Kenda Rubber Ind. Co., Ltd.

Financial Statements for the
Years Ended December 31, 2022 and 2021 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, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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, 2022. 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, 2022 is stated as follows:

<u>Appropriateness of the Revenue Cutoff</u>

The Company has 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 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, 2023

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
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,322,375	4	$ 872,097	3
Financial assets at fair value through profit or loss - current (Note 7)	1,319	-	1,832	-
Notes receivable (Note 9)	16,300	-	23,910	-
Trade receivables from unrelated parties (Note 9)	324,332	1	381,604	1
Trade receivables from related parties (Notes 9 and 24)	1,493,409	4	1,240,009	4
Other receivables (Note 24)	148,846	-	89,331	-
Inventories (Note 10)	856,544	3	1,104,522	3
Other current assets	40,994	-	37,883	-
Total current assets	4,204,119	12	3,751,188	11
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	400,744	1	411,980	1
Investments accounted for using the equity method (Note 11)	24,375,085	71	24,128,820	71
Property, plant and equipment (Notes 12 and 24)	3,906,865	11	3,907,199	11
Right-of-use assets (Notes 13 and 24)	11,822	-	16,889	-
Deferred tax assets (Note 20)	174,808	1	465,259	1
Other financial assets - non-current (Note 14)	1,049,412	3	1,194,935	4
Other non-current assets	210,964	1	211,328	1
Total non-current assets	30,129,700	88	30,336,410	89
TOTAL	$ 34,333,819	100	$ 34,087,598	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 300,000	1	$ 200,000	1
Contract liabilities - current (Note 18)	38,180	-	137,263	-
Notes payable	284	-	215	-
Trade payables (Note 24)	350,172	1	477,566	1
Other payables (Note 24)	403,327	1	456,893	1
Current tax liabilities (Note 20)	163,467	-	-	-
Lease liabilities - current (Notes 13 and 24)	5,141	-	5,141	-
Current portion of long-term borrowings (Note 15)	1,547,700	5	1,575,466	5
Other current liabilities (Note 18)	17,052	-	17,904	-
Total current liabilities	2,825,323	8	2,870,448	8
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	11,627,499	34	11,663,715	34
Deferred tax liabilities (Note 20)	405,549	1	598,608	2
Lease liabilities - non-current (Notes 13 and 24)	6,791	-	11,837	-
Net defined benefit liabilities - non-current (Note 16)	82,650	1	205,220	1
Other non-current liabilities	3,627	-	-	-
Total non-current liabilities	12,126,116	36	12,479,380	37
Total liabilities	14,951,439	44	15,349,828	45
EQUITY				
Share capital	9,094,100	26	9,094,100	27
Capital surplus	41	-	41	-
Retained earnings				
Legal reserve	3,398,776	10	3,308,030	10
Special reserve	1,970,995	5	1,601,002	5
Unappropriated earnings	5,749,958	17	6,705,592	19
Other equity	(831,490)	(2)	(1,970,995)	(6)
Total equity	19,382,380	56	18,737,770	55
TOTAL	$ 34,333,819	100	$ 34,087,598	100

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 18 and 24)	$ 6,167,875	100	$ 5,998,964	100
COST OF REVENUE (Notes 10, 19 and 24)	4,659,353	76	4,496,441	75
GROSS PROFIT	1,508,522	24	1,502,523	25
REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY REVENUE	(22,784)	-	105,451	2
REALIZED GROSS PROFIT	1,485,738	24	1,607,974	27
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	658,217	11	657,135	11
General and administrative expenses	180,524	3	192,407	3
Research and development expenses	381,175	6	406,751	7
Expected credit loss (gain) (Note 9)	855	-	(127)	-
Total operating expenses	1,220,771	20	1,256,166	21
INCOME FROM OPERATIONS	264,967	4	351,808	6
NON-OPERATING INCOME AND EXPENSES (Notes 19 and 24)				
Interest income	25,693	-	10,106	-
Other income	121,773	2	96,008	2
Other gains and losses	343,417	6	(63,200)	(1)
Finance costs	(154,091)	(3)	(111,071)	(2)
Share of profit of subsidiaries (Note 11)	(133,825)	(2)	1,098,625	18
Total non-operating income and expenses	202,967	3	1,030,468	17
PROFIT BEFORE INCOME TAX	467,934	7	1,382,276	23
INCOME TAX EXPENSE (Note 20)	129,783	2	464,343	8
NET PROFIT FOR THE YEAR	338,151	5	917,933	15
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
Remeasurement of defined benefit plans (Note 16)	$ 96,460	1	$ (12,769)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(11,236)	-	(36,133)	(1)
Share of other comprehensive income (loss) of subsidiaries	43,468	1	(56,573)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 20)	(19,292)	-	2,554	-
	109,400	2	(102,921)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	1,383,086	22	(346,926)	(5)
Income tax related to items that may be reclassified subsequently to profit or loss (Note 20)	(276,617)	(4)	69,385	1
	1,106,469	18	(277,541)	(4)
Other comprehensive income (loss) for the year, net of income tax	1,215,869	20	(380,462)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,554,020	25	$ 537,471	9
EARNINGS PER SHARE (Note 21)				
Basic	$ 0.37		$ 1.01	
Diluted	$ 0.37		$ 1.01	

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

			Retained Earnings (Note 17)			Other Equity		
	Capital Stock (Note 17)	Share Surplus (Note 17)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of The Financial Statements of Foreign Operations	Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2021	$ 9,094,100	$ 41	$ 3,213,262	$ 1,330,054	$ 7,073,254	$ (2,042,247)	$ 441,245	$ 19,109,709
Appropriation of 2020 earnings								
Legal reserve	-	-	94,768	-	(94,768)	-	-	-
Special reserve	-	-	-	270,948	(270,948)	-	-	-
Cash dividends to shareholders - NT$1 per share	-	-	-	-	(909,410)	-	-	(909,410)
Net profit for the year ended December 31, 2021	-	-	-	-	917,933	-	-	917,933
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(10,469)	(277,541)	(92,452)	(380,462)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	907,464	(277,541)	(92,452)	537,471
BALANCE AT DECEMBER 31, 2021	9,094,100	41	3,308,030	1,601,002	6,705,592	(2,319,788)	348,793	18,737,770
Appropriation of 2021 earnings								
Legal reserve	-	-	90,746	-	(90,746)	-	-	-
Special reserve	-	-	-	369,993	(369,993)	-	-	-
Cash dividends to shareholders - NT$1 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

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 467,934	$ 1,382,276
Adjustments for		
Depreciation expense	291,915	299,335
Amortization expense	10,425	14,434
Expected credit loss recognized (reversed) on trade receivables	855	(127)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	513	(858)
Finance costs	154,091	111,071
Interest income	(25,693)	(10,106)
Dividend income	(49,609)	(24,270)
Share of profit of subsidiaries	133,825	(1,098,625)
Net gain on disposal of property, plant and equipment	(5,029)	(5,257)
Write-down (reversal of write-down) of inventories	11,383	(7,132)
Unrealized (realized) profit on intercompany revenue	22,784	(105,451)
Net loss (gain) on foreign currency exchange	(11,657)	4,601
Transfer of prepayments for equipment to expenses	8,046	7,664
Changes in operating assets and liabilities		
Notes receivable	7,610	(1,108)
Trade receivables	(183,718)	(405,843)
Other receivables	(63,708)	181,810
Inventories	236,595	(244,490)
Prepayments	8,297	(6,758)
Other current assets	(11,408)	(18,370)
Contract liabilities	(99,083)	112,947
Notes payable	69	(470)
Trade payables	(126,712)	101,174
Other payables	(48,793)	(11,189)
Other current liabilities	(852)	3,482
Net defined benefit liabilities	(26,110)	(52,340)
Cash generated from operations	701,970	226,400
Interest received	29,830	9,688
Dividends received	1,093,857	227,265
Interest paid	(148,844)	(109,632)
Income tax paid	(164,833)	(147,012)
Net cash generated from operating activities	1,511,980	206,709
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of capital from financial assets at fair value through other comprehensive income	-	3,410
Payments for property, plant and equipment	(124,228)	(54,002)
Proceeds from disposal of property, plant and equipment	32,462	64,042
Decrease (increase) in refundable deposits	-	360
Payments for intangible assets	(13,252)	(9,657)

(Continued)

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
Decrease in other financial assets	$ 145,523	$ 73,246
Increase in prepayments for equipment	(205,344)	(233,656)
Net cash used in investing activities	(164,839)	(156,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	100,000	-
Proceeds from long-term borrowings	11,620,000	8,421,036
Repayments of long-term borrowings	(11,685,466)	(8,072,570)
Proceeds from (repayments of) guarantee deposits received	3,627	(6,007)
Repayment of the principal portion of lease liabilities	(5,046)	(5,006)
Cash dividends	(909,410)	(909,410)
Acquisition of additional interests in subsidiaries	(20,568)	-
Net cash used in financing activities	(896,863)	(571,957)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	450,278	(521,505)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	872,097	1,393,602
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,322,375	$ 872,097

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, 2022 AND 2021
(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 10, 2023.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The 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 23: 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.

<u>Revenue from the sale of goods</u>

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.

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. CRITICAL 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.

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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	
	2022	**2021**
Cash on hand	$ 370	$ 291
Checking accounts and demand deposits	1,322,005	816,454
Cash equivalents (time deposits with original maturities of 3 months or less)	-	55,352
	$ 1,322,375	$ 872,097

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	**2021**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 1,319	$ 1,832

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	**2021**
Non-current		
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 385,358	$ 391,896
Foreign unlisted shares	15,386	20,084
	$ 400,744	$ 411,980

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

	December 31	
	2022	**2021**
Notes receivable		
Carrying amount at amortized cost	$ 16,300	$ 23,910
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,821,748	$ 1,624,980
Less: Allowance for impairment loss	(4,007)	(3,367)
	$ 1,817,741	$ 1,621,613

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 receivable at an amount equal to lifetime ECLs. The expected credit losses on trade receivable are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. The Company uses different provision matrixes based on customer 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, 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	$ 1,249,036	$ 229,517	$ 166,530	$ 114,767	$ 266	$ 73,925	$ -	$ 1,834,041

December 31, 2021

	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	$ 1,212,047	$ 199,325	$ 128,670	$ 76,113	$ 29,359	$ 40	$ 3,336	$ 1,648,890
Loss allowance (Lifetime ECLs)	-	(10)	-	-	-	(21)	(3,336)	(3,367)
Amortized cost	$ 1,212,047	$ 199,315	$ 128,670	$ 76,113	$ 29,359	$ 19	$ -	$ 1,645,523

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 3,367	$ 3,534
Add: Net remeasurement of loss allowance	876	(147)
Less: Amounts written off	(236)	(20)
Balance at December 31	$ 4,007	$ 3,367

10. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 378,552	$ 456,388
Raw materials	263,170	346,965
Work in progress	113,944	119,771
Supplies	52,145	52,101
Merchandise	8,060	9,445
Inventory in transit	40,673	119,852
	$ 856,544	$ 1,104,522

The cost of revenue associated with inventories was $4,400,354 thousand and $4,230,661 thousand for the years ended December 31, 2022 and 2021, respectively. The cost of revenue consisted of inventory write-downs of $11,383 thousand and reversal of inventory write-downs of $7,132 thousand for the years ended December 31, 2022 and 2021, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in Subsidiaries

	December 31			
	2022		2021	
	Amount	Ownership (%)	Amount	Ownership (%)
Kenda International Corporation Co., Ltd. (KIC)	$ 11,198,802	100.00	$ 11,634,683	100.00
Kenda Rubber (Vietnam) Co., Ltd. (KV)	8,298,949	100.00	7,310,774	100.00
Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK)	1,444,263	100.00	2,076,967	100.00
American Kenda Rubber Ind. Co., Ltd. (KA)	2,166,657	100.00	1,830,002	100.00
Pt. Kenda Rubber Indonesia (KI)	952,313	99.99	998,057	99.99
Kenfong Industrial Co., Ltd. (KF)	277,815	100.00	265,423	100.00
Kenda Rubber Industrial Co. (Europe GmbH) (KE)	36,286	100.00	12,914	100.00
	$ 24,375,085		$ 24,128,820	

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, 2022	Additions	Disposals	Reclassification	Balance at December 31, 2022
Cost					
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	15,902	104,089	-	(45,404)	74,587
	7,045,467	$ 113,458	$ (81,608)	$ 200,489	7,277,806
Accumulated depreciation					
Buildings	366,297	$ 27,371	$ -	$ -	393,668
Machinery	2,224,568	208,071	(47,814)	-	2,384,825
Other equipment	547,403	51,406	(6,361)	-	592,448
	3,138,268	$ 286,848	$ (54,175)	$ -	3,370,941
	$ 3,907,199				$ 3,906,865

	Balance at January 1, 2021	Additions	Disposals	Reclassification	Balance at December 31, 2021
Cost					
Land	$ 2,166,617	$ -	$ -	$ -	$ 2,166,617
Buildings	885,765	479	-	43,391	929,635
Machinery	3,130,765	22,777	(123,470)	116,051	3,146,123
Other equipment	736,940	5,673	(11,793)	56,370	787,190
Equipment under installation and construction in progress	31,928	24,216	-	(40,242)	15,902
	6,952,015	$ 53,145	$ (135,263)	$ 175,570	7,045,467
Accumulated depreciation					
Buildings	338,620	$ 27,677	$ -	$ -	366,297
Machinery	2,080,882	208,715	(65,029)	-	2,224,568
Other equipment	500,976	57,876	(11,449)	-	547,403
	2,920,478	$ 294,268	$ (76,478)	$ -	3,138,268
	$ 4,031,537				$ 3,907,199

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

	December 31	
	2022	**2021**
Carrying amount		
Buildings	$ 11,822	$ 16,889

	For the Year Ended December 31	
	2022	**2021**
Depreciation charge for right-of-use assets		
Buildings	$ 5,067	$ 5,067

b. Lease liabilities

	December 31	
	2022	**2021**
Carrying amount		
Current	$ 5,141	$ 5,141
Non-current	$ 6,791	$ 11,837

Discount rate for lease liabilities was as follows:

	December 31	
	2022	**2021**
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

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 2,299	$ 2,065
Expenses relating to low-value asset leases	$ 37	$ 78
Total cash outflow for leases	$ (7,496)	$ (7,303)

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. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Non-current		
Repatriated funds	$ 1,049,412	$ 1,194,935

Repatriated funds refer to demand and time deposits pertinent to regulations governing repatriated offshore funds, which the use is restricted.

Refer to Note 23 for information relating to credit risk management and valuation.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	$ 300,000	$ 200,000
Range of rates	1.69%-1.76%	0.67%-0.68%

b. Long-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	$ 12,898,269	$ 12,850,641
Project borrowings	276,930	388,540
Less: Current portion	(1,547,700)	(1,575,466)
Long-term borrowings	$ 11,627,499	$ 11,663,715
Range of rates	0.85%-2.01%	0.35%-1.00%
Maturity date	2023-2027 years	2023-2026 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, 2022.

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 2022. Any shortage of funds would be financed via bank borrowings.

16. 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	
	2022	2021
Present value of defined benefit obligation	$ 551,838	$ 639,195
Fair value of plan assets	(469,188)	(433,975)
Net defined benefit liabilities	$ 82,650	$ 205,220

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, 2021	$ 648,243	$ (403,452)	$ 244,791
Service cost			
Current service cost	5,988	-	5,988
Net interest expense (income)	1,901	(1,218)	683
Recognized in profit or loss	7,889	(1,218)	6,671
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,155)	(6,155)
Actuarial loss - changes in demographic assumptions	1,399	-	1,399
Actuarial loss - changes in financial assumptions	5,240	-	5,240
Actuarial loss - experience adjustments	12,285	-	12,285
Recognized in other comprehensive income	18,924	(6,155)	12,769
Contributions from the employer	-	(59,011)	(59,011)
Benefits paid	(35,861)	35,861	-
Balance at December 31, 2021	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	9,194	(3,060)	6,134
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	(12,896)	-	(12,896)
Recognized in other comprehensive income	(62,892)	(33,568)	(96,460)
Contributions from the employer	-	(32,244)	(32,244)
Benefits paid	(32,225)	32,225	-
Liabilities extinguished on settlement	(1,434)	1,434	-
Balance at December 31, 2022	$ 551,838	$ (469,188)	$ 82,650

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	
	2022	**2021**
Discount rates	1.25%	0.7%
Expected rates of salary increase	2.00%	2.5%

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	
	2022	**2021**
Discount rates		
0.25% increase	$ (10,980)	$ (14,316)
0.25% decrease	$ 11,339	$ 14,819
Expected rates of salary increase		
0.25% increase	$ 11,227	$ 14,518
0.25% decrease	$ (10,926)	$ (14,103)

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	
	2022	**2021**
Expected contributions to the plans for the next year	$ 30,551	$ 31,596
Average duration of the defined benefit obligation	8 years	9 years

17. EQUITY

a. Ordinary shares

	December 31	
	2022	**2021**
Shares authorized (in thousands of shares)	1,100,000	910,000
Shares authorized, par value $10 (in thousands of dollars)	$ 11,000,000	$ 9,100,000
Shares issued and fully paid (in thousands of shares)	909,410	909,410
Shares issued and fully paid (in thousands of dollars)	$ 9,094,100	$ 9,094,100

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 19(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, No. 1010012865 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 2021 and 2020 were as follows:

	Appropriations of Earnings		**Dividends Per Share (NT$)**	
	2021	**2020**	**2021**	**2020**
Legal reserve	$ 90,746	$ 94,768		
Special reserve	369,993	270,948		
Cash dividends	909,410	909,410	$ 1.0	$ 1.0

The above cash dividends have been approved by the resolution of the board of directors. The rest of the distribution items were also resolved at the general meeting of shareholders on June 30, 2022 and August 31,2021, respectively.
The appropriations of earnings for 2022 were proposed by the Company's board of directors on March 10, 2023 as follows:

	Appropriations of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 41,452	
Reversal of Special reserve	(1,139,505)	
Cash dividends	454,705	$ 0.5
Share dividends	454,800	0.500104

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 the shareholders meeting to be held on May 31, 2023.

18. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	$ 5,656,116	$ 5,502,276
Revenue from the rendering of services	511,759	496,688
	$ 6,167,875	$ 5,998,964

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

b. Contract balances

	December 31	
	2022	2021
Contract liabilities - current	$ 38,180	$ 137,263
Refund liabilities - current (Note)	$ 1,365	$ 1,399

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).

19. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividends	$ 49,609	$ 24,270
Rental income	9,368	9,424
Others	62,796	62,314
	$121,773	$ 96,008

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net gain (loss) on financial assets classified as at FVTPL	$ (513)	$ 858
Net gain on disposal of property, plant and equipment (Note 24)	5,029	5,257
Net foreign exchange gains (losses)	338,901	(69,410)
Others	-	95
	$ 343,417	$ (63,200)

c. Financial costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 154,946	$ 111,276
Interest on lease liabilities	114	154
Less: Amounts included in the cost of qualifying assets	(969)	(359)
	$ 154,091	$ 111,071

d. Employee benefits, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the year ended December 31, 2022			
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
For the year ended December 31, 2021			
Short-term benefits			
Salary expense	781,192	533,893	1,315,085
Labor/health insurance expense	73,275	57,730	131,005
Post-employment benefits			
Defined contribution plans	31,861	23,049	54,910
Defined benefit plans	1,995	4,676	6,671
Remuneration of directors	1,471	16,035	17,506
Other employee benefit	13,933	11,051	24,984
Depreciation expense	227,850	71,485	299,335
Amortization expense	1,920	12,514	14,434

1) For the years ended December 31, 2022 and 2021, the Company employed 1,945 and 1,996 employees on average, respectively, which included 7 non-employee directors, respectively.

2) The employment benefit expenses, on average, were $772 thousand and $771 thousand for the years ended December 31, 2022 and 2021, respectively. The average salary expense were $659 thousand and $661 thousand for the years ended December 31, 2022 and 2021, respectively. The average salary expense changed by (0.3%).

3) The Company did not have supervisors for the years ended December 31, 2022 and 2021. 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, 2022 and 2021, which were approved by the Company's board of directors on March 10, 2023 and March 23, 2022, respectively, are as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	Accrual Rate	Amount	Accrual Rate
Compensation of employees	$ 5,937	1.23%	$ 10,192	0.72%
Remuneration of directors	$ 8,911	1.85%	$ 15,297	1.09%

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, 2021 and 2020.

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.

20. INCOME TAXES

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

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 298,684	$ 74,028
Adjustments for prior year	29,616	(18,526)
	328,300	55,502
Deferred tax		
In respect of the current year	(198,517)	14,117
Adjustments for prior year	-	394,724
	(198,517)	408,841
Income tax expense recognized in profit or loss	$ 129,783	$ 464,343

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	$ 467,934	$ 1,382,276
Income tax expense calculated at the statutory rate	$ 93,587	$ 276,455
Nondeductible expenses in determining taxable income	27,030	(208,532)
Tax-exempt income	(9,922)	(4,854)
Investment tax credits	(10,528)	(10,079)
Adjustments for prior years' tax	29,616	376,198
Tax incentives associated with repatriation	-	45,361
Others	-	(10,206)
Income tax expense recognized in profit or loss	$ 129,783	$ 464,343

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
In respect of the current year		
Translation of the financial statements of foreign operations	$(276,617)	$ 69,385
Remeasurement of defined benefit plans	(19,292)	2,554
Total income tax recognized in other comprehensive income	$(295,909)	$ 71,939

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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
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	16,352	(1,374)	-	14,978
	$ 465,259	$ 5,458	$ (295,909)	$ 174,808

(Continued)

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

(Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventory	$ 8,327	$ (1,426)	$ -	$ 6,901
Unrealized gains on intercompany sales	31,247	(21,090)	-	10,157
Defined benefit obligations	30,756	-	2,554	33,310
Exchange differences on translation of the financial statements of foreign operations	329,154	-	69,385	398,539
Others	20,259	(3,907)	-	16,352
	$ 419,743	$ (26,423)	$ 71,939	$ 465,259
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries	$ -	$ 372,061	$ -	$ 372,061
Reserve for land value increment tax	208,226	-	-	208,226
Others	7,964	10,357	-	18,321
	$ 216,190	$ 382,418	$ -	$ 598,608

d. Income tax assessments

The Company’s income tax returns through 2020 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2022	**2021**
Basic and diluted earnings per share	$ 0.37	$ 1.01

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

	For the Year Ended December 31	
	2022	**2021**
Earnings used in the computation of basic and diluted earnings per share	$ 338,151	$ 917,933

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2022	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	909,410	909,410
Effect of potentially dilutive ordinary shares		
Compensation of employees	265	393
Weighted average number of ordinary shares used in the computation of diluted earnings per share	909,675	909,803

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.

22. 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.

23. 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 1,319	$ -	$ -	$ 1,319
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	$ -	$ -	$ 400,744	$ 400,744

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 1,832	$ -	$ -	$ 1,832
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	$ -	$ -	$ 411,980	$ 411,980

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

	For the Year Ended December 31	
	2022	2021
Financial assets at FVTOCI		
Balance at January 1	$ 411,980	$ 451,523
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(11,236)	(36,133)
Return of capital	-	(3,410)
Balance at December 31	$ 400,744	$ 411,980

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

	December 31	
	2022	**2021**
Financial assets		
FVTPL		
Listed shares	$ 1,319	$ 1,832
Financial assets at amortized cost (1)	4,363,255	3,810,467
Financial assets at FVTOCI		
Equity instruments	400,744	411,980
Financial liabilities		
Amortized cost (2)	14,228,982	14,373,855

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 26.

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 2022 and 2021 would have increased/decreased by $25,964 and $16,557 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	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 679,611	$ 668,749
Financial liabilities	2,175,000	1,775,000
Lease liabilities	11,932	16,978
Cash flow interest rate risk		
Financial assets	1,700,102	1,405,915
Financial liabilities	11,300,199	11,664,181

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, 2022 and 2021 would have decreased/increased by $9,600 thousand and $10,258 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, 2022 and 2021 would have increased/decreased by $66 thousand and $92 thousand, respectively, 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, 2022 and 2021 would have increased/decreased by $20,037 thousand and $20,599 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, 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	356,691	1,889,372
	$ 2,798,391	$ 11,849,592

December 31, 2021

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	$ 934,674	$ -
Lease liabilities	5,160	12,040
Variable interest rate liabilities	1,768,321	10,086,738
Fixed interest rate liabilities	114,284	1,693,285
	$ 2,822,439	$ 11,792,063

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities		
Amount used	$ 13,476,432	$ 13,441,898
Amount unused	6,935,529	3,958,466
	$ 20,411,961	$ 17,400,364

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
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	For the Year Ended December 31 2022	2021
Sales of goods	Subsidiaries		
	ADI	$ 1,477,434	$ 1,296,198
	KF	642,188	552,652
	KA	354,359	484,513
	Others	383,373	450,557
	Other related parties	10,418	16,192
		$ 2,867,772	$ 2,800,112

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	
		2022	2021
Rendering of services	Subsidiaries		
	KV	$ 242,190	$ 199,764
	KC	120,616	146,648
	KT	60,551	67,500
	KI	53,340	47,151
	KS	15,579	18,717
	Others	19,483	16,908
		$ 511,759	$ 496,688

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	
	2022	2021
Subsidiaries	$ 38,398	$ 43,771
Other related parties	19,038	73,147
	$ 57,436	$ 116,918

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	
		2022	2021
Trade receivables	Subsidiaries		
	ADI	$ 920,945	$ 725,591
	KA	200,978	248,274
	KF	187,182	171,172
	Others	184,071	89,651
	Other related parties	233	5,321
		$ 1,493,409	$ 1,240,009
Other receivables	Subsidiaries		
	KV	$ 57,755	$ 23,085
	KA	30,982	4,339
	KT	27,350	4,253
	Others	16,976	13,503
		$ 133,063	$ 45,180

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivable from related parties.

e. Payables to related parties

Item	Related Party Category/Name	December 31 2022	December 31 2021
Trade payables	Subsidiaries	$ 11,117	$ 9,498
	Other related parties	2,485	5,946
		$ 13,602	$ 15,444
Other payables	Subsidiaries		
	KA	$ 21,283	$ 21,741
	Others	40	189
	Other related parties	249	257
		$ 21,572	$ 22,187

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 2022	Purchase Price For the Year Ended December 31 2021
Subsidiaries	$ 264	$ 3,237

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2022	Proceeds For the Year Ended December 31 2021	Gain (Loss) on Disposal For the Year Ended December 31 2022	Gain (Loss) on Disposal For the Year Ended December 31 2021
Subsidiaries				
KV	$ 7,406	$ 58,304	$ 1,078	$ 5,588
KT	24,106	2,375	3,821	264
KC	882	534	62	249
KI	-	1,728	-	(495)
	$ 32,394	$ 62,941	$ 4,961	$ 5,606

h. Lease arrangements

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Acquisition of right-of-use assets		
Subsidiary		
KF	$ 16,889	$ 21,955

Line Item	Related Party Category/Name	December 31 2022	2021
Lease liabilities	Subsidiary		
	KF	$ 11,932	$ 16,978

Related Party Category/Name	For the Year Ended December 31 2022	2021
Financial costs		
Subsidiary		
KF	$ 114	$ 154

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31 2022	2021
Subsidiaries	$ 10,771,363	$ 8,016,791

j. Others

Item	Related Party Categories/Name	For the Year Ended December 31 2022	2021
Service cost	Subsidiary		
	KE	$ 94,651	$ 102,756
Operating expense	Subsidiaries	$ 23,577	$ 21,894
	Other related parties	1,419	1,423
		$ 24,996	$ 23,317
Other income	Subsidiaries	$ 27,413	$ 23,040

k. Remuneration of key management personnel

	For the Year Ended December 31 2022	2021
Short-term employee benefits	$ 29,538	$ 29,770
Post-employment benefits	106	95
	$ 29,644	$ 29,865

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

25. 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 2022	December 31 2021
Machinery and Equipment	$ 145,495	$ 180,174

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, 2022 to August 6, 2023. The coverage of insurance policy is from August 6, 2004 to August 6, 2023. The maximum reparation of one single event is US$10,000 thousand.

2) The Company had entered into an exclusive agency contract with Gabjohn for 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, 2022, the outcome of the dispute cannot be predicted with sufficient reliability.

26. 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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
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)	22,901
			$ 2,755,390

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 786,075	30.71 (USD:NTD)	$ 24,136,427
Financial liabilities			
Monetary items			
USD	4,314	30.71 (USD:NTD)	$ 132,458

(Concluded)

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 67,848	27.68 (USD:NTD)	$ 1,877,772
RMB	9,900	4.34 (RMB:NTD)	42,973
EUR	1,526	31.35 (EUR:NTD)	47,826
			$ 1,968,571
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 865,203	27.68 (USD:NTD)	$ 23,945,343
Financial liabilities			
Monetary items			
USD	8,022	27.68 (USD:NTD)	$ 222,028

For the years ended December 31, 2022 and 2021, net foreign exchange gains (losses) were $338,901 thousand and ($69,410) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Company.

27. 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)

TABLE 1

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

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	$ 322,100	$ 307,050	$ -	2.00~5.00%	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	Forty percent (40%) of the financing company's net worth, $8,115,445	Sixty percent (60%) of the financing company's net worth, $12,173,168
1	STARCO Europe A/S	STARCO DML Ltd.	Finance receivables	Yes	31,125	31,125	28,890	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
1	STARCO Europe A/S	STARCO GS	Finance receivables	Yes	57,988	55,282	25,669	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
1	STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Finance receivables	Yes	24,650	24,650	22,054	2.68%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
1	STARCO Europe A/S	Starco Polska Sp.zoo	Finance receivables	Yes	19,720	19,720	19,720	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
1	STARCO Europe A/S	STARCO GmbH	Finance receivables	Yes	55,873	55,873	55,873	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
1	STARCO Europe A/S	STARCO Baltic OU	Finance receivables	Yes	6,573	6,573	6,573	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $163,452	Sixty percent (60%) of the financing company's net worth, $245,179
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina	Finance receivables	Yes	13,935	13,935	2,794	2.68%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $132,676	Sixty percent (60%) of the financing company's net worth, $199,014
3	STARCO GB Ltd.	STARCO DML Ltd.	Finance receivables	Yes	20,443	20,443	12,621	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $87,412	Sixty percent (60%) of the financing company's net worth, $131,118
4	STARCO GmbH	STARCO GS	Finance receivables	Yes	3,287	3,287	3,287	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $51,969	Sixty percent (60%) of the financing company's net worth, $77,953
5	KC	KT	Finance receivables	Yes	612,812	612,812	612,812	3.5065~ 3.5565%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $2,653,751	Sixty percent (60%) of the financing company's net worth, $3,980,627

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, 2022
(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed 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	$ 8,115,445	$ 2,695,948	$ 2,695,948	$ 1,263,279	$ -	13.29%	$ 16,230,890 (Note 3)	Yes	No	No	-
		STARCO GmbH	a	8,115,445	644,200	614,100	147,906	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO DML	a	8,115,445	644,200	614,100	-	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO Polska Sp.z.o.o.	a	8,115,445	644,200	614,100	202,131	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO SAS	a	8,115,445	644,200	614,100	-	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO GS AG	a	8,115,445	644,200	614,100	42,741	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO NV	a	8,115,445	644,200	614,100	-	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO GB Ltd.	a	8,115,445	644,200	614,100	-	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		STARCO Baltic OÜ	a	8,115,445	644,200	614,100	-	-	3.03%	16,230,890 (Note 3)	Yes	No	No	-
		ADI	a	8,115,445	193,260	184,230	122,820	-	0.91%	16,230,890 (Note 3)	Yes	No	No	-
		KA	a	8,115,445	483,150	460,575	276,345	-	2.27%	16,230,890 (Note 3)	Yes	No	No	-
		KV	a	8,115,445	5,524,015	5,004,915	1,729,367	-	24.67%	16,230,890 (Note 3)	Yes	No	No	-
		KT	a	8,115,445	354,310	337,755	-	-	1.66%	16,230,890 (Note 3)	Yes	No	Yes	-
		KI	a	8,115,445	2,100,316	2,087,940	1,013,265	-	10.29%	16,230,890 (Note 3)	Yes	No	No	-
1	KHK	KS	a	1,159,164	901,672	881,744	-	-	60.85%	1,304,060 (Note 3)	No	No	Yes	-
2	KGCI	KS	a	4,079,928	3,606,688	1,763,488	-	-	17.29%	8,159,856 (Note 3)	No	No	Yes	-
3	STARCO Europe A/S	STARCO GB Ltd.	a	408,631	75,192	74,300	-	-	18.18%	817,262 (Note 3)	No	No	No	-
		STARCO NV	a	408,631	190,025	147,900	24,617	-	36.19%	817,262 (Note 3)	No	No	No	-

(Continued)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party	Maximum Amount Endorsed/Guaranteed 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)											
3	STARCO Europe A/S	STARCO GS AG	a	$ 408,631	$ 13,284	$ 13,284	$ 6,110	$ -	3.25%	$ 817,262 (Note 3)	No	No	No	-
		Starco Beli Manastir d.o.o	a	408,631	31,671	-	-	-	0.00%	817,262 (Note 3)	No	No	No	-
		STARCO GmbH	a	408,631	76,251	76,251	-	-	18.66%	817,262 (Note 3)	No	No	No	-
		STARCO Polska Sp.z o.o.	a	408,631	15,835	-	-	-	0.00%	817,262 (Note 3)	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.

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 RMB 400 million, but the limit for KHK is RMB 200 million.

Note 5: 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)

TABLE 3

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership %	Fair Value (Note 1)	
The Company	Shares and equity							
	China Development Financial Holding Corporation	-	Financial assets at FVTPL - current	105	$ 1,319	0.00	$ 1,319	-
	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	336,766	10.86	336,766	-
	Chang Hwa Golf Co., Ltd.	-	Equity instruments at FVTOCI - non-current	30	375	0.08	375	-
	Ou Hua Venture Capital Co., Ltd.	-	Equity instruments at FVTOCI - non-current	41	-	5.15	-	-
	Yu Hua Venture Capital Co., Ltd.	-	Equity instruments at FVTOCI - non-current	10	-	2.50	-	-
	Total Lubricants 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	48,217	6.80	48,217	-
	BOMY (BVI) CO., LTD.	-	Equity instruments at FVTOCI - non-current	2,000	15,386	9.73	15,386	-
KGI	Shares and equity							
	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	120,699	13.00	120,699	-

Note: Fair value of domestic listed shares is determined based on its closing price on December 31, 2022.

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, 2022
(In Thousands of New Taiwan Dollars)

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	$ 354,359	6.27	In accordance with mutual agreements	Agreed by both parties	-	$ 231,960	12.76	-
	KF	Subsidiary	Sales	642,188	11.35	In accordance with mutual agreements	Agreed by both parties	-	187,182	10.30	-
	KV	Subsidiary	Sales	198,706	3.51	In accordance with mutual agreements	Agreed by both parties	-	173,681	9.55	-
	ADI	Indirectly owned subsidiary	Sales	1,477,434	26.12	In accordance with mutual agreements	Agreed by both parties	-	921,006	50.67	-
KC	KA	Subsidiary of ultimate parent company	Sales	169,088	2.57	In accordance with mutual agreements	Agreed by both parties	-	77,072	8.75	-
	ADI	Subsidiary of ultimate parent company	Sales	216,880	3.29	In accordance with mutual agreements	Agreed by both parties	-	62,930	7.14	-
	KS	Subsidiary of ultimate parent company	Sales	156,091	2.37	In accordance with mutual agreements	Agreed by both parties	-	32,737	3.72	-
KV	KA	Subsidiary of ultimate parent company	Sales	2,963,872	40.34	In accordance with mutual agreements	Agreed by both parties	-	1,254,453	60.31	-
	ADI	Subsidiary of ultimate parent company	Sales	697,624	9.49	In accordance with mutual agreements	Agreed by both parties	-	507,653	24.41	-
KT	KS	Subsidiary of ultimate parent company	Sales	954,071	26.69	In accordance with mutual agreements	Agreed by both parties	-	160,450	29.51	-
	ADI	Subsidiary of ultimate parent company	Sales	236,596	6.62	In accordance with mutual agreements	Agreed by both parties	-	48,808	8.98	-
STARCO Beli Manastir d.o.o.	STARCO GmbH	Subsidiary of ultimate parent company	Sales	243,152	6.21	In accordance with mutual agreements	Agreed by both parties	-	47,830	9.98	-
	STARCO Polska Sp. z o.o	Subsidiary of ultimate parent company	Sales	109,890	2.80	In accordance with mutual agreements	Agreed by both parties	-	17,920	3.73	-
STARCO Polska Sp.z.o.o.	STARCO Baltic OÜ	Subsidiary of ultimate parent company	Sales	104,722	2.67	In accordance with mutual agreements	Agreed by both parties	-	4,904	1.02	-
STARCO Europe A/S.	STARCO Huanmei	Associate	Purchases	126,975	4.06	In accordance with mutual agreements	Agreed by both parties	-	(29,145)	(6.13)	-

Note: Except for STARCO Huanmei, all intra-group transactions are eliminated upon consolidation.

TABLE 5

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, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	KA	Subsidiary	$ 231,960	1.46	$ 30,416	-	$ 41,234	-
	ADI	Indirectly owned subsidiary	921,006	1.79	43,105	-	161,987	-
	KF	Subsidiary	187,182	3.58	-	-	58,909	-
	KV	Subsidiary	173,681	1.77	84,116	-	90,490	-
KC	KT	Subsidiary of ultimate parent company	622,450	Note2	-	-	-	-
KV	KA	Subsidiary of ultimate parent company	1,254,453	2.60	671,932	-	1,189,502	-
	ADI	Subsidiary of ultimate parent company	507,653	1.82	15,759	-	257,460	-
KT	KS	Subsidiary of ultimate parent company	160,450	5.48	-	-	156,479	-
STARCO Europe A/S	STARCO Polska Sp.z.o.o.	Subsidiary of ultimate parent company	109,861	Note2	-	-	-	-

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

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

Note 3: Amounts received as of February 28, 2023.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business Activities	Original Investment Amount December 31, 2022 (Note 1)	Original Investment Amount December 31, 2021 (Note 1)	As of December 31, 2022 Shares (In Thousands)	As of December 31, 2022 Percentage of Ownership	As of December 31, 2022 Carrying Value (Note 1)	Net Income (Losses) of the Investee (Note 1)	Share of Profits (Losses) of Investee (Note 1)	Note
The Company	KA	United States	Trade and investment	US$ 9,000	US$ 9,000	-	100.00	NT$ 2,166,657	NT$ 152,723	NT$ 152,723	Note 3
	KHK	Hong Kong	Trade and investment	HK$ 100 US$ 30,600	HK$ 100 US$ 30,600	-	100.00	NT$ 1,444,263	NT$ (85,820)	NT$ (85,820)	Note 3
	KV	Vietnam	Manufacturing various types of tires	US$ 67,680	US$ 67,680	-	100.00	NT$ 8,298,949	NT$ 129,700	NT$ 172,367	Notes 2 and 3
	KIC	Cayman Islands	Investment	US$ 81,753	US$ 81,753	-	100.00	NT$ 11,198,802	NT$ (281,746)	NT$ (281,746)	Note 3
	KE	Germany	Marketing planning	EUR 405	EUR 25	-	100.00	NT$ 36,286	NT$ 1,945	NT$ 1,945	Note 3
	KF	Taiwan	Selling various types of tires	NT$ 199,000	NT$ 199,000	19,900	100.00	NT$ 277,815	NT$ 53,854	NT$ 53,854	Note 3
	KI	Indonesia	Manufacturing various types of tires	US$ 52,999	US$ 52,999	-	99.99	NT$ 952,313	NT$ (147,148)	NT$ (147,148)	Note 3
KA	ADI	United States	Manufacturing, distribution and selling of wheels and rims	US$ 20,000	US$ 20,000	1	100.00	US$ 64,869	US$ 4,647	Note 1	Note 3
KIC	KGH	Cayman Islands	Investment	US$ 112,050	US$ 112,050	-	100.00	US$ 349,475	US$ (9,227)	Note 1	Note 3
	KGI	Mauritius	Investment	US$ 1,703	US$ 1,703	-	100.00	US$ 14,899	US$ (230)	Note 1	Note 3
KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100.00	US$ 8,821	US$ (645)	Note 1	Note 3
STARCO Europe A/S	STARCO GB Ltd.	United Kingdom	Distribution and selling of various types of tires and rims	EUR 552	EUR 552	-	100.00	EUR 6,830	EUR 538	Note 1	Note 3
	STARCO GmbH	Germany	Distribution and selling of various types of tires and rims	EUR 511	EUR 511	-	100.00	EUR 4,622	EUR 670	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 2,407	EUR (36)	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 4,081	EUR 126	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 1,287	EUR 278	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 1,016	EUR 167	Note 1	Note 3
	STARCO FR SAS	France	Distribution and selling of various types of tires and rims	EUR 183	EUR 183	-	100.00	EUR 1,101	EUR 157	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 9,830	EUR 533	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 706	EUR 77	Note 1	Note 3
	STARCO Imovina d.o.o.	Croatia	Investment	EUR 3	EUR 3	-	100.00	EUR 1,666	EUR 5	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 unrealized (realized) 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, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
KS	Manufacturing and selling of various types of tires	$ 767,625 (US$ 25,000)	Note 1	$ 767,625 (US$ 25,000)	-	-	$ 767,625 (US$ 25,000)	$ (115,410)	100.0	$ (92,974)	$ 1,559,538	$ 8,027,699	Notes10
KC	Manufacturing and selling of various types of tires	2,149,350 (US$ 70,000)	Notes 1 and 7	2,149,350 (US$ 70,000)	-	-	2,149,350 (US$ 70,000)	(58,463)	100.0	Note 4	Note 4	-	-
KT	Manufacturing and selling of various types of tires	6,755,100 (US$ 220,000)	Notes 1, 2 and 7	478,998 (US$ 15,600)	-	-	478,998 (US$ 15,600)	(214,280)	100.0	(215,121)	3,539,901	-	Notes10
KGCI	Investment	4,943,505 (US$ 161,000)	Notes 1 and 2	-	-	-	-	(233,648)	100.0	(233,648)	10,099,679	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing and selling of various types of foods and drinks	614,100 (US$ 20,000)	Note 1	61,410 (US$ 2,000)	-	-	61,410 (US$ 2,000)	-	10.0	-	15,386	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Internal and external parts for automobiles	802,414 (US$ 26,133)	Note 1	52,291 (US$ 1,703)	-	-	52,291 (US$ 1,703)	-	2.6	-	120,699	121,991	-
STARCO Huanmei	Manufacturing of rims	164,333 (EUR 5,000)	Note 1	Note 9	-	-	Note 9	62,993	33.0	20,914	117,372	-	Note 9

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 5)
$ 3,509,674 (US$ 114,303) (Note 5)	$ 11,375,585 (US$ 368,703) (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 between the investment amount of US$368,703 thousand authorized by the Investment Commission and the accumulated outward remittance of US$114,303 thousand for investments in mainland China was due to dividend reinvestment and cash injection.

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.

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, 2022 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.

TABLE 8

KENDA RUBBER IND. CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yang Chi Jen	91,476,924	10.05
Yang Ying Ming	64,635,015	7.10

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
Statement of inventories	2
Statement of changes in investments accounted for using the equity method	3
Statement of short-term borrowings	4
Statement of long-term borrowings	5
Major Accounting Items in Profit or Loss	
Statement of operating revenue	6
Statement of operating cost	7
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Statement of operating expenses	9

STATEMENT 1

KENDA RUBBER IND. CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Amount
Cash and Cash on hand	$ 370
Cash in banks	
Checking accounts deposits	63
Demand deposits	222,851
Foreign deposits (Note)	1,099,091
	1,322,005
	$ 1,322,375

Note : Including US$35,071 thousand (US$1=NT$30.71), JPY3,483 thousand (JPY1=NT$0.23), GBP92 thousand (GBP1=NT$37.09), EUR437 thousand (EUR1=NT$32.87) and RMB823 thousand (RMB1=NT$4.41).

STATEMENT 2

KENDA RUBBER IND. CO., LTD.

STATEMENT OF INVENTORIES - MANUFACTURING
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Market Value (Note)
Finished goods	$ 401,083	$ 497,625
Raw materials	265,762	267,745
Work in progress	133,613	208,710
Supplies	52,394	52,227
Merchandise	8,606	8,776
Inventory in transit	40,972	44,509
	902,430	$ 1,079,592
Less: Allowance for impairment loss	(45,886)	
	$ 856,544	

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

TABLE 3

KENDA RUBBER IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance %	Beginning Balance Amount	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 %	Ending Balance Amount	Marker Value or Net Assets Value
Investee companies										
Investment in subsidiaries										
KIC	100.00	$ 11,634,683	$ -	$ (401,240)	$ (281,746)	$ 203,638	$ 43,467	100.00	$ 11,198,802	$ 11,200,971
KV	100.00	7,310,774	-	-	172,367	811,816	3,992	100.00	8,298,949	8,318,935
KHK	100.00	2,076,967	-	(601,859)	(85,820)	54,297	678	100.00	1,444,263	1,444,749
KA	100.00	1,830,002	-	-	152,723	207,593	(23,661)	100.00	2,166,657	2,213,972
KI	99.99	998,057	-	-	(147,148)	104,883	(3,479)	99.99	952,313	957,022
KF	100.00	265,423	-	(41,149)	53,854	-	(313)	100.00	277,815	278,230
KE	100.00	12,914	20,568	-	1,945	859	-	100.00	36,286	36,286
		$ 24,128,820	$ 20,568	$ (1,044,248)	$ (133,825)	$ 1,383,086	$ 20,684		$ 24,375,085	$ 24,450,165

Note 1: Decrease in investments refer to issuance of cash dividends and remittance of dividends.

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

KENDA RUBBER IND. CO., LTD.

STATEMENT OF SHORT-TERM BANK BORROWINGS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Creditor Type and Bank	Loan Period	Annual Interest Rates (%)	Amount	Collateral or Pledge
Unsecured loans				
HSBC Bank Taiwan Limited	2023.06.27	1.76	$ 100,000	None
DBS Bank Limited	2023.02.14	1.71	100,000	None
Mizuho Bank Co., Ltd.	2023.02.22	1.69	100,000	None
			$ 300,000	

KENDA RUBBER IND. CO., LTD.

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Creditor Bank	Maturity Date (Note 1)	Amount	Collateral or Pledge
Unsecured loans			
The Shanghai Commercial & Saving Bank, Ltd.	2027.10.14	$ 500,000	None
CTBC Bank Co., Ltd.	2025.09.16	383,663	None
Mizuho Bank Co., Ltd.	2023.02.22 (Note 2)	670,000	None
O-Bank Co., Ltd.	2026.08.01	632,516	None
Taipei Fubon Bank	2024.09.15	163,773	None
Taishin International Bank Co., Ltd.	2023.01.23 (Note 2)	1,000,000	None
Bank Sinopac Company Limited	2025.02.23	500,000	None
MEGA International commercial bank Co., Ltd.	2027.03.30	500,000	None
Agriculture Bank of Taiwan	2025.03.31 (Note 2)	600,000	None
Bank of Taiwan	2025.09.19	1,800,000	None
Hua Nan Commercial Bank, Ltd.	2026.09.24	1,744,494	None
Chang Hwa commercial Bank Ltd.	2025.09.28	420,833	None
Cathay United Bank	2024.09.17	970,000	None
KGI Commercial Bank Co., Ltd.	2023.03.22 (Note 2)	100,000	None
HSBC Bank Taiwan Limited	2023.06.27 (Note 2)	1,200,000	None
E.SUN Bank	2025.03.28	500,000	None
Yuanta Commercial Bank Co., Ltd.	2026.09.24	900,000	None
The Export-Import Bank of the Republic of China	2026.05.22	589,920	None
		13,175,199	
Less: Current portion of long-term borrowings		(1,547,700)	
		$ 11,627,499	

Note 1: The maturity date listed above is the last maturity date of multiple borrowings.

Note 2: Borrowings may be used on a recurring basis, with a period of more than 1 year, and the maximum loan period for each use varies from 3 months to 6 months.

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Quantity (In thousands of units)	Amount
Bicycle tires	3,305	$ 707,781
Motorcycle and bias tires	4,377	2,636,629
Tubes	12,128	641,409
Radial tires	1,381	1,302,547
Others	61,577	381,889
		5,670,255
Less: Sales return		(23)
Sales allowance		(14,116)
Sales revenue		5,656,116
Service revenue		511,759
Operating revenue		$ 6,167,875

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount	
Cost of merchandise		
Merchandise at the beginning of the year	$ 9,445	
Purchase	115,450	
Merchandise at the end of the year	(8,060)	
Others	(10)	
Total merchandise sold		$ 116,825
Cost of goods manufactured		
Raw materials at the beginning of the year	346,965	
Material purchased	2,744,957	
Less: Raw material at the end of the year	(263,170)	
Raw material sold	(195,641)	
Others	(290)	
Raw material consumed		2,632,821
Direct labor		574,719
Manufacturing overhead		800,967
Manufacturing cost		4,008,507
Add: Work in progress at the beginning of the year	119,771	
Inventory overage	3,283	
Less: Work in process at the end of the year	(113,944)	
Inventory shortage	(207)	
Transfer to manufacturing cost	(16,612)	
Transfer to operating expense	(2,331)	
Others	(23,121)	
		(33,161)
Cost of goods manufactured		3,975,346
Add: Finished goods at the beginning of the year	456,388	
Inventory overage	334	
Less: Finished goods at the end of the year	(378,552)	
Inventory scraps	(4)	
Inventory shortage	(77)	
Transfer to operating expense	(1,337)	
Others	(2,179)	
		74,573
Total cost of revenue		4,166,744
Other cost of revenue		
Cost of raw material sold	195,641	
Cost of supplies sold	16,222	
Unallocated fixed manufacturing overhead	25,143	
Inventory shortage (overage)	(3,365)	
Inventory scraps	4	
Others	(35)	
Total other cost of revenue		233,610
Service cost		258,999
Cost of revenue		$ 4,659,353

KENDA RUBBER IND. CO., LTD.

STATEMENT OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount
Depreciation	$ 225,486
Indirect labor	134,186
Fuel expense	94,497
Utilities	118,297
Repairs and maintenance	62,840
Auxiliary materials	45,120
Others (Note)	145,684
	$ 826,110

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, 2022
(In Thousands of New Taiwan Dollars)

Item	Marketing	General and Administrative	Research and Development	Expected Credit Reversed	Total
Salary	$ 178,008	$ 205,011	$ 277,543	$ -	$ 660,562
Advertisement	134,187	66	10	-	134,263
Taxes	102,184	1,957	2,200	-	106,341
Packing expense	58,102	-	-	-	58,102
Depreciation	30,995	7,366	28,068	-	66,429
Import/export expense	34,145	-	-	-	34,145
Shipping expense	55,864	-	-	-	55,864
Insurance	29,777	19,483	24,989	-	74,249
Others (Note)	48,068	50,759	61,637	855	161,319
Service costs	(13,113)	(104,118)	(13,272)	-	(130,503)
	$ 658,217	$ 180,524	$ 381,175	$ 855	$ 1,220,771

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