

Kenda Rubber Ind. Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kenda Rubber Ind. Co., Ltd.

Opinion

We have audited the accompanying financial statements of Kenda Rubber Ind. Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2023 is stated as follows:

Appropriateness of the Revenue Cutoff

The Company has a worldwide sales network, and the terms of sales are different by customer or geography. Revenue is recognized when performance obligations are satisfied by the transfer of the promised goods to customers, but the timing of the transfer may be based on the time of actual delivery or on the time of actual receipt of the goods. The Company's revenue recognition process involves manual inspection of relevant documents or an estimate of the arrival time of the goods shipped to customers based on historical experience to determine timing of the transfer of control of the promised goods to customers. Therefore, mistakes may occur in the evaluation process, and revenue could be recorded in the incorrect reporting period.

The main audit procedures that we performed in respect of the cutoff of revenue recognition included the following:

1. We obtained an understanding of and reviewed the sales contracts and the terms between the Company and its customers to identify the appropriate point of revenue recognition.
2. We obtained an understanding of and evaluated the process and related controls over revenue recognition.
3. We performed cutoff testing procedures covering a certain period before and after the balance sheet date and examined relevant supporting documents to determine that revenue was recognized in the correct reporting period, as evidenced by sales terms.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance, including members of the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe the matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi Wen Wang and Done Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent 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. 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 financial statements shall prevail.

KENDA RUBBER IND. CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022		January 1, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,155,868	7	\$ 2,371,787	7	\$ 2,067,032	6
Financial assets at fair value through profit or loss - current (Note 7)	1,314	-	1,319	-	1,832	-
Notes receivable (Note 9)	5,391	-	16,300	-	23,910	-
Trade receivables from unrelated parties (Note 9)	240,029	1	324,332	1	381,604	1
Trade receivables from related parties (Notes 9 and 23)	697,116	2	1,493,409	4	1,240,009	4
Other receivables (Note 23)	82,797	-	148,846	-	89,331	1
Inventories (Note 10)	662,698	2	856,544	3	1,104,522	3
Other current assets	41,339	-	40,994	-	37,883	-
Total current assets	<u>3,886,552</u>	<u>12</u>	<u>5,253,531</u>	<u>15</u>	<u>4,946,123</u>	<u>15</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	354,155	1	400,744	1	411,980	1
Investments accounted for using the equity method (Note 11)	25,090,607	75	24,375,085	71	24,128,820	71
Property, plant and equipment (Notes 12 and 23)	3,788,334	11	3,906,865	11	3,907,199	11
Right-of-use assets (Notes 13 and 23)	6,755	-	11,822	-	16,889	-
Deferred tax assets (Note 19)	221,672	1	174,808	1	465,259	1
Other non-current assets	215,901	-	210,964	1	211,328	1
Total non-current assets	<u>29,677,424</u>	<u>88</u>	<u>29,080,288</u>	<u>85</u>	<u>29,141,475</u>	<u>85</u>
TOTAL	<u>\$ 33,563,976</u>	<u>100</u>	<u>\$ 34,333,819</u>	<u>100</u>	<u>\$ 34,087,598</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 14)	\$ 600,000	2	\$ 300,000	1	\$ 200,000	1
Contract liabilities - current (Note 17)	18,650	-	38,180	-	137,263	-
Notes payable	423	-	284	-	215	-
Trade payables (Note 23)	233,745	1	350,172	1	477,566	1
Other payables (Note 23)	374,277	1	403,327	1	456,893	1
Current tax liabilities (Note 19)	14,041	-	163,467	-	-	-
Lease liabilities - current (Notes 13 and 23)	5,141	-	5,141	-	5,141	-
Current portion of long-term borrowings (Note 14)	2,041,780	6	1,547,700	5	1,575,466	5
Other current liabilities (Note 17)	55,606	-	17,052	-	17,904	-
Total current liabilities	<u>3,343,663</u>	<u>10</u>	<u>2,825,323</u>	<u>8</u>	<u>2,870,448</u>	<u>8</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 14)	10,214,146	31	11,627,499	34	11,663,715	34
Deferred tax liabilities (Note 19)	408,164	1	405,549	1	598,608	2
Lease liabilities - non-current (Notes 13 and 23)	1,705	-	6,791	-	11,837	-
Net defined benefit liabilities - non-current (Note 15)	16,963	-	82,650	1	205,220	1
Other non-current liabilities	5,914	-	3,627	-	-	-
Total non-current liabilities	<u>10,646,892</u>	<u>32</u>	<u>12,126,116</u>	<u>36</u>	<u>12,479,380</u>	<u>37</u>
Total liabilities	<u>13,990,555</u>	<u>42</u>	<u>14,951,439</u>	<u>44</u>	<u>15,349,828</u>	<u>45</u>
EQUITY						
Share capital	9,548,900	28	9,094,100	26	9,094,100	27
Capital surplus	41	-	41	-	41	-
Retained earnings						
Legal reserve	3,440,228	10	3,398,776	10	3,308,030	10
Special reserve	831,490	3	1,970,995	5	1,601,002	5
Unappropriated earnings	6,846,330	20	5,749,958	17	6,705,592	19
Other equity	(1,093,568)	(3)	(831,490)	(2)	(1,970,995)	(6)
Total equity	<u>19,573,421</u>	<u>58</u>	<u>19,382,380</u>	<u>56</u>	<u>18,737,770</u>	<u>55</u>
TOTAL	<u>\$ 33,563,976</u>	<u>100</u>	<u>\$ 34,333,819</u>	<u>100</u>	<u>\$ 34,087,598</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 17 and 23)	\$ 4,430,610	100	\$ 6,167,875	100
COST OF REVENUE (Notes 10, 18 and 23)	<u>3,427,417</u>	<u>77</u>	<u>4,659,353</u>	<u>76</u>
GROSS PROFIT	1,003,193	23	1,508,522	24
REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY REVENUE	<u>(22,943)</u>	<u>(1)</u>	<u>(22,784)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>980,250</u>	<u>22</u>	<u>1,485,738</u>	<u>24</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	561,979	13	658,217	11
General and administrative expenses	173,639	4	180,524	3
Research and development expenses	361,975	8	381,175	6
Expected credit loss (gain) (Note 9)	<u>851</u>	<u>-</u>	<u>855</u>	<u>-</u>
Total operating expenses	<u>1,098,444</u>	<u>25</u>	<u>1,220,771</u>	<u>20</u>
INCOME (LOSS) FROM OPERATIONS	<u>(118,194)</u>	<u>(3)</u>	<u>264,967</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 23)				
Interest income	70,140	2	25,693	-
Other income	99,479	2	121,773	2
Other gains and losses	33,080	1	343,417	6
Finance costs	(223,896)	(5)	(154,091)	(3)
Share of profit of subsidiaries (Note 11)	<u>1,064,993</u>	<u>24</u>	<u>(133,825)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>1,043,796</u>	<u>24</u>	<u>202,967</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	925,602	21	467,934	7
INCOME TAX EXPENSE (Note 19)	<u>44,620</u>	<u>1</u>	<u>129,783</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>880,982</u>	<u>20</u>	<u>338,151</u>	<u>5</u>

(Continued)

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	\$ 40,379	1	\$ 96,460	1
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(46,162)	(1)	(11,236)	-
Share of other comprehensive income (loss) of subsidiaries	(63,891)	(2)	43,468	1
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(8,076)</u>	<u>-</u>	<u>(19,292)</u>	<u>-</u>
	<u>(77,750)</u>	<u>(2)</u>	<u>109,400</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(196,839)	(4)	1,383,086	22
Income tax related to items that may be reclassified subsequently to profit or loss (Note 19)	<u>39,368</u>	<u>1</u>	<u>(276,617)</u>	<u>(4)</u>
	<u>(157,471)</u>	<u>(3)</u>	<u>1,106,469</u>	<u>18</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(235,221)</u>	<u>(5)</u>	<u>1,215,869</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 645,761</u>	<u>15</u>	<u>\$ 1,554,020</u>	<u>25</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.92</u>		<u>\$ 0.35</u>	
Diluted	<u>\$ 0.92</u>		<u>\$ 0.35</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

KENDA RUBBER IND. CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Share Capital (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity		Total Equity
			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	
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
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)
Net profit for the year ended December 31, 2022	-	-	-	-	338,151	-	-	338,151
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	76,364	1,106,469	33,036	1,215,869
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	414,515	1,106,469	33,036	1,554,020
BALANCE AT DECEMBER 31, 2022	9,094,100	41	3,398,776	1,970,995	5,749,958	(1,213,319)	381,829	19,382,380
Appropriations of 2022 earnings								
Legal reserve	-	-	41,452	-	(41,452)	-	-	-
Special reserve	-	-	-	(1,139,505)	1,139,505	-	-	-
Cash dividends to shareholders - NT\$ 0.50per share	-	-	-	-	(454,705)	-	-	(454,705)
Share dividends distributed by the Company - NT\$0.50 per share	454,800	-	-	-	(454,800)	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	880,982	-	-	880,982
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	31,166	(157,471)	(108,916)	(235,221)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	912,148	(157,471)	(108,916)	645,761
Disposal of the investments in equity instruments as fair value through other comprehensive income	-	-	-	-	(4,309)	-	4,309	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(15)	-	-	(15)
BALANCE AT DECEMBER 31, 2023	\$ 9,548,900	\$ 41	\$ 3,440,228	\$ 831,490	\$ 6,846,330	\$ (1,370,790)	\$ 277,222	\$ 19,573,421

The accompanying notes are an integral part of the financial statements.

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 925,602	\$ 467,934
Adjustments for		
Depreciation expense	276,570	291,915
Amortization expense	12,092	10,425
Expected credit loss recognized on trade receivables	851	855
Net loss on fair value changes of financial assets at fair value through profit or loss	5	513
Finance costs	223,896	154,091
Interest income	(70,140)	(25,693)
Dividend income	(46,832)	(49,609)
Share of (profit) or loss of subsidiaries	(1,064,993)	133,825
Net gain on disposal of property, plant and equipment	(2,488)	(5,029)
Write-down (reversal of write-down) of inventories	(17,962)	11,383
Unrealized (realized) profit on intercompany revenue	22,943	22,784
Net loss (gain) on foreign currency exchange	23,405	(11,657)
Transfer of prepayments for equipment to expenses	16,794	8,046
Changes in operating assets and liabilities		
Notes receivable	10,909	7,610
Trade receivables	856,077	(183,718)
Other receivables	66,404	(63,708)
Inventories	211,808	236,595
Other current assets	1,049	(3,111)
Contract liabilities	(19,530)	(99,083)
Notes payable	139	69
Trade payables	(115,101)	(126,712)
Other payables	(9,479)	(48,793)
Other current liabilities	38,554	(852)
Net defined benefit liabilities	(25,308)	(26,110)
Cash generated from operations	1,315,265	701,970
Interest received	69,073	29,830
Dividends received	112,615	1,093,857
Interest paid	(222,234)	(148,844)
Income tax paid	(208,397)	(164,833)
Net cash generated from operating activities	<u>1,066,322</u>	<u>1,511,980</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of capital from financial assets at fair value through other comprehensive income	127	-
Payments for property, plant and equipment	(90,599)	(124,228)
Proceeds from disposal of property, plant and equipment	11,466	32,462
Payments for intangible assets	(14,820)	(13,252)
Increase in prepayments for equipment	(110,735)	(205,344)
Net cash used in investing activities	<u>(204,561)</u>	<u>(310,362)</u>

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KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 300,000	\$ 100,000
Proceeds from long-term borrowings	3,500,000	11,620,000
Repayments of long-term borrowings	(4,420,176)	(11,685,466)
Proceeds from guarantee deposits received	2,287	3,627
Repayment of the principal portion of lease liabilities	(5,086)	(5,046)
Cash dividends	(454,705)	(909,410)
Acquisition of additional interests in subsidiaries	<u>-</u>	<u>(20,568)</u>
Net cash used in financing activities	<u>(1,077,680)</u>	<u>(896,863)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(215,919)	304,755
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,371,787</u>	<u>2,067,032</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,155,868</u>	<u>\$ 2,371,787</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

KENDA RUBBER IND. CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

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

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

The accompanying financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying financial statements were approved and authorized for issue by the board of directors on March 11, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company’s exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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: The amendments provide some transition relief regarding disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

- d. Reclassification

Regarding the bank deposits repatriated for the use of substantial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act., the relevant restrictions on the bank deposits do not change the nature of the deposits. In order to reflect the nature in substance, the

other non-current financial assets, which amounted to \$897,482 thousand on December 31, 2023, were reclassified to cash and cash equivalents. Additionally, for consistent presentation, the other non-current financial assets were reclassified to cash and cash equivalents with a carrying amount of \$1,049,412 thousand and \$1,194,935 thousand on December 31, 2022 and January 1, 2022. After the reclassification, the total amount of current assets increased by \$1,049,412 thousand and 1,194,935 thousand, respectively; the net cash used in investing activities of the cash flow statement for the year ended December 31, 2022 increased by \$145,523 thousand, while the net increase in cash and cash equivalents decreased by \$145,523 thousand. Refer to Note 6 for the disclosure after the reclassification.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the balance sheet date; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the balance sheet date; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

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

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each balance sheet date, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each balance sheet date, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization or depreciation expense) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss or “FVTPL”) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 22: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivable, notes receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of tires and tubes for vehicles, and other related products. The Company recognizes revenue and trade receivable when promised goods are delivered to the customer's specified location or loaded on vessels at which point the customer obtains control of the goods and performance obligation is satisfied.

l. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

m. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Current service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The Company has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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.

When developing material accounting estimates, the Company considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

	December 31	
	2023	2022
Cash on hand	\$ 457	\$ 370
Checking accounts and demand deposits	1,429,442	1,700,206
Cash equivalents (time deposits with original maturities of 3 months or less)	<u>725,969</u>	<u>671,211</u>
	<u>\$ 2,155,868</u>	<u>\$ 2,371,787</u>

The market rate of time deposits with original maturity of 3 months or less at the balance sheet date is as follows:

	December 31	
	2023	2022
Time deposits with original maturities of 3 months or less	1.17%-5.38%	4.00%-4.20%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	\$ <u>1,314</u>	\$ <u>1,319</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	\$ 339,551	\$ 385,358
Foreign unlisted shares	<u>14,604</u>	<u>15,386</u>
	<u>\$ 354,155</u>	<u>\$ 400,744</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Notes receivable</u>		
Carrying amount at amortized cost	\$ <u>5,391</u>	\$ <u>16,300</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 938,589	\$ 1,821,748
Less: Allowance for impairment loss	<u>(1,444)</u>	<u>(4,007)</u>
	<u>\$ 937,145</u>	<u>\$ 1,817,741</u>

The credit period of sales of goods is 30 days to 90 days from the date of the invoice. No interest is charged on trade receivable.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated considering the past default experience of the customer, the customer's current financial position, as well as economic condition of the industry in which the customer operates. The Company uses different provision matrixes based on segments by geographical region and determines the expected credit loss rate.

The Company writes off trade receivable when there is information 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 Company 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 Company's provision matrix.

December 31, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 778,166	\$ 81,127	\$ 66,947	\$ 1,332	\$ 5,437	\$ 6,192	\$ 4,779	\$ 943,980
Loss allowance (Lifetime ECLs)	-	(5)	(7)	(14)	(386)	-	(1,032)	(1,444)
Amortized cost	<u>\$ 778,166</u>	<u>\$ 81,122</u>	<u>\$ 66,940</u>	<u>\$ 1,318</u>	<u>\$ 5,051</u>	<u>\$ 6,192</u>	<u>\$ 3,747</u>	<u>\$ 942,536</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 1,249,036	\$ 229,546	\$ 166,538	\$ 114,773	\$ 273	\$ 74,432	\$ 3,450	\$ 1,838,048
Loss allowance (Lifetime ECLs)	-	(29)	(8)	(6)	(7)	(507)	(3,450)	(4,007)
Amortized cost	<u>\$ 1,249,036</u>	<u>\$ 229,517</u>	<u>\$ 166,530</u>	<u>\$ 114,767</u>	<u>\$ 266</u>	<u>\$ 73,925</u>	<u>\$ -</u>	<u>\$ 1,834,041</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 4,007	\$ 3,367
Add: Net remeasurement of loss allowance	634	876
Less: Amounts written off	<u>(3,197)</u>	<u>(236)</u>
Balance at December 31	<u>\$ 1,444</u>	<u>\$ 4,007</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Finished goods	\$ 269,266	\$ 378,552
Raw materials	204,712	263,170
Work in progress	106,023	113,944
Supplies	49,710	52,145
Merchandise	6,852	8,060
Inventory in transit	<u>26,135</u>	<u>40,673</u>
	<u>\$ 662,698</u>	<u>\$ 856,544</u>

The cost of revenue associated with inventories was \$3,106,915 thousand and \$4,400,354 thousand for the years ended December 31, 2023 and 2022, respectively. The cost of revenue consisted of reversal of inventory write-downs of \$17,962 thousand and inventory write-downs of \$11,383 thousand for the years ended December 31, 2023 and 2022, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in Subsidiaries

	December 31			
	2023		2022	
	Amount	Ownership (%)	Amount	Ownership (%)
Kenda International Corporation Co., Ltd. (KIC)	\$ 11,002,323	100.00	\$ 11,198,802	100.00
Kenda Rubber (Vietnam) Co., Ltd. (KV)	8,926,509	100.00	8,298,949	100.00
American Kenda Rubber Ind. Co., Ltd. (KA)	2,782,723	100.00	2,166,657	100.00
Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK)	1,329,403	100.00	1,444,263	100.00
Pt. Kenda Rubber Indonesia (KI)	725,069	99.99	952,313	99.99
Kenfong Industrial Co., Ltd. (KF)	285,722	100.00	277,815	100.00
Kenda Rubber Industrial Co. (Europe GmbH) (KE)	<u>38,858</u>	100.00	<u>36,286</u>	100.00
	<u>\$ 25,090,607</u>		<u>\$ 24,375,085</u>	

The investments accounted for using the equity method and the share of profit or loss of subsidiaries were based on the financial statements audited by respective auditors for the same accounting periods.

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

12. PROPERTY, PLANT AND EQUIPMENT

	Balance at January 1, 2023	Additions	Disposals	Reclassification	Balance at December 31, 2023
<u>Cost</u>					
Land	\$ 2,166,617	\$ -	\$ -	\$ -	\$ 2,166,617
Buildings	956,270	406	(10,455)	1,543	947,764
Machinery	3,260,662	2,633	(31,165)	90,727	3,322,857
Other equipment	819,670	4,820	(2,817)	13,845	835,518
Equipment under installation and construction in progress	<u>74,587</u>	<u>62,359</u>	<u>-</u>	<u>(14,383)</u>	<u>122,563</u>
	<u>7,277,806</u>	<u>\$ 70,218</u>	<u>\$ (44,437)</u>	<u>\$ 91,732</u>	<u>7,395,319</u>
<u>Accumulated depreciation</u>					
Buildings	393,668	\$ 28,500	\$ (9,340)	\$ -	412,828
Machinery	2,384,825	193,023	(23,302)	-	2,554,546
Other equipment	<u>592,448</u>	<u>49,980</u>	<u>(2,817)</u>	<u>-</u>	<u>639,611</u>
	<u>3,370,941</u>	<u>\$ 271,503</u>	<u>\$ (35,459)</u>	<u>\$ -</u>	<u>3,606,985</u>
	<u>\$ 3,906,865</u>				<u>\$ 3,788,334</u>

	Balance at January 1, 2022	Additions	Disposals	Reclassification	Balance at December 31, 2022
<u>Cost</u>					
Land	\$ 2,166,617	\$ -	\$ -	\$ -	\$ 2,166,617
Buildings	929,635	671	-	25,964	956,270
Machinery	3,146,123	4,773	(73,181)	182,947	3,260,662
Other equipment	787,190	3,925	(8,427)	36,982	819,670
Equipment under installation and construction in progress	<u>15,902</u>	<u>104,089</u>	<u>-</u>	<u>(45,404)</u>	<u>74,587</u>
	<u>7,045,467</u>	<u>\$ 113,458</u>	<u>\$ (81,608)</u>	<u>\$ 200,489</u>	<u>7,277,806</u>
<u>Accumulated depreciation</u>					
Buildings	366,297	\$ 27,371	\$ -	\$ -	393,668
Machinery	2,224,568	208,071	(47,814)	-	2,384,825
Other equipment	<u>547,403</u>	<u>51,406</u>	<u>(6,361)</u>	<u>-</u>	<u>592,448</u>
	<u>3,138,268</u>	<u>\$ 286,848</u>	<u>\$ (54,175)</u>	<u>\$ -</u>	<u>3,370,941</u>
	<u>\$ 3,907,199</u>				<u>\$ 3,906,865</u>

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

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	10-55 years
Machinery	3-30 years
Other equipment	2-18 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Buildings	<u>\$ 6,755</u>	<u>\$ 11,822</u>
For the Year Ended December 31		
	2023	2022
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 5,067</u>	<u>\$ 5,067</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Current	<u>\$ 5,141</u>	<u>\$ 5,141</u>
Non-current	<u>\$ 1,705</u>	<u>\$ 6,791</u>

Discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Buildings	0.8%	0.8%

c. Material leasing activities and terms

The Company leases buildings for the use of product manufacturing with lease terms of 5 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 2,782</u>	<u>\$ 2,299</u>
Expenses relating to low-value asset leases	<u>\$ 37</u>	<u>\$ 37</u>
Total cash outflow for leases	<u>\$ (7,978)</u>	<u>\$ (7,496)</u>

The Company's leases of certain buildings and other equipment qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured borrowings	<u>\$ 600,000</u>	<u>\$ 300,000</u>
Range of rates	1.74%-1.80%	1.69%-1.76%

b. Long-term borrowings

	December 31	
	2023	2022
Unsecured borrowings	\$ 12,114,162	\$ 12,898,269
Project borrowings	141,764	276,930
Less: Current portion	<u>(2,041,780)</u>	<u>(1,547,700)</u>
Long-term borrowings	<u>\$ 10,214,146</u>	<u>\$ 11,627,499</u>
Range of rates	1.10%-1.80%	0.85%-2.01%
Maturity date	2024-2027 years	2023-2027 years

As stipulated in the loan agreements, the Company should pledge assets as collaterals and, additionally, maintain certain covenants related to financial ratios. There was no breach of loan agreements associated with financial covenants as of December 31, 2023.

The Company participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally. The Company constructed or expanded factories, and acquired machinery and equipment in Taiwan from 2019 to 2025. Any shortage of funds would be financed via bank borrowings.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 501,311	\$ 551,838
Fair value of plan assets	<u>(484,348)</u>	<u>(469,188)</u>
Net defined benefit liabilities	<u>\$ 16,963</u>	<u>\$ 82,650</u>

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 639,195	\$ (433,975)	\$ 205,220
Service cost			
Current service cost	4,951	-	4,951
Past service cost and gain on settlements	(143)	-	(143)
Net interest expense (income)	4,386	(3,060)	1,326
Recognized in profit or loss	<u>9,194</u>	<u>(3,060)</u>	<u>6,134</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,568)	(33,568)
Actuarial loss - changes in demographic assumptions	9	-	9
Actuarial gain - changes in financial assumptions	(50,005)	-	(50,005)
Actuarial gain - experience adjustments	<u>(12,896)</u>	<u>-</u>	<u>(12,896)</u>
Recognized in other comprehensive income	<u>(62,892)</u>	<u>(33,568)</u>	<u>(96,460)</u>
Contributions from the employer	-	(32,244)	(32,244)
Benefits paid	(32,225)	32,225	-
Liabilities extinguished on settlement	<u>(1,434)</u>	<u>1,434</u>	<u>-</u>
Balance at December 31, 2022	<u>551,838</u>	<u>(469,188)</u>	<u>82,650</u>
Service cost			
Current service cost	3,836	-	3,836
Net interest expense (income)	6,681	(5,839)	842
Recognized in profit or loss	<u>10,517</u>	<u>(5,839)</u>	<u>4,678</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,164)	(4,164)
Actuarial gain - changes in demographic assumptions	(4)	-	(4)
Actuarial loss - changes in financial assumptions	1,887	-	1,887
Actuarial gain - experience adjustments	<u>(38,098)</u>	<u>-</u>	<u>(38,098)</u>
Recognized in other comprehensive income	<u>(36,215)</u>	<u>(4,164)</u>	<u>(40,379)</u>
Contributions from the employer	-	(29,986)	(29,986)
Benefits paid	<u>(24,829)</u>	<u>24,829</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 501,311</u>	<u>\$ (484,348)</u>	<u>\$ 16,963</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in both government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rates	1.20%	1.25%
Expected rates of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rates		
0.25% increase	<u>\$ (9,321)</u>	<u>\$ (10,980)</u>
0.25% decrease	<u>\$ 9,612</u>	<u>\$ 11,339</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 9,511</u>	<u>\$ 11,227</u>
0.25% decrease	<u>\$ (9,271)</u>	<u>\$ (10,926)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 30,258</u>	<u>\$ 30,551</u>
Average duration of the defined benefit obligation	7 years	8 years

16. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands of shares)	<u>1,100,000</u>	<u>1,100,000</u>
Shares authorized, par value \$10 (in thousands of dollars)	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>954,890</u>	<u>909,410</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 9,548,900</u>	<u>\$ 9,094,100</u>

The change in the Company's share capital is mainly resulted from the process of converting its retained earnings into share capital via issuing new shares.

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the 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 or regulations. 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 earning and undistributed earnings from previous year. When distributing dividends via issuing shares, the motion should be submitted to shareholders' meeting for approval. The shareholders may adjust the ratio of share dividends to reflect the profit and the adequacy of capital of the year. The cash dividends shall not be less than 10% of the total dividend declared. The board of directors is authorized to adopt a resolution to distribute dividends, bonuses, legal reserve and all or a portion of the capital surplus in cash and a report of such distribution should be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 18(e).

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.

Items referred to under Rule No. 1090150022 and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

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

	Appropriations of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 41,452	\$ 90,746		
(Reversal of) special reserve	(1,139,505)	369,993		
Cash dividends	454,705	909,410	\$ 0.5	\$ 1.0
Share dividends	454,800	-	0.500104	-

The above cash dividends have been approved through resolution of the board of directors. The rest of the distribution items were also resolved by shareholders in their meeting to be held on May 31, 2023 and June 30, 2022, respectively.

The appropriation of earnings for 2023 proposed by the Company's board of directors on March 11, 2024 is as follows:

	For the Year Ended December 31, 2023	Dividends Per Share (NT\$)
Legal reserve	\$ 90,782	
Special reserve	262,078	
Cash dividends	954,890	\$ 1.0

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed earning appropriations will be resolved by shareholders in their meeting to be held on May 31, 2024.

17. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,905,052	\$ 5,656,116
Revenue from the rendering of services	<u>525,558</u>	<u>511,759</u>
	<u>\$ 4,430,610</u>	<u>\$ 6,167,875</u>

Refer to Statement 6 for information on the disaggregation of revenue.

b. Contract balances

	December 31	
	2023	2022
Contract liabilities - current	<u>\$ 18,650</u>	<u>\$ 38,180</u>
Refund liabilities - current (Note)	<u>\$ 1,401</u>	<u>\$ 1,365</u>

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

18. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2023	2022
Dividends	\$ 46,832	\$ 49,609
Rental income	9,333	9,368
Others	<u>43,314</u>	<u>62,796</u>
	<u>\$ 99,479</u>	<u>\$ 121,773</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net loss on financial assets classified as at FVTPL	\$ (5)	\$ (513)
Net gain on disposal of property, plant and equipment (Note 23)	2,488	5,029
Net foreign exchange gains	34,265	338,901
Others	<u>(3,668)</u>	<u>-</u>
	<u>\$ 33,080</u>	<u>\$ 343,417</u>

c. Financial costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 224,495	\$ 154,946
Interest on lease liabilities	73	114
Less: Amounts included in the cost of qualifying assets	<u>(672)</u>	<u>(969)</u>
	<u>\$ 223,896</u>	<u>\$ 154,091</u>

d. Employee benefits, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the year ended December 31, 2023</u>			
Short-term benefits			
Salary expense	\$ 625,465	\$ 576,084	\$ 1,201,549
Labor/health insurance expense	67,475	53,817	121,292
Post-employment benefits			
Defined contribution plans	28,600	21,719	50,319
Defined benefit plans	1,169	3,509	4,678
Remuneration of directors	1,834	11,280	13,114
Other employee benefit	10,999	10,710	21,709
Depreciation expense	216,317	60,253	276,570
Amortization expense	2,863	9,229	12,092

	Operating Costs	Operating Expenses	Total
<u>For the year ended December 31, 2022</u>			
Short-term benefits			
Salary expense	\$ 745,153	\$ 531,639	\$ 1,276,792
Labor/health insurance expense	72,831	58,948	131,779
Post-employment benefits			
Defined contribution plans	33,526	24,038	57,564
Defined benefit plans	1,566	4,568	6,134
Remuneration of directors	873	10,252	11,125
Other employee benefit	12,446	11,537	23,983
Depreciation expense	227,718	64,197	291,915
Amortization expense	1,619	8,806	10,425

- 1) For the years ended December 31, 2023 and 2022, the Company employed 1,810 and 1,945 employees on average, respectively, which both included 7 non-employee directors.
 - 2) The employment benefit expenses, on average, were \$776 thousand and \$772 thousand for the years ended December 31, 2023 and 2022, respectively. The average salary expense were \$666 thousand and \$659 thousand for the years ended December 31, 2023 and 2022, respectively. The average salary expense changed by 1.1%.
 - 3) The Company did not have supervisors for the years ended December 31, 2023 and 2022. Therefore, no compensation to supervisors was remunerated.
 - 4) In addition to the pursuit of operating results, the Company values employee salary and benefits, embraces sustainability, promotes a win-win situation between capital and labor, implements corporate governance, maximizes social responsibility, and contributes to economic prosperity. Compensation packages for directors and managers are periodically assessed and evaluated by remuneration committee. Compensation policies for employees are re-evaluated annually with consideration of industry standards to offer competitive employee salary and benefits.
- e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 0.5% and no higher than 3%, respectively, of net profit before income tax. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on March 11, 2024 and March 10, 2023, respectively, are as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	Accrual Rate	Amount	Accrual Rate
Compensation of employees	<u>\$ 9,262</u>	0.98%	<u>\$ 5,937</u>	1.23%
Remuneration of directors	<u>\$ 10,895</u>	1.15%	<u>\$ 8,911</u>	1.85%

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 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 TAXES

a. Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 33,142	\$ 298,684
Income tax on unappropriated earnings	30,153	-
Adjustments for prior year	<u>(5,718)</u>	<u>29,616</u>
	57,577	298,684
Deferred tax		
In respect of the current year	<u>(12,957)</u>	<u>(198,517)</u>
Income tax expense recognized in profit or loss	<u>\$ 44,620</u>	<u>\$ 129,783</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 925,602</u>	<u>\$ 467,934</u>
Income tax expense calculated at the statutory rate	\$ 185,120	\$ 93,587
Nondeductible expenses in determining taxable income	(188,710)	27,030
Tax-exempt income	(9,366)	(9,922)
Income tax on unappropriated earnings	30,153	-
Investment tax credits	(9,046)	(10,528)
Adjustments for prior years' tax	(5,718)	29,616
Non-deductible withholding tax on overseas income	43,581	-
Tax refund under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act	<u>(1,394)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 44,620</u>	<u>\$ 129,783</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Translation of the financial statements of foreign operations	\$ (39,368)	\$ (276,617)
Remeasurement of defined benefit plans	<u>8,076</u>	<u>(19,292)</u>
Total income tax recognized in other comprehensive income	<u>\$ (31,292)</u>	<u>\$ (295,909)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ -	\$ 13,017	\$ -	\$ 13,017
Unrealized loss on inventory	9,177	(3,592)	-	5,585
Unrealized gains on intercompany sales	14,713	4,588	-	19,301
Defined benefit obligations	14,018	-	(8,076)	5,942
Exchange differences on translation of the financial statements of foreign operations	121,922	-	39,368	161,290
Others	<u>14,978</u>	<u>1,559</u>	<u>-</u>	<u>16,537</u>
	<u>\$ 174,808</u>	<u>\$ 15,572</u>	<u>\$ 31,292</u>	<u>\$ 221,672</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries	\$ 171,441	\$ -	\$ -	\$ 171,441
Reserve for land value increment tax	208,226	-	-	208,226
Others	<u>25,882</u>	<u>2,615</u>	<u>-</u>	<u>28,497</u>
	<u>\$ 405,549</u>	<u>\$ 2,615</u>	<u>\$ -</u>	<u>\$ 408,164</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventory	\$ 6,901	\$ 2,276	\$ -	\$ 9,177
Unrealized gains on intercompany sales	10,157	4,556	-	14,713
Defined benefit obligations	33,310	-	(19,292)	14,018
Exchange differences on translation of the financial statements of foreign operations	398,539	-	(276,617)	121,922
Others	<u>16,352</u>	<u>(1,374)</u>	<u>-</u>	<u>14,978</u>
	<u>\$ 465,259</u>	<u>\$ 5,458</u>	<u>\$ (295,909)</u>	<u>\$ 174,808</u>

(Continued)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries	\$ 372,061	\$ (200,620)	\$ -	\$ 171,441
Reserve for land value increment tax	208,226	-	-	208,226
Others	<u>18,321</u>	<u>7,561</u>	<u>-</u>	<u>25,882</u>
	<u>\$ 598,608</u>	<u>\$ (193,059)</u>	<u>\$ -</u>	<u>\$ 405,549</u> (Concluded)

d. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expiry Year
<u>\$ 65,085</u>	2033

e. Income tax assessments

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

f. Pillar Two income taxes bill

In December 2023, the governments of Vietnam, Germany, Denmark, France, the United Kingdom, Switzerland, Croatia and Belgium, where each of the subsidiaries of KV, KE and STARCO Europe A/S are registered, substantively enacted the Pillar Two income tax legislation effective January 1, 2024. Since the Pillar Two income tax legislation was not effective at the reporting date, the Company has no related current tax exposure.

Under the legislation, STARCO Europe A/S will be required to pay in Denmark, a top-up tax on the profits of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. The main jurisdictions in which exposure to this tax may exist include Estonia and Poland.

Among the subsidiaries, the current effective tax rate of KV, KE and STARCO Europe A/S at the end of the year were in the range of 11%-52% without considering all the potential impact to the financial statement. The actual impact of the Pillar Two income taxes bill would be significant to their financial results had it been effective as of December 31, 2023. The Company is continuously assessing the possible impact of Pillar Two income taxes bill to their financial performance.

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic and diluted earnings per share	<u>\$ 0.92</u>	<u>\$ 0.35</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 22, 2023. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2022 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share	\$ 0.37	\$ 0.35

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 880,982</u>	<u>\$ 338,151</u>

Unit: In Thousands of Shares

	<u>For the Year Ended December 31</u>	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	954,890	954,890
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>287</u>	<u>265</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>955,177</u>	<u>955,155</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company 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 is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. CAPITAL MANAGEMENT

The Company requires to maintain an adequate level of capital to expand and optimize facilities and equipment. The Company's capital management strategy aims to ensure that the necessary financial resources and operating plan 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 of financial instruments not measured at fair value

Please refer to the information on the balance sheet. The management of the Company considered the carrying amounts of financial assets and liabilities not measured at fair value on the balance sheet approximate the fair value.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ <u>1,314</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,314</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>354,155</u>	\$ <u>354,155</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<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>400,744</u>	\$ <u>400,744</u>

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Financial assets at FVTOCI</u>		
Balance at January 1	\$ 400,744	\$ 411,980
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(46,162)	(11,236)
Disposal of financial assets at FVTOCI	<u>(427)</u>	<u>-</u>
Balance at December 31	<u>\$ 354,155</u>	<u>\$ 400,744</u>

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

The fair values of domestic and foreign unlisted equity securities were determined using the market approach and asset-based pricing approach. Market approach derives fair value by reference to identical or comparable publicly traded companies. It takes into consideration observable transaction prices on an active stock market, implied valuation multiples, related transactions and statistics. Asset-based pricing approach separately evaluates a target's assets and liabilities. It utilizes fair market value, replacement cost, liquidation value or related approaches to reflect the value of an enterprise or operating unit as a whole. A decrease in significant unobservable inputs, such as discount for lack of control and marketability, would result in an increase in fair value of the investments.

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Listed shares	\$ 1,314	\$ 1,319
Financial assets at amortized cost (1)	3,189,782	4,363,255
Financial assets at FVTOCI		
Equity instruments	354,155	400,744
<u>Financial liabilities</u>		
Amortized cost (2)	13,450,128	14,214,134

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, 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 payables, other payables and long-term borrowings (including the current portion).

d. Financial risk management objectives and policies

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

1) Market risk

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company have foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 25.

Sensitivity analysis

The Company is mainly exposed to USD.

The sensitivity analysis measures the effect of a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. The pre-tax profit in 2023 and 2022 would have increased/decreased by \$16,585 and \$25,964 thousand had the New Taiwan dollar strengthened/weakened by 1% against USD.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrows at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. The Company's interest rate risk is resulted from cash and cash equivalents and borrowings. Specifically, the Company is exposed to cash flow interest rate risk by holding cash and cash equivalents at floating rate. The risk is partially mitigated by borrowings at floating rates. Holding cash and cash equivalents and borrowings at fixed rate exposes the Company to fair value interest risk. The Company considers the overall interest rate trends and adjusts the portfolio of fixed and floating rate instruments accordingly.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 734,369	\$ 679,611
Financial liabilities	2,150,000	2,175,000
Lease liabilities	6,846	11,932
Cash flow interest rate risk		
Financial assets	1,429,379	1,700,102
Financial liabilities	10,705,926	11,300,199

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$9,277 thousand and \$9,600 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity instrument. Equity investments are held for strategic rather than for trading purposes; the Company does not actively trade these investments. The Company measures the price risk of equity securities via sensitivity analysis.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have both increased/decreased by \$66 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by \$17,708 thousand and \$20,037 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 that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk is mainly resulted from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

To maintain the quality of trade receivable, the Company established operating procedures related to credit risk management to manage credit risks. Risk factors associated with individual customers include a customer's financial condition, internal credit rating, transaction history, current macroeconomic environment and other items that might affect a customer's ability to pay.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced. The Company writes off trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivable that have been written off, the Company 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 Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The Company had available unutilized short-term bank loan facilities set out in b) below.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	\$ 588,288	\$ -
Lease liabilities	5,160	1,720
Variable interest rate liabilities	1,841,474	8,864,452
Fixed interest rate liabilities	<u>800,000</u>	<u>1,350,000</u>
	<u>\$ 3,234,922</u>	<u>\$ 10,216,172</u>

December 31, 2022

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	\$ 753,783	\$ -
Lease liabilities	5,160	6,880
Variable interest rate liabilities	1,682,757	9,953,340
Fixed interest rate liabilities	<u>356,691</u>	<u>1,889,372</u>
	<u>\$ 2,798,391</u>	<u>\$ 11,849,592</u>

b) Financing facilities

	<u>December 31</u>	
	2023	2022
Unsecured bank overdraft facilities		
Amount used	\$ 12,856,232	\$ 13,476,432
Amount unused	<u>8,513,544</u>	<u>6,935,529</u>
	<u>\$ 21,369,776</u>	<u>\$ 20,411,961</u>

23. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
KIC	Subsidiary
KA	Subsidiary
KV	Subsidiary
KHK	Subsidiary
KE	Subsidiary
KF	Subsidiary
KI	Subsidiary
American Development, Inc. (ADI)	Subsidiary
Kenda Rubber (Shenzhen) Ltd. (KS)	Subsidiary
Kenda Rubber (Tianjin) Co., Ltd. (KT)	Subsidiary
Kenda Rubber (China) Ltd. (KC)	Subsidiary
Kenda Global (China) Investment Corporation (KGCI)	Subsidiary
STARCO Europe A/S	Subsidiary
STARCO FRANCE	Subsidiary
STARCO GB Ltd.	Subsidiary
STARCO GmbH	Subsidiary
STARCO Polska Sp.z.o.o.	Subsidiary
STARCO NV	Subsidiary
STARCO SAS	Subsidiary
Kenlight Trading Corp.	Other related party
Jienshang Co., Ltd.	Other related party
Total Lubricants Taiwan Ltd.	Other related party
GronBla Co., Ltd.	Other related party

Other related parties refer to companies having a chairman that is within second-degree relative, the same as the Company's chairman, or are determined as related parties in substance.

b. Revenue

Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2023	2022
Sales of goods	Subsidiaries		
	ADI	\$ 966,930	\$ 1,477,434
	KF	694,249	642,188
	KA	257,495	354,359
	Others	197,553	383,373
	Other related parties	<u>1,479</u>	<u>10,418</u>
		<u>\$ 2,117,706</u>	<u>\$ 2,867,772</u>

The credit term for related parties were similar to those for non-related parties. The credit terms is between 60 and 90 days.

Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Rendering of services	Subsidiaries		
	KV	\$ 258,777	\$ 242,190
	KC	127,393	120,616
	KT	51,249	60,551
	KI	41,447	53,340
	KF	29,819	19,483
	KS	<u>16,873</u>	<u>15,579</u>
		<u>\$ 525,588</u>	<u>\$ 511,759</u>

Revenue from the rendering of services refers to consulting service and trademark licensing revenue.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2023	2022
Subsidiaries	\$ 13,683	\$ 38,398
Other related parties	<u>8,977</u>	<u>19,038</u>
	<u>\$ 22,660</u>	<u>\$ 57,436</u>

The payment terms for related parties were similar to those for non-related parties. The payment terms are between 45 and 90 days.

d. Receivables from related parties

Item	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Subsidiaries		
	ADI	\$ 381,174	\$ 920,945
	KF	189,396	187,182
	KA	63,465	200,978
	Others	62,458	184,071
	Other related parties	<u>623</u>	<u>233</u>
		<u>\$ 697,116</u>	<u>\$ 1,493,409</u>
Other receivables	Subsidiaries		
	KV	\$ 24,199	\$ 57,755
	KI	13,564	4,594
	KC	12,170	5,943
	KT	8,501	27,350
	KA	8,251	30,982
	Others	<u>3,386</u>	<u>6,439</u>
		<u>\$ 70,071</u>	<u>\$ 133,063</u>

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivable from related parties.

e. Payables to related parties

Item	Related Party Category/Name	December 31	
		2023	2022
Trade payables	Subsidiaries	\$ 1,314	\$ 11,117
	Other related parties	<u>671</u>	<u>2,485</u>
		<u>\$ 1,985</u>	<u>\$ 13,602</u>
Other payables	Subsidiaries		
	KA	\$ 21,271	\$ 21,283
	Others	451	40
	Other related parties	<u>247</u>	<u>249</u>
		<u>\$ 21,969</u>	<u>\$ 21,572</u>

The outstanding trade payable to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Party Category	Purchase Price	
	For the Year Ended December 31	
	2023	2022
Subsidiaries	<u>\$ 553</u>	<u>\$ 264</u>

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Subsidiaries				
KV	\$ 8,750	\$ 7,406	\$ 2,398	\$ 1,078
KC	2,457	882	1,084	62
KT	171	24,106	90	3,821
KI	<u>88</u>	<u>-</u>	<u>30</u>	<u>-</u>
	<u>\$ 11,466</u>	<u>\$ 32,394</u>	<u>\$ 3,602</u>	<u>\$ 4,961</u>

h. Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Subsidiary KF	<u>\$ 6,846</u>	<u>\$ 11,932</u>

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Financial costs</u>		
Subsidiary		
KF	\$ <u>77</u>	\$ <u>114</u>

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2023	2022
Subsidiaries	\$ <u>8,929,204</u>	\$ <u>10,771,363</u>
j. Others		

Item	Related Party Categories/Name	For the Year Ended December 31	
		2023	2022
Service cost	Subsidiary KE	\$ <u>118,398</u>	\$ <u>94,651</u>
Production overheads	Subsidiaries	\$ <u>62</u>	\$ <u>58</u>
Operating expense	Subsidiaries	\$ 27,047	\$ 23,577
	Other related parties	<u>1,419</u>	<u>1,419</u>
		\$ <u>28,466</u>	\$ <u>24,996</u>
Other income	Subsidiaries	\$ <u>22,067</u>	\$ <u>27,413</u>

k. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 33,899	\$ 29,538
Post-employment benefits	<u>107</u>	<u>106</u>
	\$ <u>34,006</u>	\$ <u>29,644</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on individual performance and market trend.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company were as follows:

- a. Capital expenditures contracted but yet incurred are as follows:

Item	December 31	
	2023	2022
Machinery and equipment	<u>\$ 80,125</u>	<u>\$ 145,495</u>

- b. Contingencies

- 1) Products liability insurance

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

- 2) The Company had entered into an exclusive agency contract with Gabjohn for the product distributed in Nigeria. Due to circumstances related to local sales, the Company switched to other agencies to distribute products in Nigeria. Consequently, Gabjohn filed a lawsuit against the Company for breach of exclusive agency contract and demanded \$90,000 thousand (NGN500,000 thousand) as compensation. The Company signed an attorney agreement with Tommy & Jason International Intellectual Property Rights Co., Ltd. (collectively as Tommy & Jason), which then engaged a lawyer in the local intellectual Property Office, Adeniji Kazeem & 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 year ended December 31, 2023, the outcome of the dispute cannot be predicted with sufficient reliability.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 59,135	30.72 (USD:NTD)	\$ 1,816,333
RMB	922	4.34 (RMB:NTD)	3,999
EUR	808	33.90 (EUR:NTD)	<u>27,395</u>
			<u>\$ 1,847,727</u>

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
USD	\$ 817,247	30.72 (USD:NTD)	<u>\$ 25,101,729</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,139	30.72 (USD:NTD)	<u>\$ 157,858</u>
<u>December 31, 2022</u>			

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 88,873	30.71 (USD:NTD)	\$ 2,728,844
RMB	827	4.41 (RMB:NTD)	3,645
EUR	697	32.87 (EUR:NTD)	<u>22,901</u>
			<u>\$ 2,755,390</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	786,075	30.71 (USD:NTD)	<u>\$ 24,136,427</u>
<u>Financial liabilities</u>			
Monetary items			
USD	4,314	30.71 (USD:NTD)	<u>\$ 132,458</u>

For the years ended December 31, 2023 and 2022, net foreign exchange gains were \$34,265 thousand and \$338,901 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Company.

26. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)

- 4) Marketable securities acquired or disposed of at costs or prices of 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) Information on investees (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
 - 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 year (consolidated financial statements Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related payables at the end of the year (consolidated financial statements 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 year 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 year or on the financial position, such as the rendering or receipt of services (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
0	The Company	KV	Finance receivables	Yes	\$ 314,200	\$ -	\$ -	2.00% - 5.00%	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	40% of the financing company's net worth \$7,829,368	60% of the financing company's net worth \$11,744,053
1	STARCO Europe A/S	STARCO DML Ltd.	Finance receivables	Yes	30,974	-	-	4.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
		STARCO GS	Finance receivables	Yes	71,679	69,726	69,726	4.00% - 7.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
		STARCO Beli Manastir d.o.o.	Finance receivables	Yes	24,479	-	-	2.40%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
		Starco Polska Sp.zoo	Finance receivables	Yes	124,180	123,724	123,724	7.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
		STARCO GmbH	Finance receivables	Yes	105,595	94,302	94,299	7.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
		STARCO Baltic OU	Finance receivables	Yes	6,600	-	-	3.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$149,062	60% of the financing company's net worth \$316,756
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina	Finance receivables	Yes	13,839	6,746	1,356	2.68%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$138,130	60% of the financing company's net worth \$207,194
3	STARCO GB	STARCO DML Ltd.	Finance receivables	Yes	44,296	43,931	43,049	3.00% - 7.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$101,574	60% of the financing company's net worth \$152,362
4	STARCO GmbH	STARCO GS	Finance receivables	Yes	3,455	3,390	3,390	7.00%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$50,344	60% of the financing company's net worth \$75,516
5	KC	KT	Finance receivables	Yes	661,974	646,156	646,156	3.3065% - 3.5065%	The need for short-term financing	-	Operating capital	-	-	-	40% of the financing company's net worth \$2,706,617	60% of the financing company's net worth \$4,059,925

Note: All intra-group transactions are eliminated upon consolidation.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Gua ranteed During the Year	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantee Limit (Note 3)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
0	The Company	STARCO Europe A/S	a	\$ 7,829,368	\$ 2,796,258	\$ 2,724,774	\$ 1,587,991	\$ -	13.92	\$ 15,658,737	Yes	No	No	-
		STARCO GmbH	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO DML	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO Polska Sp.z.o.o.	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO SAS	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO GS AG	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO NV	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO GB	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		STARCO Baltic OÜ	a	7,829,368	648,380	614,300	-	-	3.14	15,658,737	Yes	No	No	-
		ADI	a	7,829,368	194,514	184,290	122,860	-	0.94	15,658,737	Yes	No	No	-
		KA	a	7,829,368	486,285	460,725	276,435	-	2.35	15,658,737	Yes	No	No	-
		KV	a	7,829,368	5,004,915	3,132,930	324,596	-	16.01	15,658,737	Yes	No	No	-
		KI	a	7,829,368	2,204,492	2,088,620	961,380	-	10.67	15,658,737	Yes	No	No	-
		KT	a	7,829,368	356,609	337,865	-	-	1.73	15,658,737	Yes	No	Yes	-
1	KHK	KS	a	1,063,629	903,300	867,324	-	-	65.24	1,196,582	No	No	Yes	-
2	KGCI	KS	a	4,013,700	1,806,600	1,734,648	-	-	17.29	8,027,400	No	No	Yes	-
3	STARCO Europe A/S	STARCO GB	a	372,654	100,882	97,812	-	-	26.25	745,308	No	No	No	-
		STARCO NV	a	372,654	190,025	152,537	15,016	-	40.93	745,308	No	No	No	-
		STARCO GS AG	a	372,654	14,604	14,604	5,148	-	3.92	745,308	No	No	No	-
		STARCO GmbH	a	372,654	76,251	36,609	-	-	9.82	745,308	No	No	No	-
		Starco Beli Manastir d.o.o	a	372,654	120,912	118,640	-	-	31.84	745,308	No	No	No	-

Note 1: Relationships between the guarantee provider and guaranteed party:

a. A subsidiary in which the Company holds directly and indirectly over 90% of an equity interest.

Note 2: Limit on endorsements to a single company is 40% of the Company's net worth.

Limit on endorsements to a single company is 40% of KHK's net worth. However, the limit on endorsements to a single company, in which KHK and the Company holds directly and indirectly 100% of an equity interest, is 80% of KHK's net worth.

Limit on endorsements to a single company is 40% of KGCI's net worth.

Limit on endorsements to a single company is 100% of STARCO Europe A/S's net worth.

(Continued)

Note 3: Limit on aggregate endorsements is 80% of the Company's net worth.
Limit on aggregate endorsements is 90% of KHK's net worth.
Limit on aggregate endorsements is 80% of KGCI's net worth.
Limit on aggregate endorsements is 200% of STARCO Europe A/S's net worth.

Note 4: KGCI and KHK jointly provided endorsement/guarantee for KS of CNY 400 million, but the limit for KHK is CNY 200 million.

Note 5: The Company provides endorsement guarantees for two subsidiaries, KV and KI, with joint aggregate limit of US\$20 million, of which the upper limit of KV is US\$17 million and the upper limit of KI is US\$8 million.

Note 6: The Company provided shared 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. The total amount of the shared endorsement/guarantee is USD 20,000 thousand.

(Concluded)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				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	\$ 1,314	0.00	\$ 1,314	-
	Kenjou Ind. Co., Ltd.	The chairman of Kenjou Ind. Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	7,382	297,911	10.86	297,911	-
	Chang Hwa Golf Co., Ltd.	-	Equity instruments at FVTOCI - non-current	30	388	0.08	388	-
	TotalEnergies Marketing Taiwan Ltd.	The chairman of Total Lubricants Taiwan Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	81	41,252	6.80	41,252	-
	BOMY (BVI) CO., LTD.	-	Equity instruments at FVTOCI - non-current	2,000	14,604	9.73	14,604	-
KGI	<u>Shares and equity</u> Kenjou Investment Co., Ltd.	The chairman of Kenjou Investment Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	1,703	58,862	13.00	58,862	-

Note: Fair value of domestic listed shares is determined based on its closing price on December 31, 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 YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Amount	% to Total	
The Company	KA	Subsidiary	Sales	\$ 257,495	6.59	In accordance with mutual agreements	Agreed by both parties	-	\$ 63,465	6.77	-
	KF	Subsidiary	Sales	694,249	17.78	In accordance with mutual agreements	Agreed by both parties	-	189,396	20.21	-
	ADI	Indirectly owned subsidiary	Sales	966,930	24.76	In accordance with mutual agreements	Agreed by both parties	-	381,174	40.67	-
KC	KA	Subsidiary of ultimate parent company	Sales	243,067	3.83	In accordance with mutual agreements	Agreed by both parties	-	60,753	6.69	-
	ADI	Subsidiary of ultimate parent company	Sales	202,460	3.19	In accordance with mutual agreements	Agreed by both parties	-	54,532	6.00	-
	STARCO NV	Subsidiary of ultimate parent company	Sales	179,246	2.82	In accordance with mutual agreements	Agreed by both parties	-	32,180	3.54	-
	KS	Subsidiary of ultimate parent company	Sales	123,354	1.94	In accordance with mutual agreements	Agreed by both parties	-	48,683	5.36	-
KV	KA	Subsidiary of ultimate parent company	Sales	3,741,480	47.42	In accordance with mutual agreements	Agreed by both parties	-	1,314,253	69.48	-
	ADI	Subsidiary of ultimate parent company	Sales	898,652	11.39	In accordance with mutual agreements	Agreed by both parties	-	326,736	17.27	-
KT	KS	Subsidiary of ultimate parent company	Sales	891,496	28.30	In accordance with mutual agreements	Agreed by both parties	-	184,490	31.79	-
	ADI	Subsidiary of ultimate parent company	Sales	117,234	3.72	In accordance with mutual agreements	Agreed by both parties	-	42,893	7.39	-
STARCO Beli Manastir d.o.o.	STARCO GmbH	Subsidiary of ultimate parent company	Sales	206,717	5.62	In accordance with mutual agreements	Agreed by both parties	-	10,174	3.02	-
STARCO Europe A/S.	STARCO Huanmei	Associate	Purchases	(151,319)	(5.89)	In accordance with mutual agreements	Agreed by both parties	-	(38,668)	(10.39)	-

Note: All intra-group transactions are eliminated upon consolidation.

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

DECEMBER 31, 2023

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ADI	Indirectly owned subsidiary	\$ 381,174	5.94	\$ 139,566	-	\$ 2,713	\$ -
	KF	Subsidiary	189,396	14.75	-	-	189,396	-
KC	KT	Subsidiary of ultimate parent company	646,157	Note 2	-	-	43,366	-
KV	KA	Subsidiary of ultimate parent company	1,314,253	11.65	-	-	742,411	-
	ADI	Subsidiary of ultimate parent company	326,736	8.62	51	-	73,959	-
KT	KS	Subsidiary of ultimate parent company	184,490	20.68	-	-	184,490	-

Note 1: All intra-group transactions are eliminated upon consolidation.

Note 2: The ending balance primarily consists of other receivables, which is not applicable for the calculation of turnover days.

Note 3: Amounts received as of February 29, 2024.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor	Investee	Location	Main Business Activities	Original Investment Amount		As of December 31, 2023			Net Income (Losses) of the Investee (Note 1)	Share of Profits (Losses) of Investee (Note 1)	Note
				December 31, 2023 (Note 1)	December 31, 2022 (Note 1)	Shares (In Thousands)	% of Ownership	Carrying Value (Note 1)			
The Company	KA	United States	Trade and investment	US\$ 9,000	US\$ 9,000	-	100.00	NT\$ 2,856,076	NT\$ 650,482	NT\$ 650,482	Note 3
	KHK	Hong Kong	Trade and investment	HK\$ 100	HK\$ 100	-	100.00	NT\$ 1,329,536	NT\$ (93,841)	NT\$ (93,841)	Note 3
	KV	Vietnam	Manufacturing various types of tires	US\$ 30,600	US\$ 30,600	-	100.00	NT\$ 8,927,393	NT\$ 874,438	NT\$ 634,675	Notes 2 and 3
	KIC	Cayman Islands	Investment	US\$ 67,680	US\$ 67,680	-	100.00	NT\$ 11,006,499	NT\$ 47,907	NT\$ 47,907	Note 3
	KE	Germany	Marketing planning	EUR 81,753	EUR 81,753	-	100.00	NT\$ 38,858	NT\$ 1,425	NT\$ 1,425	Note 3
	KF	Taiwan	Selling various types of tires	EUR 405	EUR 405	-	100.00	NT\$ 287,806	NT\$ 58,059	NT\$ 58,059	Note 3
	KI	Indonesia	Manufacturing various types of tires	NT\$ 199,000	NT\$ 199,000	19,900	100.00	NT\$ 725,768	NT\$ (233,718)	NT\$ (233,713)	Note 3
				US\$ 52,999	US\$ 52,999	-	99.99				
KF	KI	Indonesia	Manufacturing various types of tires	US\$ 1	-	-	0.01	NT\$ 12	NT\$ (233,718)	NT\$ (5)	
KA	ADI	United States	Manufacturing, distribution and selling of wheels and rims	US\$ 20,000	US\$ 20,000	1	100.00	US\$ 71,784	US\$ 7,050	Note 1	Note 3
KIC	KGH	Cayman Islands	Investment	US\$ 112,050	US\$ 112,050	-	100.00	US\$ 345,473	US\$ 1,832	Note 1	Note 3
	KGI	Mauritius	Investment	US\$ 1,703	US\$ 1,703	-	100.00	US\$ 12,440	US\$ (305)	Note 1	Note 3
KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100.00	US\$ 8,638	US\$ (612)	Note 1	Note 3
STARCO Europe A/S	STARCO GB	United Kingdom	Distribution and selling of various types of tires and rims	EUR 552	EUR 552	-	100.00	EUR 7,491	EUR 521	Note 1	Note 3
	STARCO GmbH	Germany	Distribution and selling of various types of tires and rims	EUR 511	EUR 511	-	100.00	EUR 3,713	EUR 1,268	Note 1	Note 3
	STARCO Polska Sp.z.o.o.	Poland	Distribution and selling of various types of tires and rims	EUR 30	EUR 30	-	100.00	EUR 3,441	EUR 844	Note 1	Note 3
	STARCO NV	Belgium	Distribution and selling of various types of tires and rims	EUR 2,810	EUR 2,810	-	100.00	EUR 4,381	EUR 300	Note 1	Note 3
	STARCO GS AG	Switzerland	Distribution and selling of various types of tires and rims	EUR 355	EUR 355	-	100.00	EUR 1,670	EUR 301	Note 1	Note 3
	STARCO Baltic OÜ	Estonia	Distribution and selling of various types of tires and rims	EUR 3	EUR 3	-	100.00	EUR 1,153	EUR 137	Note 1	Note 3
	STARCO SAS	France	Distribution and selling of various types of tires and rims	EUR 183	EUR 183	-	100.00	EUR 1,239	EUR 138	Note 1	Note 3
	STARCO Beli Manastir d.o.o.	Croatia	Manufacturing of various types of rims	EUR 9,614	EUR 9,614	-	100.00	EUR 10,187	EUR 355	Note 1	Note 3
	STARCO DML	United Kingdom	Manufacturing, distribution and selling of wheels and rims	EUR 1,031	EUR 1,031	-	100.00	EUR 786	EUR 65	Note 1	Note 3
	Jelshoj Imovina	Croatia	Investment	EUR 3	EUR 3	-	100.00	EUR 1,897	EUR 231	Note 1	Note 3

Note 1: The share of profits (losses) of the investee is not disclosed herein as such amount was already included in the share of profits/losses of the investor.

Note 2: The differences between net income and share of profits or losses are profits or losses on transactions with investees.

Note 3: All intra-group transactions are eliminated upon consolidation.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
KS	Manufacturing and selling of various types of tires	\$ 767,875 (US\$ 25,000)	Note 1	\$ 767,875 (US\$ 25,000)	\$ -	\$ -	\$ 767,875 (US\$ 25,000)	\$ (109,427)	100.0	\$ (107,034)	\$ 1,429,154	\$ 8,030,314	Note 10
KC	Manufacturing and selling of various types of tires	2,150,050 (US\$ 70,000)	Notes 1 and 7	2,150,050 (US\$ 70,000)	-	-	2,150,050 (US\$ 70,000)	299,989	100.0	Note 4	Note 4	-	-
KT	Manufacturing and selling of various types of tires	6,757,300 (US\$ 220,000)	Notes 1, 2 and 7	479,154 (US\$ 15,600)	-	-	479,154 (US\$ 15,600)	(205,617)	100.0	(216,076)	3,270,175	-	Note 10
KGCI	Investment	4,945,115 (US\$ 161,000)	Notes 1 and 2	-	-	-	-	101,744	100.0	101,744	10,034,243	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing and selling of various types of foods and drinks	614,300 (US\$ 20,000)	Note 1	61,430 (US\$ 2,000)	-	-	61,430 (US\$ 2,000)	-	10.0	-	14,604	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Internal and external parts for automobiles	802,675 (US\$ 26,133)	Note 1	52,308 (US\$ 1,703)	-	-	52,308 (US\$ 1,703)	-	2.6	-	58,862	137,726	-
STARCO Huanmei	Manufacturing of rims	169,486 (EUR 5,000)	Note 1	Note 9	-	-	Note 9	38,371	33.0	12,739	125,840	-	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 5)
\$ 3,510,817 (US\$ 114,303) (Note 5)	\$ 9,875,947 (US\$ 319,703) (EUR 1,660) (Note 5)	Note 6

Note 1: Indirect investment in mainland China through a subsidiary in a third place.

Note 2: Differences between the paid-in capital and accumulated outward investment from Taiwan are resulted from dividend reinvestment and cash injection.

Note 3: The share of profits (losses) is recognized based on the financial statements audited by an international accounting firm that collaborated with accounting firms in Taiwan.

Note 4: The share of profits (losses) and the carrying amount of KC were not disclosed herein as such amounts were already included in those of KGCI.

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

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

(Continued)

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 included when calculating the investment authorized and the investment remittance from Taiwan to mainland China.

Note 8: Foreign currencies were translated into NTD using spot rates as of December 31, 2023 or average exchange rates for the year.

Note 9: STARCO Huanmei was indirectly acquired via business combination.

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

(Concluded)

TABLE 8**KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yang Chi Jen	95,361,725	9.98
Yang Ying Ming	66,905,428	7.00

KENDA RUBBER IND. CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
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Statement of short-term borrowings	4
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Statement of operating revenue	6
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Statement of operating expenses	9

KENDA RUBBER IND. CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Amount
Cash and cash on hand	\$ <u>457</u>
Cash in banks	
Checking accounts deposits	63
Demand deposits	193,738
Foreign deposits (Note 1)	1,235,641
Time deposits with original maturities of less than three month	264,870
Foreign time deposits with original maturities of less than three months (Note 2)	<u>461,099</u>
	<u>2,155,411</u>
	<u>\$ 2,155,868</u>

Note 1: Including US\$39,568 thousand (US\$1=NT\$30.72), JPY1,333 thousand (JPY1=NT\$0.22), GBP119 thousand (GBP1=NT\$39.15), EUR445 thousand (EUR1=NT\$33.90) and RMB65 thousand (RMB1=NT\$4.34).

Note 2: Including US\$15,012 thousand (US\$1=NT\$30.72).

KENDA RUBBER IND. CO., LTD.**STATEMENT OF INVENTORIES - MANUFACTURING****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market Value (Note)
Finished goods	\$ 282,904	\$ 340,376
Raw materials	206,415	209,450
Work in progress	117,623	205,914
Supplies	49,761	50,060
Merchandise	7,770	9,273
Inventory in transit	<u>26,149</u>	<u>27,547</u>
	690,622	<u>\$ 842,620</u>
Less: Allowance for impairment loss	<u>(27,924)</u>	
	<u>\$ 662,698</u>	

Note: Inventories are individually measured at the lower of cost or net realizable value.

KENDA RUBBER IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Name	Beginning Balance		Increase	Decrease (Note 1)	Share of Profit or Loss	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others (Note 2)	Ending Balance		Marker Value or Net Assets Value
	%	Amount						%	Amount	
Investee companies										
Investment in subsidiaries										
KIC	100.00	\$ 11,198,802	\$ -	\$ (17,314)	\$ 47,907	\$ (162,310)	\$ (64,762)	100.00	\$ 11,002,323	\$ 11,006,499
KV	100.00	8,298,949	-	-	634,674	(9,523)	2,409	100.00	8,926,509	9,183,850
KA	100.00	2,166,657	-	-	650,482	(8,379)	(26,037)	100.00	2,782,723	2,856,076
KHK	100.00	1,444,263	-	-	(93,841)	(21,372)	353	100.00	1,329,403	1,329,536
KI	99.99	952,313	-	-	(233,713)	3,598	2,871	99.99	725,069	725,768
KF	100.00	277,815	-	(48,469)	58,059	-	(1,683)	100.00	285,722	287,806
KE	100.00	36,286	-	-	1,425	1,147	-	100.00	38,858	38,858
		<u>\$ 24,375,085</u>	<u>\$ -</u>	<u>\$ (65,783)</u>	<u>\$ 1,064,993</u>	<u>\$ (196,839)</u>	<u>\$ (86,849)</u>		<u>\$ 25,090,607</u>	<u>\$ 25,428,393</u>

Note 1: Decrease in investments refer to receipt of cash dividends.

Note 2: Others refer to unrealized gains (losses) on investments in equity instruments at FVTOCI, remeasurement of defined benefit plans, adjustments for realized and unrealized gains (losses) on downstream transactions with subsidiaries and associates and change in percentage of ownership interest in subsidiaries.

KENDA RUBBER IND. CO., LTD.**STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Creditor Type and Bank	Loan Period	Annual Interest Rates (%)	Amount	Collateral or Pledge
Unsecured loans				
UOB limited Co.	2024.01.05	1.75	\$ 300,000	None
DBS Bank Limited	2024.02.16	1.80	100,000	None
	2024.03.21	1.75	100,000	None
Mizuho Bank Co., Ltd.	2024.01.25	1.74	<u>100,000</u>	None
			<u>\$ 600,000</u>	

KENDA RUBBER IND. CO., LTD.**STATEMENT OF LONG-TERM BANK BORROWINGS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Creditor Bank	Maturity Date (Note 1)	Amount	Collateral or Pledge
Unsecured loans			
Bank of Taiwan	2026.09.26	\$ 1,800,000	None
Hua Nan Commercial Bank, Ltd.	2026.09.24	1,649,819	None
Taishin International Bank Co., Ltd.	2025.05.18	1,000,000	None
Cathay United Bank	2026.09.17	1,000,000	None
Mizuho Bank Co., Ltd.	2025.03.19	570,000	None
Agriculture Bank of Taiwan	2025.03.31	600,000	None
First Bank	2025.08.15	600,000	None
Yuanta Commercial Bank Co., Ltd.	2026.09.24	550,000	None
Chang Hwa commercial Bank Ltd.	2026.08.15	570,833	None
The Shanghai Commercial & Saving Bank, Ltd.	2027.10.14	500,000	None
MEGA International commercial bank Co., Ltd.	2027.03.30	500,000	None
Far Eastern International Bank	2026.07.03	500,000	None
E.SUN Bank	2025.03.28	500,000	None
O-Bank Co., Ltd.	2026.08.01	413,299	None
CTBC Bank Co., Ltd.	2026.11.06	374,570	None
The Export-Import Bank of the Republic of China	2026.05.22	363,280	None
Bank Sinopac Company Limited	2025.02.23	293,750	None
HSBC Bank Taiwan Limited	2025.09.20	200,000	None
EnTie Commercial Bank	2026.09.28	200,000	None
Taipei Fubon Bank	2024.09.15	<u>70,375</u>	None
		12,255,926	
Less: Current portion of long-term borrowings		<u>(2,041,780)</u>	
		<u>\$ 10,214,146</u>	

Note: The maturity date listed above is the last maturity date of multiple borrowings.

KENDA RUBBER IND. CO., LTD.**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Thousands of Units)	Amount
Bicycle tires	1,575	\$ 360,961
Motorcycle and bias tires	3,732	1,973,414
Tubes	4,077	224,509
Radial tires	1,237	1,174,068
Others	7,462	<u>180,415</u>
		3,913,367
Less: Sales return		(2,854)
Sales allowance		<u>(5,461)</u>
Sales revenue		3,905,052
Service revenue		<u>525,558</u>
Operating revenue		<u>\$ 4,430,610</u>

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount	
Cost of merchandise		
Merchandise at the beginning of the year	\$ 8,060	
Purchase	76,027	
Merchandise at the end of the year	(6,852)	
Inventory scraps	(59)	
Others	(11)	
	<u> </u>	
Total merchandise sold		<u>\$ 77,165</u>
Cost of goods manufactured		
Raw materials at the beginning of the year	263,170	
Material purchased	1,717,818	
Less: Raw material at the end of the year	(204,712)	
Raw material sold	(77,626)	
Inventory scraps	(189)	
Others	(187)	
	<u> </u>	
Raw material consumed		1,698,274
Direct labor		447,217
Manufacturing overhead		<u>687,268</u>
Manufacturing cost		2,832,759
Add: Work in progress at the beginning of the year	113,944	
Inventory overage	1,512	
Less: Work in process at the end of the year	(106,023)	
Inventory shortage	(37)	
Transfer to manufacturing cost	(12,120)	
Transfer to operating expense	(4,219)	
Others	(1,003)	
	<u> </u>	
Cost of goods manufactured		<u>(7,946)</u>
Add: Finished goods at the beginning of the year	378,552	
Inventory overage	287	
Less: Finished goods at the end of the year	(269,266)	
Inventory scraps	(7,417)	
Inventory shortage	(181)	
Transfer to operating expense	(1,209)	
Others	(3,584)	
	<u> </u>	
Cost of goods manufactured		<u>2,824,813</u>
Add: Finished goods at the beginning of the year	378,552	
Inventory overage	287	
Less: Finished goods at the end of the year	(269,266)	
Inventory scraps	(7,417)	
Inventory shortage	(181)	
Transfer to operating expense	(1,209)	
Others	(3,584)	
	<u> </u>	
Total cost of revenue		<u>97,182</u>
Other cost of revenue		2,999,160
Cost of raw material sold	77,626	
Inventory overage	39	
Cost of supplies sold	2,505	
Unallocated fixed manufacturing overhead	21,923	
Inventory shortage (overage)	6,045	
Others	(383)	
	<u> </u>	
Total other cost of revenue		<u>107,755</u>
Service cost		<u>320,502</u>
Cost of revenue		<u>\$ 3,427,417</u>

KENDA RUBBER IND. CO., LTD.

**STATEMENT OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Depreciation	\$ 212,995
Utilities	124,897
Indirect labor	112,324
Fuel expense	65,438
Repairs and maintenance	53,884
Others (Note)	<u>139,653</u>
	<u>\$ 709,191</u>

Note: The balance for each items did not exceed 5% of the account balance.

KENDA RUBBER IND. CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Marketing	General and Administrative	Research and Development	Expected Credit Reversed	Total
Salary	\$ 160,053	\$ 204,496	\$ 256,198	\$ -	\$ 620,747
Advertisement	144,989	126	2	-	145,117
Taxes	103,615	2,220	2,394	-	108,229
Insurance	28,350	19,410	23,329	-	71,089
Depreciation	27,481	8,578	27,516	-	63,575
Others (Note)	115,673	50,317	74,960	851	241,801
Service costs	<u>(18,182)</u>	<u>(111,508)</u>	<u>(22,424)</u>	<u>-</u>	<u>(152,114)</u>
	<u>\$ 561,979</u>	<u>\$ 173,639</u>	<u>\$ 361,975</u>	<u>\$ 851</u>	<u>\$ 1,098,444</u>

Note: The balance for each item did not exceed 5% of the account balance.