	-	( 2,680 )	( 52,231 )	( 68,274 )
Amortized cost	<u>\$ 3,699,563</u>	<u>\$ 256,482</u>	<u>\$ 21,197</u>	<u>\$ 3,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,981,108</u>

### December 31, 2022

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

### June 30, 2022

	<u>Not Past Due</u>	<u>1 to 30 Days Past Due</u>	<u>31 to 60 Days Past Due</u>	<u>61 to 90 Days Past Due</u>	<u>91 to 120 Days Past Due</u>	<u>121 to 180 Days Past Due</u>	<u>Over 181 Days Past Due</u>	<u>Total</u>
Gross carrying amount	\$ 5,248,246	\$ 308,221	\$ 40,216	\$ 42,570	\$ 11,214	\$ 588	\$ 50,039	\$ 5,701,094
Loss allowance (Lifetime ECLs)	( 955 )	( 5,006 )	( 752 )	( 8,453 )	( 1,765 )	( 204 )	( 49,825 )	( 66,960 )
Amortized cost	<u>\$ 5,247,291</u>	<u>\$ 303,215</u>	<u>\$ 39,464</u>	<u>\$ 34,117</u>	<u>\$ 9,449</u>	<u>\$ 384</u>	<u>\$ 214</u>	<u>\$ 5,634,134</u>

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

	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Opening balance	\$ 80,296	\$ 94,106
Add: Reversal of impairment loss for the period	( 11,948 )	( 6,484 )
Less: Amounts written off for the period	( 258 )	( 21,869 )
Foreign currency translation differences	<u>184</u>	<u>1,207</u>
Ending balance	<u>\$ 68,274</u>	<u>\$ 66,960</u>

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

## 9. INVENTORIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Finished goods	\$ 3,799,877	\$ 4,471,764	\$ 4,952,979
Work in progress	939,319	1,147,512	1,940,785
Raw materials	4,376,820	5,538,764	5,966,335
Supplies	523,438	498,951	469,480
Merchandise	77,239	79,311	125,926
Inventory in transit	<u>574,069</u>	<u>593,853</u>	<u>1,147,917</u>
	<u>\$ 10,290,762</u>	<u>\$ 12,330,155</u>	<u>\$ 14,603,422</u>

The cost of revenue associated with inventories was NT\$7,102,966 thousand, NT\$8,750,862 thousand, NT\$14,270,470 thousand and NT\$16,660,472 thousand for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, respectively. The cost of revenue associated with inventories consisted of allowance (reversal) for inventory valuation and obsolescence loss of NT\$18,365 thousand, NT\$(13,216) thousand, NT\$(42,434) thousand and NT\$(3,748) thousand, respectively. Reversal of allowance for inventory valuation and obsolescence loss was mainly due to inventory destocking.

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

## 10. OTHER FINANCIAL ASSETS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Current</u>			
Time deposits with original maturities more than 3 months	\$ 2,305,394	\$ 1,624,010	\$ 1,963,249
Others	<u>2,163</u>	<u>2,208</u>	<u>2,214</u>
	<u>\$ 2,307,557</u>	<u>\$ 1,626,218</u>	<u>\$ 1,965,463</u>
<u>Non-current</u>			
Repatriated funds to Taiwan in line with special law	\$ 944,225	\$ 1,049,412	\$ 1,168,624
Time deposits with original maturities more than 1 year	<u>689,418</u>	<u>881,745</u>	<u>885,538</u>
	<u>\$ 1,633,643</u>	<u>\$ 1,931,157</u>	<u>\$ 2,054,162</u>

Repatriated funds to Taiwan in line with special law refer to demand and time deposits pertinent to laws and regulations governing repatriated offshore funds, which the use is restricted.

Please refer to Note 21 for related credit risk management and evaluation methods. Please refer to Note 24 for information relating to other financial assets pledged as collateral for loans.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

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

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

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2023	December 31, 2022	June 30, 2022	
KGH	KS	Manufacturing and selling of tubes and tires for vehicles	40%	40%	40%	Note 1
KGCI	KT	Manufacturing and selling of tubes and tires for vehicles	86.36%	86.36%	86.36%	-
KGCI	Kenda Rubber (China) Ltd. (KC)	Manufacturing and selling of tubes and tires for vehicles	100%	100%	100%	-
STARCO Europe A/S	STARCO GB Ltd.	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GmbH	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Polska Sp.z.o.o.	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO NV	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO GS AG	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Baltic OÜ	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO FR SAS	Distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Manufacturing of rims	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO DML	Manufacturing of rims and distribution and selling of tires and rims	100%	100%	100%	Note 1
STARCO Europe A/S	Jelshoj Imovina d.o.o. (Jelshoj Imovina)	Investment	100%	100%	100%	Note 1
STARCO Europe A/S	STARCO IPR GmbH	Investment	-	-	100%	Note 1

(Concluded)

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

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

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



## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Land	\$ 2,576,166	\$ 2,570,600	\$ 2,562,047
Buildings	4,381,437	4,464,753	4,460,276
Machinery and Equipment	7,605,488	8,005,606	7,623,505
Other Equipment	599,099	619,133	605,842
Equipment Under Acceptance and Unfinished Construction	<u>862,323</u>	<u>674,235</u>	<u>413,085</u>
	<u>\$ 16,024,513</u>	<u>\$ 16,334,327</u>	<u>\$ 15,664,755</u>

The Group added NT\$341,461 thousand and NT\$492,836 thousand of equipment from January 1 to June 30, 2023 and 2022, respectively.

Other than the abovementioned changes and the recognition of depreciation expense, there were no significant changes in property, plant and equipment of the Group.

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

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

A portion of the Company's land for operational use in Zhongyang section of Yuanlin City and Citong Township of Yunlin County is categorized as farming and grazing land. The land will be registered under the Company once the category for land use has been changed. The title of the land is currently registered under a related party, Mr. Chen, who is the trustee in a land trust agreement with the Company. The Company retains the certificate of title for the land and the agreement stipulates that the nominal holder or trustee is prohibited from transferring the ownership to a third party.

As of June 30, 2023 and December 31 and June 30, 2022, the prepayments for machinery and equipment amounted to NT\$441,171 thousand, NT\$473,177 thousand and NT\$861,153 thousand, respectively, and were presented in other non-current assets.

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

## 13. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Carrying amount of right-of-use assets			
Land	\$ 1,418,877	\$ 1,421,851	\$ 1,398,519
Buildings	362,662	316,859	323,664
Machinery and equipment	12,864	19,867	23,314
Other equipment	<u>16,940</u>	<u>17,409</u>	<u>14,720</u>
	<u>\$ 1,811,343</u>	<u>\$ 1,775,986</u>	<u>\$ 1,760,217</u>

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Additions to right-of-use assets	<u>\$ 113,903</u>	<u>\$ 125,582</u>	<u>\$ 123,960</u>	<u>\$ 198,394</u>
Depreciation expense of right-of-use assets				
Land	\$ 7,514	\$ 5,981	\$ 15,008	\$ 11,750
Buildings	26,083	14,796	58,871	31,390
Machinery and equipment	3,621	21,302	4,837	23,484
Other equipment	<u>1,872</u>	<u>1,639</u>	<u>3,704</u>	<u>3,435</u>
	<u>\$ 39,090</u>	<u>\$ 43,718</u>	<u>\$ 82,420</u>	<u>\$ 70,059</u>

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

b. Lease liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Carrying amount of lease liabilities			
Current	<u>\$ 172,140</u>	<u>\$ 164,466</u>	<u>\$ 125,813</u>
Non-current	<u>\$ 542,056</u>	<u>\$ 515,201</u>	<u>\$ 546,420</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 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%

c. Material leasing activities and terms

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

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

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

d. Other lease information

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Expenses relating to short-term leases	<u>\$ 31,034</u>	<u>\$ 27,261</u>	<u>\$ 66,263</u>	<u>\$ 35,178</u>
Expenses relating to low-value asset leases	<u>\$ 62</u>	<u>\$ 84</u>	<u>\$ 119</u>	<u>\$ 102</u>
Total cash outflow for leases	<u>\$ 27,008</u>	<u>\$ 64,199</u>	<u>\$ 148,586</u>	<u>\$ 125,975</u>

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Lease commitments	<u>\$ 880,028</u>	<u>\$ 847,431</u>	<u>\$ 825,138</u>

#### 14. INVESTMENT PROPERTIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Right-of-use assets	<u>\$ 26,007</u>	<u>\$ 26,610</u>	<u>\$ 27,012</u>

Except for the recognition of depreciation expense, there were no significant additions, disposals or impairments of the Group's investment properties from January 1 to June 30, 2021. 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 the urbanization policy of future city development in Shenzhen, KS entered into an urban renewal collaboration agreement with Kaisa Urban Renewal Group (Shenzhen) Co., Ltd. ("Kaisa") in October 2014 for the development of land use rights. According to the agreement, KS and Kaisa will jointly transform industrial land in Shenzhen into new types of industrial buildings (office buildings), new types of industrial supporting commercial buildings, new types of industrial supporting residential buildings and government supporting indemnificatory housing. Joint construction and allocation of housing units is carried out in accordance with the ratio stipulated in the contract and the approval documents of the future competent authorities. KS is responsible for the relocation of original factories and termination of employees, while Kaisa is responsible for the demolition of buildings, measurement, assessment, verification of rights, preparation of special plans, signing of compensation agreement, land formation, land acquisition, construction, and project development within the renewal unit of the renovation project.

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

In accordance with the relevant regulations of land development projects in China, KS signed a land resumption agreement with Heju and Shenzhen Planning and Natural Resources Bureau ("Shenzhen Planning Bureau") in September 2022. Shenzhen Planning Bureau first takes back the land use rights of the land, and the construction land will be granted by the Longhua District Government to Heju for urban development and construction in accordance with the relevant procedures. Heju is currently engaged in urban development and construction.

As of June 30, 2023, the Group received a total of RMB200,000 thousand (approximately NT\$861,773 thousand presented in other non-current liabilities) of allocation fee for urban renewal project from Heju according to the agreement, which will be returned to Heju after the project is completed and has been delivered to KS.

The fair 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 Group, there was no significant change in the fair values as of June 30, 2023 and 2022 compared to December 31, 2022 and 2021.

## 15. BORROWINGS

### a. Short-term borrowings

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured borrowings	\$ 4,271,541	\$ 4,337,200	\$ 5,974,110
Secured borrowings (Note 24) (1)	<u>327,381</u>	<u>253,073</u>	<u>124,249</u>
	<u>\$ 4,598,922</u>	<u>\$ 4,590,273</u>	<u>\$ 6,098,359</u>
Range of interest rates	0.00%-6.44%	0.60%-5.75%	0.60%-3.50%

### b. Long-term borrowings

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured borrowings	\$ 12,859,984	\$ 13,479,372	\$ 13,731,709
Secured borrowings (Note 24) (1)	1,725,091	1,997,881	2,654,029
Project borrowing (2)	<u>209,417</u>	<u>276,930</u>	<u>417,744</u>
Subtotal	14,794,492	15,754,183	16,803,482
Less: Current portion	<u>1,905,193</u>	<u>1,735,672</u>	<u>1,300,152</u>
Long-term borrowings	<u>\$ 12,889,299</u>	<u>\$ 14,018,511</u>	<u>\$ 15,503,330</u>
Range of interest rates	1.00%-6.63%	0.00%-5.75%	0.00%-2.63%
Maturity date	2023-2027	2023-2027	2022-2027

- 1) As stipulated in the agreements, the Company, KA, ADI and some of the subsidiaries of STARCO should pledge assets as collaterals and, additionally, maintain certain financial ratios. Their breach of agreements should be periodically reviewed on a semi-annual or annual basis. As of June 30, 2023, there was no breach of agreements due to the abovementioned financial ratios.

- 2) The Group participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally in September 2019. The Group expects to construct or expand factories, and acquire machinery and equipment in Taiwan from 2019 to 2025. Any shortage of funds would be financed via bank borrowings.

## 16. EQUITY

### a. Ordinary shares

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Authorized shares (in thousands of shares)	<u>1,100,000</u>	<u>1,100,000</u>	<u>910,000</u>
Authorized share capital	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 9,100,000</u>
Issued and fully paid shares (in thousands of shares)	<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>

### b. Retained earnings and dividends policy

In accordance with the provisions of earnings appropriation of the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, then setting aside or reversing a special reserve according to the laws and regulations or provisions of the competent authorities. The Company takes into consideration the Company's operating environment, growth stage, future capital needs, long-term financial plans, and the shareholders' demand for cash inflows before resolving the amount of dividends. The Company's board of directors could propose dividends between 10% and 80% of distributable earnings which comprise of the current remaining earnings and undistributed earnings from the previous year. When distributing dividends via issuing new shares, the motion should be submitted to shareholders' meeting for approval. The shareholders may adjust the ratio of new shares for earnings appropriation to reflect the profit and the adequacy of capital of the year. The cash dividends shall not be less than 10% of the total dividends. The board of directors is authorized, with the presence of at least two-thirds of the Directors and a resolution of a majority of the Directors present, to distribute dividends, bonuses, legal reserve and all or a portion of the capital surplus in cash and report such distribution to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 18(5).

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

In accordance with the provisions of Jin-Guan-Zheng-Fa No. 1090150022 and No. 1010012865 and the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. The special reserve may be reversed and included in distributable retained earnings when the debit balance of other equity items is reversed.

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

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

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

## 17. REVENUE

### a. Breakdown of contracts with customers

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
<u>Major goods/service lines</u>				
Motorcycle and other bias tires	\$ 3,883,789	\$ 3,795,219	\$ 7,742,063	\$ 8,075,635
Radial tires	2,489,723	2,257,038	4,438,803	4,405,660
Bicycle tires	575,081	1,038,316	1,128,747	1,965,530
Tubes	310,045	788,566	613,311	1,478,785
Others	1,445,365	2,571,983	3,001,351	3,974,434
Total	<u>\$ 8,704,003</u>	<u>\$ 10,451,122</u>	<u>\$ 16,924,275</u>	<u>\$ 19,900,044</u>

### b. Contract balances

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Refund liabilities - current	<u>\$ 83,630</u>	<u>\$ 74,958</u>	<u>\$ 81,303</u>

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

## 18. NET PROFIT FOR THE PERIOD

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

a. Other gains and losses

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Net foreign currency exchange gains	\$ 227,134	\$ 211,008	\$ 178,654	\$ 270,943
Gain (loss) on disposal of property, plant and equipment	( 380 )	4,241	( 56 )	3,337
Loss on financial assets at fair value through profit or loss	( 16 )	( 471 )	( 21 )	( 293 )
Others	( <u>7,651</u> )	( <u>5,050</u> )	( <u>10,512</u> )	( <u>4,424</u> )
	<u>\$ 219,087</u>	<u>\$ 219,828</u>	<u>\$ 168,065</u>	<u>\$ 278,411</u>

b. Financial costs

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Interest expense on bank loans	\$ 135,031	\$ 70,784	\$ 269,415	\$ 133,187
Interest on lease liabilities	4,090	1,792	8,596	5,579
Less: Amounts included in the cost of qualifying assets	( <u>124</u> )	( <u>166</u> )	( <u>618</u> )	( <u>262</u> )
	<u>\$ 138,997</u>	<u>\$ 72,410</u>	<u>\$ 277,393</u>	<u>\$ 138,504</u>

c. Depreciation and amortization

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Property, plant and equipment	\$ 409,778	\$ 404,649	\$ 814,151	\$ 788,702
Right-of-use assets	39,090	43,718	82,420	70,059
Investment properties	-	434	-	864
Intangible assets	<u>3,802</u>	<u>3,862</u>	<u>7,870</u>	<u>6,052</u>
	<u>\$ 452,670</u>	<u>\$ 452,663</u>	<u>\$ 904,441</u>	<u>\$ 865,677</u>
An analysis of depreciation expense by function				
Operating costs	\$ 343,613	\$ 346,933	\$ 686,758	\$ 665,931
Operating expenses	<u>105,255</u>	<u>101,868</u>	<u>209,813</u>	<u>193,694</u>
	<u>\$ 448,868</u>	<u>\$ 448,801</u>	<u>\$ 896,571</u>	<u>\$ 859,625</u>
An analysis of amortization expense by function				
Operating costs	\$ 1,352	\$ 1,166	\$ 2,612	\$ 2,066
Operating expenses	<u>2,450</u>	<u>2,696</u>	<u>5,258</u>	<u>3,986</u>
	<u>\$ 3,802</u>	<u>\$ 3,862</u>	<u>\$ 7,870</u>	<u>\$ 6,052</u>

d. Employee benefits expense

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Short-term employee benefits				
Salary expenses	\$ 1,293,750	\$ 1,352,072	\$ 2,527,574	\$ 2,663,851
Labor/health insurance expenses	<u>134,806</u>	<u>133,224</u>	<u>280,179</u>	<u>264,769</u>
	<u>1,428,556</u>	<u>1,485,296</u>	<u>2,807,753</u>	<u>2,928,620</u>
Post-employment benefits				
Defined contribution plans	73,694	83,159	150,257	163,233
Defined benefit plans	<u>1,170</u>	<u>1,570</u>	<u>2,339</u>	<u>3,139</u>
	<u>74,864</u>	<u>84,729</u>	<u>152,596</u>	<u>166,372</u>
Termination benefits	-	2	-	300
Other employee benefits	<u>46,350</u>	<u>54,029</u>	<u>99,854</u>	<u>110,474</u>
Total employee benefits expenses	<u>\$ 1,549,770</u>	<u>\$ 1,624,056</u>	<u>\$ 3,060,203</u>	<u>\$ 3,205,766</u>
An analysis by function				
Operating costs	\$ 893,092	\$ 940,275	\$ 1,758,634	\$ 1,864,593
Operating expenses	656,678	683,779	1,301,569	1,340,873
Other operating income and expenses	<u>-</u>	<u>2</u>	<u>-</u>	<u>300</u>
	<u>\$ 1,549,770</u>	<u>\$ 1,624,056</u>	<u>\$ 3,060,203</u>	<u>\$ 3,205,766</u>

e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company shall distribute compensation of employees and remuneration of directors at rates of no less than 0.5% and no higher than 3%, respectively, of the profit for the year. The accrued compensation of employees and remuneration of directors from April 1 to June 30, 2023 and 2022 and from January 1 to June 30, 2023 and 2022 are as follows:

Accrual rate

	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Compensation of employees	0.81%	0.76%
Remuneration of directors	1.21%	1.14%

Amount

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Compensation of employees	<u>\$ 383</u>	<u>\$ 4,645</u>	<u>\$ 383</u>	<u>\$ 5,694</u>
Remuneration of directors	<u>\$ 574</u>	<u>\$ 6,971</u>	<u>\$ 574</u>	<u>\$ 8,545</u>

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

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



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

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

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

## 19. INCOME TAX

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>Three-month period</u> <u>ended June 30, 2023</u>	<u>Three-month period</u> <u>ended June 30, 2022</u>	<u>Six-month period</u> <u>ended June 30, 2023</u>	<u>Six-month period</u> <u>ended June 30, 2022</u>
Current tax				
In respect of the current period	\$ 115,172	\$ 293,549	\$ 154,252	\$ 360,148
Additional levy on unappropriated earnings	17,236	-	17,236	-
Adjustments for prior year	<u>( 7,873 )</u>	<u>23,435</u>	<u>( 7,873 )</u>	<u>23,418</u>
	<u>124,535</u>	<u>316,984</u>	<u>163,615</u>	<u>383,566</u>
Deferred tax				
In respect of the current period	<u>17,059</u>	<u>( 191,340 )</u>	<u>31,480</u>	<u>( 176,409 )</u>
Income tax expense recognized in profit or loss	<u>\$ 141,594</u>	<u>\$ 125,644</u>	<u>\$ 195,095</u>	<u>\$ 207,157</u>

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

	<u>Three-month period</u> <u>ended June 30, 2023</u>	<u>Three-month period</u> <u>ended June 30, 2022</u>	<u>Six-month period</u> <u>ended June 30, 2023</u>	<u>Six-month period</u> <u>ended June 30, 2022</u>
Deferred tax				
Translation of foreign operations	<u>( \$ 11,012 )</u>	<u>\$ 41,434</u>	<u>( \$ 18,010 )</u>	<u>\$ 215,196</u>

### c. Income tax assessments

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

## 20. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Basic earnings per share	\$ <u>0.41</u>	\$ <u>0.48</u>	\$ <u>0.01</u>	\$ <u>0.68</u>
Diluted earnings per share	\$ <u>0.41</u>	\$ <u>0.48</u>	\$ <u>0.01</u>	\$ <u>0.68</u>

The impact of bonus shares has been adjusted retrospectively when calculating earnings per share. The reference date for the bonus shares was July 22, 2023. Due to retrospective adjustments, the changes in basic and diluted earnings per share from April 1 to June 30, 2022 and from January 1 to June 30, 2022 are as follows:

Unit: NT\$ Per Share

	<u>Before retrospective adjustments</u>		<u>After retrospective adjustments</u>	
	<u>Three-month period ended June 30, 2022</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2022</u>
Basic earnings per share	\$ <u>0.50</u>	\$ <u>0.71</u>	\$ <u>0.48</u>	\$ <u>0.68</u>
Diluted earnings per share	\$ <u>0.50</u>	\$ <u>0.71</u>	\$ <u>0.48</u>	\$ <u>0.68</u>

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

### Net profit for the period

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Net profit attributable to shareholders of the Company	\$ <u>387,401</u>	\$ <u>458,427</u>	\$ <u>7,796</u>	\$ <u>645,627</u>

### Number of shares

Unit: Thousands of shares

	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	954,890	954,890	954,890	954,890
Effect of potentially dilutive ordinary shares: compensation of employees	<u>12</u>	<u>165</u>	<u>84</u>	<u>303</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>954,902</u>	<u>955,055</u>	<u>954,973</u>	<u>955,193</u>

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

## 21. CAPITAL MANAGEMENT

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

## 22. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

##### June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,298</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,133</u>	<u>\$ 523,133</u>

##### December 31, 2022

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

##### June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,539</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,362</u>	<u>\$ 483,362</u>

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

<u>Financial assets at FVTOCI - equity instruments</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Opening balance	\$ 521,443	\$ 479,634
Recognized in other comprehensive income (unrealized valuation gain (loss) on financial assets at FVTOCI)	-	( 1,259)
Effects of exchange rate	<u>1,690</u>	<u>4,987</u>
Ending balance	<u>\$ 523,133</u>	<u>\$ 483,362</u>

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

Domestic and foreign unlisted equity investments are valued using the market approach and asset-based approach. The market approach refers to the transaction prices of the shares of identical or comparable listed companies on an active market, the valuation multiples implied by these prices, and related transactions and information to determine the value of the target subject. The asset-based approach separately evaluates a target subject's assets and liabilities based on fair market value, replacement cost, liquidation value or related approaches to reflect the overall value of the enterprise or business. The fair value of these investments will increase accordingly when the significant unobservable inputs (discount for lack of control and discount for lack of marketability) decrease.

c. Categories of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Listed shares	\$ 1,298	\$ 1,319	\$ 1,539
Financial assets at amortized cost (Note 1)	15,260,594	13,956,654	16,412,646
Financial assets at FVTOCI			
Investments in equity instruments	523,133	521,443	483,362
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	24,667,814	25,197,086	29,795,009

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to changes in currency risk.

Please refer to Note 26 for the carrying amounts of the Group'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).

Sensitivity analysis

The Group is mainly affected by the fluctuation of the USD exchange rate.

The sensitivity analysis measures the effect of a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting currency risk internally to key management and represents management's assessment of the reasonable range of possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency monetary items, and adjusts their translation at the end of the year for a 1% change in currency rates. When the New Taiwan dollar and RMB strengthens/weakens by 1% against the USD, the effect on the Group's net profit before tax from January 1 to June 30, 2023 and 2022 will decrease/increase by NT\$46,933 thousand and NT\$43,530 thousand.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating rates. Interest rate risk is managed by the Group by maintaining an appropriate mix of fixed and floating rates. The Group's interest rate risk is resulted from cash and cash equivalents. Cash and cash equivalents held at floating rate exposes the Group to cash flow interest rate risk, partially offset by borrowings issued at floating rates. Cash and cash equivalents held and borrowings issued at fixed rate exposes the Group to fair value interest rate risk. The Group's policy is to dynamically adjust the ratio of fixed rate and floating rate instruments depending on the overall interest rate trends.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Fair value interest rate risk			
– Financial assets	\$ 2,686,379	\$ 1,921,666	\$ 2,258,028
– Financial liabilities	4,721,346	5,284,212	6,169,850
Cash flow interest rate risk			
– Financial assets	7,995,700	7,623,776	7,941,055
– Financial liabilities	15,386,264	15,739,911	17,404,224

#### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to interest rates for derivative and non-derivative instruments as of the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the reporting period.

If interest rates increase/decrease by 10 basis points and all other variables are held constant, the Group's net profit before tax from January 1 to June 30, 2023 and 2022 will decrease/increase by NT\$3,696 thousand and NT\$4,732 thousand, respectively.

#### c) Other price risk

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

#### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the balance sheet date.

If equity price increases/decreases by 5%, the Group's net profit before tax from January 1 to June 30, 2023 and 2022 will change favorably/unfavorably by NT\$65 thousand and NT\$77 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. The Group's other comprehensive income from January 1 to June 30, 2023 and 2022 will change favorably/unfavorably by NT\$26,157 thousand and NT\$24,168 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### 2) Credit risk

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

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

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

### 3) Liquidity risk

The Group manages and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank financing facilities and ensures compliance with the terms of loan covenants.

The Group continuously monitors forecasted and actual cash flows by maintaining adequate bank financing facilities and borrowing commitments. The Group's unutilized financing facilities are described in b) Financing facilities below.

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

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared on the basis of the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest date on which the Group can be required to make a repayment. Accordingly, bank loans that the Group may be required to repay immediately are listed in the earliest period in the table below, 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 agreed upon repayment dates.

June 30, 2023

	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 4,347,191	\$ -	\$ -
Lease liabilities	172,140	263,149	278,907
Floating rate instruments	4,659,014	11,535,680	-
Fixed rate instruments	<u>2,508,762</u>	<u>1,537,928</u>	<u>-</u>
	<u>\$ 11,687,107</u>	<u>\$ 13,336,757</u>	<u>\$ 278,907</u>

December 31, 2022

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

June 30, 2022

	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 6,405,501	\$ -	\$ -
Lease liabilities	125,813	275,067	271,353
Floating rate instruments	3,763,764	14,085,743	-
Fixed rate instruments	<u>3,940,214</u>	<u>1,619,137</u>	<u>475</u>
	<u>\$ 14,235,292</u>	<u>\$ 15,979,947</u>	<u>\$ 271,828</u>

b) Financing facilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank overdraft facilities (reviewed annually)			
– Amount utilized	\$ 1,800	\$ -	\$ -
– Amount unutilized	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ -</u>
Secured bank overdraft facilities			
– Amount utilized	\$ 4,771	\$ 6,546	\$ 408
– Amount unutilized	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,771</u>	<u>\$ 6,546</u>	<u>\$ 408</u>
Unsecured bank borrowing facilities			
– Amount utilized	\$ 17,975,362	\$ 18,640,567	\$ 20,519,866
– Amount unutilized	<u>16,804,801</u>	<u>14,119,467</u>	<u>9,246,688</u>
	<u>\$ 34,780,163</u>	<u>\$ 32,760,034</u>	<u>\$ 29,766,554</u>
Secured bank borrowing facilities (extendable by mutual agreement)			
– Amount utilized	\$ 1,411,481	\$ 1,697,343	\$ 2,381,567
– Amount unutilized	<u>2,668,165</u>	<u>2,294,661</u>	<u>1,546,769</u>
	<u>\$ 4,079,646</u>	<u>\$ 3,992,004</u>	<u>\$ 3,928,336</u>

e. Transfers of financial assets



The Group transferred a portion of its banker's acceptance receivables in mainland China to suppliers in order to settle the trade payable. As the Group has transferred substantially all risks and rewards relating to these notes, it derecognized the transferred banker's acceptance receivables and the corresponding trade payable. However, if these derecognized banker's acceptances are not paid at maturity, the suppliers have the right to request settlement from the Group; therefore, the Group still has continuing involvement in these notes.

The maximum exposure to loss from the Group's continuing involvement in the derecognized banker's acceptances is the face amounts of banker's acceptances transferred but not yet matured, and as of June 30, 2023, and December 31, 2022 and June 30, 2022, the face amounts of these transferred but not yet matured banker's acceptances were NT\$643,599 thousand, NT\$635,549 thousand and NT\$741,322 thousand, respectively. These notes will mature within six months after the balance sheet date. Taking into consideration the credit risk of the derecognized banker's acceptances, the Group estimates that the fair values of its continuing involvement are not significant.

From January 1 to June 30, 2023 and 2022, the Group did not recognize any profit or losses upon the transfer of the banker's acceptance receivables. No profit or losses were recognized from the continuing involvement in the notes, both during the period or cumulatively.

### 23. TRANSACTIONS WITH RELATED PARTIES

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

a. Names of related parties and their relationships

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

Other related party refers to the chairman of such individual company is the same as the chairman of the Company or is a relative within second degree of relationship, or is determined as related party in substance.

b. Revenue

<u>Line Item</u>	<u>Category of Related Party</u>	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Sales revenue	Other related parties	\$ <u>11</u>	\$ <u>5,481</u>	\$ <u>260</u>	\$ <u>10,711</u>

c. Purchases

<u>Category of Related Party</u>	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Other related parties	\$ 39,108	\$ 40,675	\$ 69,725	\$ 89,550
Associates	<u>42,028</u>	<u>37,042</u>	<u>73,943</u>	<u>83,756</u>
	\$ <u>81,136</u>	\$ <u>77,717</u>	\$ <u>143,668</u>	\$ <u>173,306</u>

d. Receivables from related parties

<u>Line Item</u>	<u>Category of Related Party</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Trade receivable	Other related parties	\$ 12	\$ 752	\$ 3,412
Other receivables	Other related parties	<u>41,204</u>	<u>1,077</u>	<u>3</u>
		\$ <u>41,216</u>	\$ <u>1,829</u>	\$ <u>3,415</u>

e. Payables to related parties

<u>Line Item</u>	<u>Category of Related Party</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Trade payable	Associates	\$ 25,589	\$ 61,395	\$ 74,116
Trade payable	Other related parties	52,473	29,145	53,984
Other payables	Other related parties	<u>6,141</u>	<u>7,195</u>	<u>4,052</u>
		\$ <u>84,203</u>	\$ <u>97,735</u>	\$ <u>132,152</u>

f. Others

<u>Line Item</u>	<u>Category of Related Party</u>	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
Manufacturing expense	Other related parties	\$ 4,114	\$ 3,604	\$ 8,303	\$ 6,437
Operating expense	Other related parties	<u>481</u>	<u>457</u>	<u>946</u>	<u>906</u>
		\$ <u>4,595</u>	\$ <u>4,061</u>	\$ <u>9,249</u>	\$ <u>7,343</u>

g. Lease agreement

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

<u>Category/ Name of Related Party</u>	<u>Three-month period ended June 30, 2023</u>	<u>Three-month period ended June 30, 2022</u>	<u>Six-month period ended June 30, 2023</u>	<u>Six-month period ended June 30, 2022</u>
<u>Lease expense</u>				
Other related parties				
ADH	\$ 4,079	\$ 3,912	\$ 8,121	\$ 7,632
Y&C	2,470	2,367	4,916	4,619
Others	<u>813</u>	<u>791</u>	<u>1,622</u>	<u>1,424</u>
	\$ <u>7,362</u>	\$ <u>7,070</u>	\$ <u>14,659</u>	\$ <u>13,675</u>

h. Rental agreement

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

<b>Category/ Name of Related Party</b>	<b>Three-month period ended June 30, 2023</b>	<b>Three-month period ended June 30, 2022</b>	<b>Six-month period ended June 30, 2023</b>	<b>Six-month period ended June 30, 2022</b>
<u>Lease income</u>				
Other related parties				
HBC	<u>\$ 546</u>	<u>\$ 523</u>	<u>\$ 1,086</u>	<u>\$ 1,020</u>

i. Acquisition of financial assets

Six-month period ended June 30, 2023

<b>Category/ Name of Related Party</b>	<b>Line Item</b>	<b>Number of shares traded</b>	<b>Subject of transaction</b>	<b>Acquired price</b>
Director of the Company/Yang, Ying-Ming	Investments accounted for using the equity method	1,000	Equity of KI	<u>\$ 31</u>

j. Remuneration of key management personnel

	<b>Three-month period ended June 30, 2023</b>	<b>Three-month period ended June 30, 2022</b>	<b>Six-month period ended June 30, 2023</b>	<b>Six-month period ended June 30, 2022</b>
Short-term employee benefits	\$ 3,875	\$ 15,022	\$ 14,256	\$ 22,612
Post-employment benefits	<u>27</u>	<u>26</u>	<u>53</u>	<u>55</u>
	<u>\$ 3,902</u>	<u>\$ 15,048</u>	<u>\$ 14,309</u>	<u>\$ 22,667</u>

## 24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

All of the operating assets of KA, including but not limited to cash and cash equivalents, trade receivable, inventories, property, plant and equipment and intangible assets, are pledged as collateral for bank borrowings, and are subject to the bank's priority in settlement. The above assets were NT\$7,893,699 thousand, NT\$8,293,633 thousand and NT\$10,288,131 thousand as of June 30, 2023 and December 31, 2022 and June 30, 2022, respectively.

Except as stated above, the following assets of the Group were pledged as collaterals for acceptance bills and part of short-term and long-term borrowing facilities:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Trade receivable	\$ 13,040	\$ 24,611	\$ 40,020
Property, plant and equipment	167,352	164,510	161,978
Others	<u>80,234</u>	<u>57,127</u>	<u>103,732</u>
	<u>\$ 260,626</u>	<u>\$ 246,248</u>	<u>\$ 305,730</u>

## 25. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

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

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

<u>Item</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Property, plant and equipment	<u>\$ 348,327</u>	<u>\$ 302,612</u>	<u>\$ 286,615</u>

- b. Contingencies

- 1) Product liability insurance

The Group has entered into a product liability insurance for tires and other products manufactured by the Group and sold globally. The contract period of insurance policy is from August 6, 2022 to August 6, 2023. The coverage of insurance policy is from August 6, 2004 to August 6, 2023. The maximum reparation of one single event is US\$10,000 thousand.

- 2) The Company had entered into an exclusive agency contract with Gabjohn for sales in Nigeria. Due to circumstances related to local sales, the traders commissioned by the Company switched to other distributors to sell products in Nigeria. Consequently, Gabjohn filed a lawsuit against the Company for breach of exclusive agency contract and demanded NT\$90,000 thousand (NGN500,000 thousand) as compensation. The Company signed a litigation agreement with Tommy & Jason Intellectual Property Rights Co., Ltd. ("Tommy & Jason Intellectual"), which then engaged a lawyer in the local intellectual property office, AdenijiKazeem & Co., to handle the litigation and regularly reported the related proceedings. The lawsuit is currently awaiting in the High Court of Nigeria. Upon the date of issuance of the financial statements for the six months ended June 30, 2023, the possible outcome of the dispute regarding the agency cannot be estimated with sufficient reliability.
- 3) The U.S. Department of Commerce notified KA in June 2019 of the review results of the U.S. anti-dumping duties on the total import price of car tires imported from China from August 2016 to July 2017. The review results are not applicable to all companies importing car tires from China. The result of the anti-dumping tax re-examination increased the anti-dumping duty rate from the original rate that had previously been imposed of 8.72% to 64.57%. KA believes that this tax rate is unreasonable based on past experience, so it has appealed to the U.S. Federal Circuit Court. However, the Group has estimated the tax amount of about US\$7,778 thousand and the related overdue interest of US\$789 thousand in accordance with the abovementioned tax rate in 2020.

## 26. INFORMATION ON FOREIGN-CURRENCY-DENOMINATED ASSETS AND LIABILITIES WITH SIGNIFICANT INFLUENCE

The following information is expressed in aggregate in foreign currencies other than the functional currencies of the entities in the Group, and the exchange rates disclosed refer to the exchange rates at which these foreign currencies were translated into the functional currencies. The foreign-currency-denominated assets and liabilities with significant influence are as follows:

June 30, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 85,683	7.23 (USD:RMB)	\$ 2,667,727
USD	75,211	31.14 (USD:NTD)	2,341,703
RMB	88,000	0.14 (RMB:USD)	379,180
EUR	9,877	7.88 (EUR:RMB)	<u>335,396</u>
			<u>\$ 5,724,006</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,224	31.14 (USD:NTD)	\$ 162,651
USD	4,930	7.23 (USD:RMB)	153,481
VND (in million)	211,133	0.04 (VND:USD)	278,907
GBP	1,191	1.16 (GBP:EUR)	46,916
IDR (in million)	19,305	0.07 (IDR:USD)	<u>40,096</u>
			<u>\$ 682,051</u>

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 88,873	30.71 (USD:NTD)	\$ 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 (in million)	196,277	0.04 (VND:USD)	255,553
IDR (in million)	147,363	0.06 (IDR:USD)	<u>290,747</u>
			<u>\$ 6,067,905</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 4,583	30.71 (USD:NTD)	\$ 140,724
USD	3,630	6.96 (USD:RMB)	111,458
VND (in million)	163,448	0.04 (VND:USD)	212,809
IDR (in million)	20,119	0.06 (IDR:USD)	39,696
GBP	1,238	1.13 (GBP:EUR)	<u>45,911</u>
			<u>\$ 550,598</u>

June 30, 2022

	<b>Foreign Currency</b>		<b>Exchange Rate</b>		<b>Carrying Amount</b>
<b><u>Financial assets</u></b>					
Monetary items					
USD	\$ 108,169		29.72 (USD:NTD)		\$ 3,214,337
USD	48,706		6.71 (USD:RMB)		1,447,357
IDR (in million)	126,129		0.07 (IDR:RMB)		251,880
EUR	7,012		7.01 (EUR:RMB)		218,451
EUR	4,210		1.05 (EUR:USD)		131,152
EUR	1,282		31.15 (EUR:NTD)		39,936
VND (in million)	121,912		0.04 (VND:RMB)		<u>155,804</u>
					<u>\$ 5,458,917</u>
<b><u>Financial liabilities</u></b>					
Monetary items					
VND (in million)	148,479		0.04 (VND:USD)		\$ 189,756
USD	6,315		29.72 (USD:NTD)		187,651
USD	4,072		6.71 (USD:RMB)		121,016
GBP	2,048		1.16 (GBP:EUR)		73,872
IDR (in million)	36,695		0.07 (IDR:USD)		<u>73,280</u>
					<u>\$ 645,575</u>

The Group's gains or losses on foreign currency exchange (realized and unrealized) from April 1 to June 30, 2023 and 2022 and from January 1 to June 30, 2023 and 2022 were gain of NT\$227,134 thousand, gain of NT\$211,008 thousand, gain of NT\$178,654 thousand and gain of NT\$270,943 thousand, respectively. It is impractical to disclose foreign exchange gains or losses by each foreign currency with significant influence due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

## 27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. reinvestment:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held at the end of the period: Table 3.
- 4) Aggregate purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
  - 9) Trading in derivative instruments: None.
  - 10) Business relationships and significant transactions and amounts between the parent and subsidiaries and between subsidiaries: Table 6.
  - 11) Information on investees: Table 7.
- b. Information on investments in mainland China:
- 1) Information on investee company in mainland China, including the company names, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China: Table 8.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 6.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 6.
    - c) The amount of property transactions and the amount of the resultant gains or losses: None.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: Table 1.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.
- c. Information of major shareholders:
- Name, number of shares held, and percentage of ownership of shareholders with ownership exceeding 5%: Table 9.

## 28. SEGMENT INFORMATION

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

### Segment revenue and operating results

The following is an analysis of the Group's revenue and operating results from continuing operations by reportable segments:

#### Six-month period ended June 30, 2023

	<u>Asia</u>	<u>Regions Excluding Asia</u>	<u>Others</u>	<u>Adjustment and Write-off</u>	<u>Total</u>
<u>Revenue</u>					
Revenue from external customers	\$ 7,356,305	\$ 9,567,970	\$ -	\$ -	\$ 16,924,275
Intersegment revenue	<u>4,410,106</u>	<u>77,415</u>	<u>-</u>	<u>( 4,487,521 )</u>	<u>-</u>
Total	<u>\$ 11,766,411</u>	<u>\$ 9,645,385</u>	<u>\$ -</u>	<u>( \$ 4,487,521 )</u>	<u>\$ 16,924,275</u>
Interest income	<u>\$ 121,860</u>	<u>\$ 2,109</u>	<u>\$ 6,180</u>	<u>( \$ 11,084 )</u>	<u>\$ 119,065</u>
Financial costs	<u>\$ 189,841</u>	<u>\$ 101,738</u>	<u>\$ -</u>	<u>( \$ 14,186 )</u>	<u>\$ 277,393</u>
Depreciation and amortization	<u>\$ 745,352</u>	<u>\$ 170,045</u>	<u>\$ 8</u>	<u>( \$ 10,964 )</u>	<u>\$ 904,441</u>
Segment profit or loss (excluding investment income and other operating income and expenses)	<u>\$ 37,170</u>	<u>\$ 338,377</u>	<u>\$ 14,276</u>	<u>( \$ 184,976 )</u>	\$ 204,847
Investment income or loss accounted for using the equity method					<u>( 1,956 )</u>
Profit before tax					<u>\$ 202,891</u>
Total assets					<u>\$ 45,576,513</u>

#### Six-month period ended June 30, 2022

	<u>Asia</u>	<u>Regions Excluding Asia</u>	<u>Others</u>	<u>Adjustment and Write-off</u>	<u>Total</u>
<u>Revenue</u>					
Revenue from external customers	\$ 9,058,801	\$ 10,841,243	\$ -	\$ -	\$ 19,900,044
Intersegment revenue	<u>5,298,429</u>	<u>69,318</u>	<u>-</u>	<u>( 5,367,747 )</u>	<u>-</u>
Total	<u>\$ 14,357,230</u>	<u>\$ 10,910,561</u>	<u>\$ -</u>	<u>( \$ 5,367,747 )</u>	<u>\$ 19,900,044</u>
Interest income	<u>\$ 55,008</u>	<u>\$ 11,138</u>	<u>\$ 4,509</u>	<u>( \$ 1,878 )</u>	<u>\$ 68,777</u>
Financial costs	<u>\$ 90,733</u>	<u>\$ 52,468</u>	<u>\$ -</u>	<u>( \$ 4,697 )</u>	<u>\$ 138,504</u>
Depreciation and amortization	<u>\$ 728,803</u>	<u>\$ 147,830</u>	<u>\$ 8</u>	<u>( \$ 10,964 )</u>	<u>\$ 865,677</u>
Segment profit or loss (excluding investment income and other operating income and expenses)	<u>\$ 565,764</u>	<u>\$ 309,007</u>	<u>\$ 555</u>	<u>( \$ 23,318 )</u>	\$ 852,008
Other operating income and expenses					<u>( 300 )</u>
Investment income or loss accounted for using the equity method					<u>1,076</u>
Profit before tax					<u>\$ 852,784</u>
Total assets					<u>\$ 51,211,402</u>

Intersegment sales are valued at market prices.

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



TABLE 1

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Range of Interest Rates	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Company	KV	Financing receivables	Yes	\$ 311,350	\$ 311,350	\$ -	2.00~5.00%	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	40% of the subsidiary's net worth, \$ 7,408,026	60% of the subsidiary's net worth, \$ 11,112,038
1	STARCO Europe A/S	STARCO DML Ltd.	Financing receivables	Yes	30,974	9,882	9,882	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
	STARCO Europe A/S	Starco GS	Financing receivables	Yes	54,899	26,013	26,013	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
	STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Financing receivables	Yes	24,479	13,855	13,855	2.40%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
	STARCO Europe A/S	Starco Polska Sp.zoo	Financing receivables	Yes	106,971	106,971	106,971	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
	STARCO Europe A/S	STARCO GmbH	Financing receivables	Yes	105,595	50,938	50,938	3.00~4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
	STARCO Europe A/S	STARCO Baltic OU	Financing receivables	Yes	6,600	2,819	2,819	3.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$153,168	60% of the subsidiary's net worth, \$229,753
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina	Financing receivables	Yes	13,839	6,758	2,717	2.68%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$133,527	60% of the subsidiary's net worth, \$200,290
3	STARCO GB Ltd	STARCO DML Ltd	Financing receivables	Yes	34,502	34,502	33,585	0.00~6.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$92,776	60% of the subsidiary's net worth, \$139,164
4	STARCO GmbH	STARCO GS	Financing receivables	Yes	3,396	3,396	3,396	4.00%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$62,783	60% of the subsidiary's net worth, \$94,175
5	KC	KT	Financing receivables	Yes	661,974	598,933	598,933	3.5065~3.5565%	Short-term financing	-	Operating capital	-	-	-	40% of the subsidiary's net worth, \$2,546,051	60% of the subsidiary's net worth, \$3,819,076

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

**TABLE 2**

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

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Made for Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 4)	Actual Amount Drawn	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Made by Parent for Subsidiaries	Endorsement/ Guarantee Made by Subsidiaries for Parent	Endorsement/ Guarantee Made for Companies in Mainland China	Remark
		Company Name	Relationship (Note 1)											
0	The Company	STARCO Europe A/S	1	\$ 7,408,026	\$ 2,750,480	\$ 2,740,666	\$ 1,463,182	\$ -	14.80%	\$ 14,816,051	Yes	No	No	—
	The Company	STARCO GmbH	1	7,408,026	622,700	622,700	84,905	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO DML	1	7,408,026	622,700	622,700	-	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO Polska Sp.z.o.o.	1	7,408,026	622,700	622,700	101,874	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO SAS	1	7,408,026	622,700	622,700	-	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO GS AG	1	7,408,026	622,700	622,700	44,149	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO NV	1	7,408,026	622,700	622,700	-	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO GB Ltd.	1	7,408,026	622,700	622,700	-	-	3.36%	14,816,051	Yes	No	No	—
	The Company	STARCO Baltic OÜ	1	7,408,026	622,700	622,700	-	-	3.36%	14,816,051	Yes	No	No	—
	The Company	ADI	1	7,408,026	186,810	186,810	124,540	-	1.01%	14,816,051	Yes	No	No	—
	The Company	KA	1	7,408,026	467,025	467,025	280,215	-	2.52%	14,816,051	Yes	No	No	—
	The Company	KV	1	7,408,026	5,004,915	3,923,010	1,179,581	-	21.18%	14,816,051	Yes	No	No	—
	The Company	KI	1	7,408,026	2,117,180	2,117,180	1,039,909	-	11.43%	14,816,051	Yes	No	No	—
	The Company	KT	1	7,408,026	342,485	342,485	-	-	1.85%	14,816,051	Yes	No	Yes	—
1	KHK	KS	1	1,163,631	888,556	861,774	-	-	59.25%	1,309,085	No	No	Yes	—
2	KGCI	KS	1	3,885,363	1,777,112	1,723,548	-	-	17.74%	7,770,726	No	No	Yes	—
3	STARCO Europe A/S	STARCO GB Ltd.	1	382,921	98,799	98,799	-	-	25.80%	765,842	No	No	No	—
	STARCO Europe A/S	STARCO NV	1	\$ 382,921	\$ 190,025	\$ 152,815	\$ 13,040	\$ -	39.91%	\$ 765,842	No	No	No	—
	STARCO Europe A/S	STARCO GS AG	1	382,921	13,918	13,918	3,793	-	3.63%	765,842	No	No	No	—
	STARCO Europe A/S	STARCO GmbH	1	382,921	76,251	50,157	-	-	13.10%	765,842	No	No	No	—
	STARCO Europe A/S	STARCO Beli Manastir	1	382,921	118,856	118,856	-	-	31.04%	765,842	No	No	No	—

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

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

Note 2: The Company's endorsement/guarantee made for each party is limited to 40% of the Company's net worth.

KHK's endorsement/guarantee made for each party is limited to 40% of KHK's net worth. However, the limits on endorsement/guarantee made for each party, in which KHK and the Company directly and indirectly hold 100% of the voting shares, is 80% of KHK's net worth.

KGCI's endorsement/guarantee made for each party is limited to 40% of KGCI's net worth.

STARCO Europe A/S's endorsement/guarantee made for each party is limited to 100% of STARCO Europe A/S's net worth.

Note 3: The Company's aggregate endorsement/guarantee is limited to 80% of the Company's net worth.

KHK's aggregate endorsement/guarantee is limited to 90% of KHK's net worth.

KGCI's aggregate endorsement/guarantee is limited to 80% of KGCI's net worth.

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

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

Note 5: The Company provided endorsement/guarantee for two subsidiaries, KV and KI, with a shared limit of USD20 million, of which KV's available limit is USD17 million and KI's available limit is USD8 million.

Note 6: The Company provided endorsement/guarantee 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, and the combined shared limit is USD20 million.

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

**MARKETABLE SECURITIES HELD AT THE END OF THE PERIOD**

**JUNE 30, 2023**

**(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	End of the Period				Remark
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)	
The Company	<u>Shares and equity</u>							
	China Development Financial Holding Corporation	—	Financial assets at FVTPL - current	105	\$ 1,298	0.00%	\$ 1,298	—
	Kenjou Industrial Co., Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	7,382	336,766	10.86%	336,766	—
	Chang Hwa Golf Co., Ltd.	—	Equity instruments at FVTOCI - non-current	30	375	0.08%	375	—
	Ou Hua Venture Capital Co., Ltd.	—	Equity instruments at FVTOCI - non-current	41	-	5.15%	-	—
	Yu Hua Venture Capital Co., Ltd.	—	Equity instruments at FVTOCI - non-current	10	-	2.50%	-	—
	TotalEnergies Marketing Taiwan Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	81	48,217	6.80%	48,217	—
	BOMY(BVI)CO., LTD.	—	Equity instruments at FVTOCI - non-current	2,000	15,386	9.73%	15,386	—
KGI	<u>Shares and equity</u>							
	Kenjou Investment Co., Ltd.	Its chairman and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	1,703	122,389	13.00%	122,389	—

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

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

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

Purchasing/ Selling Company	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Remark
			Purchases/ Sales	Amount	Ratio to Total Purchase (Sale)	Credit Terms	Unit Price	Credit Terms	Balance	Ratio to Total Notes/Trade Receivable (Payable)	
The Company	KA	Subsidiary	Sales	\$ 114,225	6.03%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	\$ 107,631	10.56%	—
	KF	Subsidiary	Sales	340,640	17.98%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	179,239	17.59%	—
	ADI	Indirectly invested subsidiary	Sales	463,518	24.47%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	421,506	41.37%	—
KC	KA	Subsidiary of the ultimate parent company	Sales	105,099	3.40%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	107,121	10.73%	—
	ADI	Subsidiary of the ultimate parent company	Sales	128,602	4.15%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	119,270	11.94%	—
KV	KA	Subsidiary of the ultimate parent company	Sales	1,610,656	45.47%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	1,668,105	71.02%	—
	ADI	Subsidiary of the ultimate parent company	Sales	436,882	12.33%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	420,933	17.92%	—
KT	KS	Subsidiary of the ultimate parent company	Sales	428,811	29.93%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	158,752	32.53%	—
STARCO Beli Manastir d.o.o.	STARCO GmbH	Subsidiary of the ultimate parent company	Sales	129,212	6.16%	In accordance with the terms and conditions agreed by both parties	By mutual agreement	—	14,292	2.63%	—

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

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

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

Company of Receivables	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Recovery Amount of Receivables from Related Parties in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	KA	Subsidiary	\$ 107,631	1.35	\$ 54,292	—	\$ 39,619	\$ -
	ADI	Indirectly invested subsidiary	421,506	1.38	171,693	—	142,857	-
	KF	Subsidiary	179,239	3.72	-	—	56,706	-
KC	KA	Subsidiary of the ultimate parent company	107,121	2.28	31,132	—	27,419	-
	ADI	Subsidiary of the ultimate parent company	119,270	2.82	23,271	—	42,511	-
	KT	Subsidiary of the ultimate parent company	610,530	Note 2	-	—	-	-
KV	KA	Subsidiary of the ultimate parent company	1,668,105	2.20	463,182	—	366,392	-
	ADI	Subsidiary of the ultimate parent company	420,933	1.88	20,677	—	127,175	-
KT	KS	Subsidiary of the ultimate parent company	158,752	5.37	-	—	86,692	-

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

Note 2: Primarily other receivables; therefore, it is not applicable.

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

## KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

## BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AND AMOUNTS BETWEEN THE PARENT AND SUBSIDIARIES AND BETWEEN SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

No. (Note 1)	Name of Trader	Counterparty	Relationship with Trader (Note 2)	Transaction Details (Note 3)			% of Consolidated Total Revenue or Total Assets
				Financial Statement Account	Amount	Transaction Terms	
0	The Company	ADI	1	Sales revenue	\$ 463,518	(Note 4)	2.74%
		KA	1	Sales revenue	114,225	(Note 4)	0.67%
		KC	1	Service revenue	60,311	(Note 4)	0.36%
		KF	1	Sales revenue	340,640	(Note 4)	2.01%
		KF	1	Service revenue	13,521	(Note 4)	0.08%
		KI	1	Sales revenue	14,323	(Note 4)	0.08%
		KI	1	Service revenue	18,159	(Note 4)	0.11%
		KT	1	Service revenue	21,740	(Note 4)	0.13%
		KV	1	Sales revenue	49,481	(Note 4)	0.29%
		KV	1	Service revenue	113,361	(Note 4)	0.67%
1	KC	ADI	3	Sales revenue	128,602	(Note 4)	0.76%
		KA	3	Sales revenue	105,099	(Note 4)	0.62%
		KS	3	Sales revenue	39,441	(Note 4)	0.23%
		STARCO GB Ltd.	3	Sales revenue	23,563	(Note 4)	0.14%
		STARCO NV	3	Sales revenue	77,997	(Note 4)	0.46%
		STARCO Polska Sp.z.o.o.	3	Sales revenue	62,933	(Note 4)	0.37%
2	KT	ADI	3	Sales revenue	64,824	(Note 4)	0.38%
		KS	3	Sales revenue	428,811	(Note 4)	2.53%
		STARCO NV	3	Sales revenue	21,065	(Note 4)	0.12%
3	KI	KV	3	Sales revenue	23,461	(Note 4)	0.14%
4	KV	ADI	3	Sales revenue	436,882	(Note 4)	2.58%
		KA	3	Sales revenue	1,610,656	(Note 4)	9.52%
5	KE	The Company	2	Service revenue	76,700	(Note 4)	0.45%
0	The Company	ADI	1	Trade receivable	421,506	(Note 4)	0.92%
		KT	1	Other receivables	42,871	(Note 4)	0.09%
		KI	1	Trade receivable	17,282	(Note 4)	0.04%
		KA	1	Trade receivable	107,631	(Note 4)	0.24%
		KV	1	Other receivables	48,198	(Note 4)	0.11%
		KV	1	Trade receivable	26,352	(Note 4)	0.06%
		KF	1	Trade receivable	179,239	(Note 4)	0.39%

(Continued)

No. (Note 1)	Name of Trader	Counterparty	Relationship with Trader (Note 2)	Transaction Details (Note 3)			% of Consolidated Total Revenue or Total Assets
				Financial Statement Account	Amount	Transaction Terms	
1	KC	ADI	3	Trade receivable	\$ 119,270	(Note 4)	0.26%
		KT	3	Other receivables	610,530	(Note 4)	1.34%
		KA	3	Trade receivable	107,121	(Note 4)	0.24%
		KS	3	Trade receivable	17,753	(Note 4)	0.04%
		STARCO GB Ltd.	3	Trade receivable	15,580	(Note 4)	0.03%
		STARCO NV	3	Trade receivable	61,358	(Note 4)	0.13%
		STARCO Polska Sp.z.o.o.	3	Trade receivable	45,964	(Note 4)	0.10%
2	KT	ADI	3	Trade receivable	47,881	(Note 4)	0.11%
		KS	3	Trade receivable	158,752	(Note 4)	0.35%
		STARCO NV	3	Trade receivable	14,019	(Note 4)	0.03%
6	KA	The Company	2	Trade receivable	25,148	(Note 4)	0.06%
4	KV	ADI	3	Trade receivable	420,933	(Note 4)	0.92%
		KA	3	Trade receivable	1,668,105	(Note 4)	3.66%
7	STARCO Europe A/S	STARCO GS AG	1	Other receivables	26,013	(Note 4)	0.06%
		STARCO GmbH	1	Other receivables	50,938	(Note 4)	0.11%
		STARCO Beli Manastir d.o.o.	1	Other receivables	13,855	(Note 4)	0.03%
		STARCO Polska Sp.z.o.o.	1	Other receivables	106,971	(Note 4)	0.23%
		STARCO GB Ltd.	1	Other receivables	21,036	(Note 4)	0.05%
8	STARCO Beli Manastir d.o.o.	STARCO GmbH	3	Trade receivable	14,292	(Note 4)	0.03%
9	STARCO NV	STARCO France	3	Trade receivable	20,109	(Note 4)	0.04%
10	STARCO Polska Sp.z.o.o.	STARCO Baltic OÜ	3	Trade receivable	17,438	(Note 4)	0.04%
11	STARCO GB Ltd.	STARCO DML Ltd.	3	Other receivables	33,585	(Note 4)	0.07%
12	STARCO France	STARCO Europe A/S	3	Trade receivable	25,395	(Note 4)	0.06%
7	STARCO Europe A/S	STARCO GB Ltd.	1	Sales revenue	21,280	(Note 4)	0.13%
		STARCO NV	1	Sales revenue	27,378	(Note 4)	0.16%
		STARCO Polska Sp. Z.o.o.	1	Sales revenue	17,710	(Note 4)	0.10%
8	STARCO BELI MANASTIR d.o.o.	STARCO GB Ltd.	3	Sales revenue	47,583	(Note 4)	0.28%
		STARCO GmbH	3	Sales revenue	129,212	(Note 4)	0.76%
		STARCO Polska Sp. Z.o.o.	3	Sales revenue	59,752	(Note 4)	0.35%
		STARCO GS AG	3	Sales revenue	31,195	(Note 4)	0.18%
		STARCO BELI MANASTIR d.o.o.	3	Sales revenue	15,244	(Note 4)	0.09%
13	STARCO GmbH	STARCO SAS	3	Sales revenue	25,081	(Note 4)	0.15%
9	STARCO NV	STARCO SAS	3	Sales revenue	47,064	(Note 4)	0.28%
10	STARCO Polska Sp. z o.o.	STARCO Baltic OÜ	3	Sales revenue	62,815	(Note 4)	0.37%

(Concluded)



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

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

Note 2: There are three types of relationships with traders, and the types are indicated as follows:

- a. The parent company to its subsidiary.
- b. The subsidiary to the parent company.
- c. Between subsidiaries.

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

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

**TABLE 7****KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE SIX MONTHS ENDED JUNE 30, 2023****(In Thousands of New Taiwan Dollars; In Thousands of Foreign Currency)**

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Held at End of Period			Profit (Loss) of the Investee for the Period	Investment Profit (Loss) Recognized for the Period	Remark
				End of the Period (Note 1)	End of Last Year (Note 1)	Number of Shares	Percentage	Carrying Amount (Note 1)			
The Company	KA	United States	Trading, investment	USD 9,000	USD 9,000	-	100%	NTD 2,468,657	NTD 219,456	NTD 219,456	Note 3
	KHK	Hong Kong	Trading, investment	HKD 100	HKD 100	-	100%	NTD 1,361,501	(NTD 50,255)	(NTD 50,255)	Note 3
	KV	Vietnam	Manufacturing of tires	USD 67,680	USD 67,680	-	100%	NTD 8,423,916	NTD 193,963	NTD 1,442	Notes 2 and 3
	KIC	Cayman Islands	Investment	USD 81,753	USD 81,753	-	100%	NTD 10,951,151	(NTD 7,271)	(NTD 7,271)	Note 3
	KE	Germany	Marketing planning and R&D	EUR 405	EUR 405	-	100%	NTD 43,710	NTD 6,043	NTD 6,043	Note 3
	KF	Taiwan	Selling of tires	NTD 199,000	NTD 199,000	19,900	100%	NTD 258,303	NTD 28,557	NTD 28,557	Note 3
	KI	Indonesia	Manufacturing of tires	USD 52,999	USD 52,999	-	99.99%	NTD 860,987	(NTD 107,372)	(NTD 107,370)	Note 3
KF	KI	Indonesia	Manufacturing of tires	USD 1	-	-	0.01%	NTD 14	(NTD 107,372)	(NTD 2)	
KA	ADI	United States	Manufacturing of rims and distribution and selling of tires and rims	USD 20,000	USD 20,000	1	100%	USD 68,208	USD 3,475	Note 1	Note 3
KIC	KGH	Cayman Islands	Investment	USD 112,050	USD 112,050	-	100%	USD 336,198	(USD 681)	Note 1	Note 3
	KGI	Mauritius	Investment	USD 1,703	USD 1,703	-	100%	USD 15,108	USD 437	Note 1	Note 3
KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100%	USD 9,291	USD 130	Note 1	Note 3
STARCO Europe A/S	STARCO GB Ltd.	United Kingdom	Distribution and selling of tires and rims	EUR 552	EUR 552	-	100%	EUR 8,566	EUR 1,508	Note 1	Note 3
	STARCO GmbH	Germany	Distribution and selling of tires and rims	EUR 511	EUR 511	-	100%	EUR 3,293	EUR 848	Note 1	Note 3
	STARCO Polska Sp.z.o.o.	Poland	Distribution and selling of tires and rims	EUR 30	EUR 30	-	100%	EUR 2,790	EUR 251	Note 1	Note 3
	STARCO NV	Belgium	Distribution and selling of tires and rims	EUR 2,810	EUR 2,810	-	100%	EUR 3,190	(EUR 892)	Note 1	Note 3
	STARCO GS AG	Switzerland	Distribution and selling of tires and rims	EUR 355	EUR 355	-	100%	EUR 1,503	EUR 209	Note 1	Note 3
	STARCO Baltic OÜ	Estonia	Distribution and selling of tires and rims	EUR 3	EUR 3	-	100%	EUR 823	(EUR 193)	Note 1	Note 3
	STARCO SAS	France	Distribution and selling of tires and rims	EUR 183	EUR 183	-	100%	EUR 1,297	EUR 196	Note 1	Note 3
	STARCO Beli Manastir d.o.o.	Croatia	Manufacturing of rims	EUR 9,614	EUR 9,614	-	100%	EUR 9,969	EUR 136	Note 1	Note 3
	STARCO DML	United Kingdom	Manufacturing of rims and distribution and selling of tires and rims	EUR 1,031	EUR 1,031	-	100%	EUR 314	(EUR 416)	Note 1	Note 3
	STARCO Jelshoj	Croatia	Investment	EUR 3	EUR 3	-	100%	EUR 1,688	EUR 22	Note 1	Note 3

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

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

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

**TABLE 8**

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan at the Beginning of the Period	Outward or Inward Remittance for Investment for the Period		Accumulated Outward Remittance for Investment from Taiwan at the End of the Period	Profit (Loss) of the Investee for the Period	Ownership of Direct or Indirect Investment	Investment Profit (Loss) Recognized in the Period (Note 3)	Carrying Amount of Investment as of the End of the Period	Accumulated Repatriation of Investment Income as of the End of the Period	Remark
					Outward	Inward							
KS	Manufacturing and selling of various types of tubes and tires for vehicles	\$ 778,375 USD 25,000	Note 1	\$ 778,735 USD 25,000	\$ -	\$ -	\$ 778,735 USD 25,000	( \$ 52,953 )	100%	( \$ 50,728 )	\$ 1,474,878	\$ 8,140,121	Note 10
KC	Manufacturing and selling of various types of tubes and tires for vehicles	2,179,450 USD 70,000	Notes 1 and 7	2,179,450 USD 70,000	-	-	2,179,450 USD 70,000	110,382	100%	Note 4	Note 4	-	-
KT	Manufacturing and selling of various types of tubes and tires for vehicles	6,849,700 USD 220,000	Notes 1, 2 and 7	485,706 USD 15,600	-	-	485,706 USD 15,600	( 139,245 )	100%	( 145,406 )	3,317,657	-	Note 10
KGCI	Investment	5,012,735 USD 161,000	Notes 1 and 2	-	-	-	-	363	100%	363	9,871,275	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing, processing and selling of various types of foods and beverages	622,700 USD 20,000	Note 1	62,270 USD 2,000	-	-	62,270 USD 2,000	-	10%	-	15,386	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Interior and exterior parts for automobiles	813,651 USD 26,133	Note 1	53,023 USD 1,703	-	-	53,023 USD 1,703	-	2.6%	-	122,389	139,609	-
STARCO Huanmei	Manufacturing of rims	169,795 EUR 5,000	Note 1	Note 9	-	-	Note 9	( 5,893 )	33%	( 1,956 )	110,967	-	-

Accumulated Outward Remittance of Investment to Mainland China from Taiwan at the End of the Period	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA (Note 5)
\$ 3,558,824 USD 114,303 Note 5	\$ 10,010,325 USD 319,703 EUR 1,660 Note 5	Note 6

Note 1: Reinvestments in mainland China through a company in a third region.

Note 2: Differences between the paid-in capital and outward remittance for investment from Taiwan are resulted from the reinvestment of dividends received and the inward remittance of cash capital increase by offshore subsidiaries.

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

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

Note 5: The difference of US\$205,400 thousand between the investment amount of US\$319,703 thousand authorized by the Investment Commission, MOEA and the accumulated outward remittance of USD114,303 thousand for investment from Taiwan was due to direct reinvestment of dividends received and the inward remittance of cash capital increase by offshore subsidiaries.

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

Note 7: The paid-in capital of KC and part of paid-in capital of KT were included in that of its investors and, therefore, they were not double counted when calculating the investment amount authorized and the outward remittance for investment.

Note 8: The above figures involving foreign currencies were translated into NTD using exchange rates as of the end of each financial reporting period or average exchange rates for the period.

Note 9: It is indirectly acquired through mergers and acquisitions.

Note 10: The difference refers to unrealized gains or losses on intra-group transactions.

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

**INFORMATION ON MAJOR SHAREHOLDERS**

**JUNE 30, 2023**

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

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership (%)
Yang, Chi-Jen	91,476,924	10.05%
Yang, Ying-Ming	63,718,822	7.00%