

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

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Kenda Rubber Ind. Co., Ltd. as of and for the year ended December 31, 2023, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kenda Rubber Ind. Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

KENDA RUBBER IND. CO., LTD.

By

---

YANG CHI JEN

March 13, 2024

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

#### Appropriateness of the Revenue Cutoff

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

#### **Other Matter**

We have also audited the parent company only financial statements of Kenda Rubber Ind. Co., Ltd. as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2024

#### Notice to Readers

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

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

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

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022		January 1, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 7,537,100	17	\$ 7,057,133	15	\$ 7,147,717	15
Financial assets at fair value through profit or loss - current	1,314	-	1,319	-	1,832	-
Notes receivable, net (Note 8)	213,243	-	198,265	-	281,596	1
Trade receivable, net (Notes 8, 24 and 25)	3,324,917	8	3,713,612	8	3,680,318	8
Inventories (Notes 9 and 25)	9,678,291	22	12,330,155	26	12,564,442	27
Prepayments	262,530	1	280,229	1	579,919	1
Other financial assets - current (Notes 10 and 25)	2,442,407	6	1,626,218	4	1,952,874	4
Other current assets	493,966	1	616,148	1	405,940	1
Total current assets	<u>23,953,768</u>	<u>55</u>	<u>25,823,079</u>	<u>55</u>	<u>26,614,638</u>	<u>57</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	413,017	1	521,443	1	479,634	1
Investments accounted for using the equity method	138,912	-	134,473	-	105,629	-
Property, plant and equipment (Notes 12 and 25)	15,639,713	36	16,334,327	35	14,732,010	32
Right-of-use assets (Note 13)	1,711,002	4	1,775,986	4	1,537,134	3
Investment properties (Note 14)	28,287	-	26,610	-	27,329	-
Deferred tax assets (Note 20)	553,643	1	449,680	1	749,812	2
Other financial assets - non-current (Note 10)	693,860	2	881,745	2	824,763	2
Other non-current assets (Note 12)	594,025	1	652,806	2	1,265,125	3
Total non-current assets	<u>19,772,459</u>	<u>45</u>	<u>20,777,070</u>	<u>45</u>	<u>19,721,436</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 43,726,227</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 46,336,074</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 15)	\$ 3,358,741	8	\$ 4,590,273	10	\$ 3,746,955	8
Contract liabilities - current	225,301	-	232,063	1	296,766	1
Notes payable	40,749	-	105,965	-	142,511	-
Trade payable (Note 24)	2,318,996	5	2,410,155	5	4,034,847	9
Lease liabilities - current (Note 13)	168,684	-	164,466	-	96,400	-
Other payables (Note 23)	1,557,393	4	1,612,531	3	1,770,429	4
Current tax liabilities	104,337	-	272,342	1	64,399	-
Current portion of long-term borrowings (Note 15)	2,076,196	5	1,735,672	4	1,635,081	4
Other current liabilities (Note 18)	335,266	1	110,785	-	154,651	-
Total current liabilities	<u>10,185,663</u>	<u>23</u>	<u>11,234,252</u>	<u>24</u>	<u>11,942,039</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 15)	11,850,709	27	14,018,511	30	13,816,068	30
Deferred tax liabilities (Note 20)	644,909	2	602,774	1	742,557	2
Lease liabilities - non-current (Note 13)	478,124	1	515,201	1	408,613	1
Net defined benefit liabilities (Note 16)	45,932	-	100,938	-	215,824	-
Other non-current liabilities (Note 14)	947,469	2	746,077	2	473,185	1
Total non-current liabilities	<u>13,967,143</u>	<u>32</u>	<u>15,983,501</u>	<u>34</u>	<u>15,656,247</u>	<u>34</u>
Total liabilities	<u>24,152,806</u>	<u>55</u>	<u>27,217,753</u>	<u>58</u>	<u>27,598,286</u>	<u>60</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>						
(Note 17)						
Share capital	9,548,900	22	9,094,100	20	9,094,100	19
Capital surplus	41	-	41	-	41	-
Retained earnings						
Legal reserve	3,440,228	8	3,398,776	7	3,308,030	7
Special reserve	831,490	2	1,970,995	4	1,601,002	3
Unappropriated earnings	6,846,330	15	5,749,958	13	6,705,592	15
Total retained earnings	<u>11,118,048</u>	<u>25</u>	<u>11,119,729</u>	<u>24</u>	<u>11,614,624</u>	<u>25</u>
Other equity	(1,093,568)	(2)	(831,490)	(2)	(1,970,995)	(4)
Equity attributable to shareholders of the Company	19,573,421	45	19,382,380	42	18,737,770	40
<b>NON-CONTROLLING INTERESTS</b>						
	-	-	16	-	18	-
Total equity	<u>19,573,421</u>	<u>45</u>	<u>19,382,396</u>	<u>42</u>	<u>18,737,788</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 43,726,227</u>	<u>100</u>	<u>\$ 46,600,149</u>	<u>100</u>	<u>\$ 46,336,074</u>	<u>100</u>

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

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 18 and 24)	\$ 34,443,676	100	\$ 38,617,881	100
COST OF REVENUE (Notes 9, 19 and 24)	<u>27,771,016</u>	<u>81</u>	<u>32,947,434</u>	<u>85</u>
GROSS PROFIT	<u>6,672,660</u>	<u>19</u>	<u>5,670,447</u>	<u>15</u>
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	2,407,157	7	2,563,037	7
General and administrative expenses	1,486,730	4	1,378,017	3
Research and development expenses	1,489,427	4	1,490,297	4
Expected credit loss (reversed) recognized (Note 8)	<u>(5,632)</u>	<u>-</u>	<u>8,243</u>	<u>-</u>
Total operating expenses	<u>5,377,682</u>	<u>15</u>	<u>5,439,594</u>	<u>14</u>
OTHER OPERATING INCOME AND EXPENSES (Note 19)	<u>-</u>	<u>-</u>	<u>(300)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>1,294,978</u>	<u>4</u>	<u>230,553</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 19 and 24)				
Interest income	256,021	1	154,479	-
Other income	204,266	1	222,189	1
Other gains and losses	94,945	-	455,793	1
Finance costs	(557,760)	(2)	(372,672)	(1)
Share of profit of associates	<u>12,739</u>	<u>-</u>	<u>20,914</u>	<u>-</u>
Total non-operating income and expenses	<u>10,211</u>	<u>-</u>	<u>480,703</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,305,189	4	711,256	2
INCOME TAX EXPENSE (Note 20)	<u>(424,207)</u>	<u>(1)</u>	<u>(373,105)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>880,982</u>	<u>3</u>	<u>338,151</u>	<u>1</u>

(Continued)



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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 16 and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 39,242	-	\$ 95,656	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(108,916)	-	33,036	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(8,076)	-	(19,292)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(196,839)	(1)	1,383,084	4
Income tax related to items that may be reclassified subsequently to profit or loss	39,368	-	(276,617)	(1)
Other comprehensive loss for the year, net of income tax	(235,221)	(1)	1,215,867	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 645,761	2	\$ 1,554,018	4
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 880,982	3	\$ 338,151	1
Non-controlling interests	-	-	-	-
	\$ 880,982	3	\$ 338,151	1
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 645,761	2	\$ 1,554,020	4
Non-controlling interests	-	-	(2)	-
	\$ 645,761	2	\$ 1,554,018	4
EARNINGS PER SHARE (Note 21)				
Basic	\$ 0.92		\$ 0.35	
Diluted	\$ 0.92		\$ 0.35	

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 9,094,100	\$ 41	\$ 3,308,030	\$ 1,601,002	\$ 6,705,592	\$ (2,319,788)	\$ 348,793	\$ 18,737,770	\$ 18	\$ 18,737,788
Appropriations of 2021 earnings										
Legal reserve	-	-	90,746	-	(90,746)	-	-	-	-	-
Special reserve	-	-	-	369,993	(369,993)	-	-	-	-	-
Cash dividends to shareholders - NT\$1.00 per share	-	-	-	-	(909,410)	-	-	(909,410)	-	(909,410)
Net profit for the year ended December 31, 2022	-	-	-	-	338,151	-	-	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	(2)	1,215,867
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	414,515	1,106,469	33,036	1,554,020	(2)	1,554,018
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	16	19,382,396
Appropriations of 2022 earnings										
Legal reserve	-	-	41,452	-	(41,452)	-	-	-	-	-
Special reserve	-	-	-	(1,139,505)	1,139,505	-	-	-	-	-
Cash dividends to shareholders - NT\$0.50 per share	-	-	-	-	(454,705)	-	-	(454,705)	-	(454,705)
Share dividends distributed by the Company - NT\$0.50 per share	454,800	-	-	-	(454,800)	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	880,982	-	-	880,982	-	880,982
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	31,166	(157,471)	(108,916)	(235,221)	-	(235,221)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	912,148	(157,471)	(108,916)	645,761	-	645,761
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	(4,309)	-	4,309	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(15)	-	-	(15)	(16)	(31)
BALANCE AT DECEMBER 31, 2023	\$ 9,548,900	\$ 41	\$ 3,440,228	\$ 831,490	\$ 6,846,330	\$ (1,370,790)	\$ 277,222	\$ 19,573,421	\$ -	\$ 19,573,421

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,305,189	\$ 711,256
Adjustments for		
Depreciation expense	1,797,187	1,829,400
Amortization expense	15,490	13,744
Expected credit loss recognized (reversed)	(5,632)	8,243
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	5	513
Finance costs	557,760	372,672
Interest income	(256,021)	(154,479)
Dividend income	(46,832)	(66,517)
Share of profit of associates	(12,739)	(20,914)
Net gain on disposal of property, plant and equipment	(2,814)	(644)
Reversal of impairment loss on non-financial assets	(45,341)	(29,810)
Net gain on foreign currency exchange	(99,199)	(274,423)
Changes in operating assets and liabilities		
Notes receivable	(14,978)	83,331
Trade receivables	390,226	(45,078)
Other receivables	(9,451)	(50,123)
Inventories	2,737,440	1,222,372
Prepayments	17,699	233,546
Other current assets	21,122	5,773
Contract liabilities	(6,762)	(64,703)
Notes payable	(65,216)	(36,546)
Trade payables	(90,378)	(1,624,692)
Other payables	146,588	(205,368)
Other current liabilities	62,848	(1,393)
Net defined benefit liabilities	(23,840)	(57,816)
Other non-current liabilities	(938)	8,683
Cash generated from operations	6,371,413	1,857,027
Interest received	202,632	139,309
Dividends received	64,136	49,620
Interest paid	(548,364)	(332,347)
Income tax paid	(469,946)	(395,908)
Net cash generated from operating activities	<u>5,619,871</u>	<u>1,317,701</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(764,567)	(1,298,372)
Proceeds from disposal of property, plant and equipment	20,033	51,737
Increase in refundable deposits	(111,917)	(146,852)
Decrease in refundable deposits	123,654	184,972
Payments for intangible assets	(16,190)	(15,027)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2023	2022
(Increase) decrease in other financial assets	\$ (667,076)	\$ 349,969
Increase in prepayments for equipment	<u>(172,249)</u>	<u>(604,587)</u>
Net cash used in financing activities	<u>(1,588,312)</u>	<u>(1,478,160)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(1,291,396)	495,859
Proceeds from long-term borrowings	20,372,214	27,332,855
Repayments of long-term borrowings	(22,233,039)	(27,232,710)
Proceeds from guarantee deposits received	232,204	243,680
Refund of guarantee deposits received	(6,625)	(1,596)
Repayment of the principal portion of lease liabilities	(174,078)	(104,690)
Cash dividends	(454,705)	(909,410)
Changes in percentage of ownership interests in subsidiaries	<u>(31)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,555,456)</u>	<u>(176,012)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>3,864</u>	<u>245,887</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	479,967	(90,584)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>7,057,133</u>	<u>7,147,717</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 7,537,100</u>	<u>\$ 7,057,133</u>

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

(Concluded)

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

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

---

### **1. GENERAL INFORMATION**

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

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

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

### **2. AUTHORIZATION OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on March 11, 2024.

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

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

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

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

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

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

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

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

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

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

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

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

d. Reclassification

Regarding the bank deposits repatriated for the use of substantial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act., the relevant restrictions on the bank deposits do not change the nature of the deposits. In order to reflect the nature in substance, the other non-current financial assets, which amounted to \$897,482 thousand on December 31, 2023, were reclassified to cash and cash equivalents. Additionally, for consistent presentation, the other non-current financial assets were reclassified to cash and cash equivalents with a carrying amount of \$1,049,412 thousand and \$1,194,935 thousand on December 31, 2022 and January 1, 2022. After the reclassification, the total amount of current assets increased by \$1,049,412 thousand and \$1,194,935 thousand, respectively; the net cash used in operating activities of the cash flow statement for the year ended December 31, 2022 increased by \$145,523 thousand, while the net increase in cash and cash equivalents decreased by \$145,523 thousand. Refer to Notes 6 and 10 for the disclosure after the reclassification.

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

c. 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 Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. 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 and associates 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 balance sheet date; 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, attributed to the owners of the Company and non-controlling interests as appropriate.



f. 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.

g. Invest in affiliated companies

Affiliated enterprises refer to enterprises that have significant influence on the merged company, but are not subsidiaries or joint ventures. The merged company adopts the equity method for investing in affiliated companies. Under the equity method, invest in affiliated enterprise recognized at initially cost, and the book value after acquisition will increase or decrease with the combined company's share of the affiliated enterprise's profit or loss, other comprehensive income or loss, and profit distribution. In addition, changes in the equity of related companies are recognized on a shareholding basis.

h. 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 reporting period, 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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

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

j. 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 reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each balance sheet date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 receivables, 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 Group 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 Group'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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group 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 Group 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 Group determines the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- 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 Group 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 Group 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

## 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.

## m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## n. Revenue recognition

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

### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of tires and tubes for vehicles, and other related products. The Group recognizes revenue and trade receivables 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.

## o. Leases

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

### 1) The Group 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 Group as lessee

The Group 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 consolidated 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 Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group 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 Group 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 Group 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 Group 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 consolidated balance sheets.

### p. 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.

### q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group 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 Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

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.

r. 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 Group's defined benefit plans.

s. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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 Group 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 Group expects, at the end of the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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

### 3) Current and deferred taxes

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

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

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

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



## Key Sources of Estimation Uncertainty

### Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 7,658	\$ 6,904
Checking accounts and demand deposits	6,061,461	6,068,674
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>1,467,981</u>	<u>981,555</u>
	<u>\$ 7,537,100</u>	<u>\$ 7,057,133</u>

The market rate of time deposits with original maturities of 3 months or less at the end of the year were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Time deposits with original maturities of 3 months or less	0.30%-5.38%	0.30%-4.20%

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	\$ 339,551	\$ 385,358
Foreign unlisted shares	<u>73,466</u>	<u>136,085</u>
	<u>\$ 413,017</u>	<u>\$ 521,443</u>

These investments in equity instruments are held for 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 Group's strategy of holding these investments for long-term purposes.

## 8. NOTES AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost	\$ 213,243	\$ 198,265
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,394,679	\$ 3,793,908
Less: Allowance for impairment loss	<u>(69,762)</u>	<u>(80,296)</u>
	<u>\$ 3,324,917</u>	<u>\$ 3,713,612</u>

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

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

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

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

### December 31, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 3,187,097	\$ 263,117	\$ 42,688	\$ 42,468	\$ 13,303	\$ 1,099	\$ 58,150	\$ 3,607,922
Loss allowance (Lifetime ECLs)	<u>(651)</u>	<u>(1,922)</u>	<u>(1,576)</u>	<u>(3,258)</u>	<u>(4,149)</u>	<u>(510)</u>	<u>(57,697)</u>	<u>(69,762)</u>
Amortized cost	<u>\$ 3,186,446</u>	<u>\$ 261,196</u>	<u>\$ 41,112</u>	<u>\$ 39,210</u>	<u>\$ 9,154</u>	<u>\$ 589</u>	<u>\$ 453</u>	<u>\$ 3,538,160</u>

### December 31, 2022

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 80,296	\$ 94,106
Add: Net remeasurement of loss allowance	(5,850)	8,264
Less: Amounts written off	(5,129)	(25,594)
Foreign exchange gains and losses	<u>445</u>	<u>3,520</u>
Balance at December 31	<u>\$ 69,762</u>	<u>\$ 80,296</u>

Refer to Note 25 for information relating to notes and trade receivables pledged as security.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 3,661,573	\$ 4,471,764
Work in progress	903,179	1,147,512
Raw materials	4,284,689	5,538,764
Supplies	471,187	498,951
Merchandise	82,064	79,311
Inventory in transit	<u>275,599</u>	<u>593,853</u>
	<u>\$ 9,678,291</u>	<u>\$ 12,330,155</u>

The cost of revenue associated with inventories was \$27,771,016 thousand and \$32,947,434 thousand for the years ended December 31, 2023 and 2022, respectively. The cost of revenue consisted of the reversal of inventory write-downs of \$45,341 thousand and \$29,810 thousand, respectively, which were mainly attributed to inventory sold.

Refer to Note 25 for information relating to inventories pledged as security.

## 10. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Time deposits with original maturities more than 3 months	\$ 2,440,230	\$ 1,624,010
Others	<u>2,177</u>	<u>2,208</u>
	<u>\$ 2,442,407</u>	<u>\$ 1,626,218</u>
<u>Non-current</u>		
Time deposits with original maturities more than 1 year	<u>\$ 693,860</u>	<u>\$ 881,745</u>

The market rate of time deposits at the end of the year were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Time deposits	2.00%-5.75%	2.10%-5.44%

Refer to Note 23 for information relating to credit risk management and valuation. Refer to Note 25 for information relating to other financial assets pledged as security.

## 11. SUBSIDIARIES

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2023	2022	
The Company	American Kenda Rubber Ind. Co., Ltd. (KA)	Trading and investing activities	100.00	100.00	-
	Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK)	Trading and investing activities	100.00	100.00	-
	Kenda Rubber (Vietnam) Co., Ltd. (KV)	Manufacturing and selling of various types of tires	100.00	100.00	-
	Kenda Rubber Industrial Co. (Europe GmbH) (KE)	Marketing planning activities	100.00	100.00	-
	Kenda International Corporation Co., Ltd. (KIC)	Investing activities	100.00	100.00	-
	Kenfong Industrial Co., Ltd. (KF)	Manufacturing and selling of various types of tires	100.00	100.00	-
	Pt. Kenda Rubber Indonesia (KI)	Manufacturing and selling of various types of tires	99.99	99.99	-
KF	KI	Manufacturing and selling of various types of tires	0.01	-	*
KA	Americana Development, Inc. (ADI)	Manufacturing of rims and distribution and selling of wheels and rims	100.00	100.00	-
KHK	Kenda Rubber (Shenzhen) Ltd. (KS)	Manufacturing and selling of various types of tires	60.00	60.00	-
	Kenda Rubber (Tianjin) Co., Ltd. (KT)	Manufacturing and selling of various types of tires	13.64	13.64	-
KIC	Kenda Global Holding Co., Ltd. (KGH)	Investing activities	100.00	100.00	-
	Kenda Global Investment Corporation (KGI)	Investing activities	100.00	100.00	-
KGI	STARCO Europe A/S	Investing activities	100.00	100.00	-
KGH	Kenda Global (China) Investment Corporation (KGCI)	Investing activities	100.00	100.00	-
	Kenda Rubber (Shenzhen) Ltd. (KS)	Manufacturing and selling of various types of tires	40.00	40.00	-
KGCI	Kenda Rubber (Tianjin) Co., Ltd. (KT)	Manufacturing and selling of various types of tires	86.36	86.36	-
	Kenda Rubber (China) Ltd. (KC)	Manufacturing and selling of various types of tires	100.00	100.00	-
STARCO Europe A/S	STARCO GB Ltd.	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO GmbH	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO Polska Sp.z.o.o.	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO NV	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO GS AG	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO Baltic OÜ	Distribution and selling of various types of tires and rims	100.00	100.00	-
	STARCO SAS	Distribution and selling of various types of tires and rims	100.00	100.00	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2023	2022	
	STARCO Beli Manastir d.o.o.	Manufacturing of various types of rims	100.00	100.00	-
	STARCO DML	Manufacturing and distribution and selling of tires and rims	100.00	100.00	-
	Jelshoj Imovina d.o.o. (Jelshoj Imovina)	Investing activities	100.00	100.00	-

(Concluded)

\* In response to operational needs, the Group acquired a 0.01% ownership interest in KI from a related party (Note 24), resulting in an increase in the Group's ownership interest in KI from 99.99% to 100%. As this transaction did not change the Group's control over KI, the Group treated it as an equity transaction.

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 2,570,600	\$ 7,421,310	\$ 20,368,208	\$ 2,366,580	\$ 674,235	\$ 33,400,933
Additions	-	16,370	189,492	49,044	470,531	725,437
Disposals	-	(11,852)	(94,712)	(21,587)	-	(128,151)
Reclassification	-	22,988	286,039	34,958	(123,728)	220,257
Effects of foreign currency exchange differences	3,550	(30,163)	(104,079)	(7,248)	(10,700)	(148,640)
Balance at December 31, 2023	<u>\$ 2,574,150</u>	<u>\$ 7,418,653</u>	<u>\$ 20,644,948</u>	<u>\$ 2,421,747</u>	<u>\$ 1,010,338</u>	<u>\$ 34,069,836</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2023	\$ -	\$ 2,956,557	\$ 12,362,602	\$ 1,747,447	\$ -	\$ 17,066,606
Depreciation expense	-	215,244	1,253,684	147,737	-	1,616,665
Disposals	-	(10,737)	(79,224)	(20,626)	-	(110,587)
Reclassification	-	-	1,193	(1,193)	-	-
Effects of foreign currency exchange differences	-	(26,814)	(107,498)	(8,249)	-	(142,561)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 3,134,250</u>	<u>\$ 13,430,757</u>	<u>\$ 1,865,116</u>	<u>\$ -</u>	<u>\$ 18,430,123</u>
Carrying amount at January 1, 2023	<u>\$ 2,570,600</u>	<u>\$ 4,464,753</u>	<u>\$ 8,005,606</u>	<u>\$ 619,133</u>	<u>\$ 674,235</u>	<u>\$ 16,334,327</u>
Carrying amount at December 31, 2023	<u>\$ 2,574,150</u>	<u>\$ 4,284,403</u>	<u>\$ 7,214,191</u>	<u>\$ 556,631</u>	<u>\$ 1,010,338</u>	<u>\$ 15,639,713</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 2,553,547	\$ 7,290,758	\$ 17,895,065	\$ 2,174,697	\$ 167,013	\$ 30,081,080
Additions	-	76,190	357,048	59,560	785,144	1,277,942
Disposals	-	(322,895)	(186,486)	(20,951)	-	(530,332)
Reclassification	-	51,366	1,414,358	69,992	(288,716)	1,247,000
Effects of foreign currency exchange differences	17,053	325,891	888,223	83,282	10,794	1,325,243
Balance at December 31, 2022	<u>\$ 2,570,600</u>	<u>\$ 7,421,310</u>	<u>\$ 20,368,208</u>	<u>\$ 2,366,580</u>	<u>\$ 674,235</u>	<u>\$ 33,400,933</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Accumulated depreciation and impairment						
Balance at January 1, 2022	\$ -	\$ 2,961,706	\$ 10,834,118	\$ 1,553,246	\$ -	\$ 15,349,070
Depreciation expense	-	218,345	1,245,258	159,755	-	1,623,358
Disposals	-	(322,805)	(139,444)	(16,990)	-	(479,239)
Effects of foreign currency exchange differences	-	99,311	422,670	51,436	-	573,417
Balance at December 31, 2022	\$ -	\$ 2,956,557	\$ 12,362,602	\$ 1,747,447	\$ -	\$ 17,066,606
Carrying amount at January 1, 2022	\$ 2,553,547	\$ 4,329,052	\$ 7,060,947	\$ 621,451	\$ 167,013	\$ 14,732,010
Carrying amount at December 31, 2022	\$ 2,570,600	\$ 4,464,753	\$ 8,005,606	\$ 619,133	\$ 674,235	\$ 16,334,327

(Concluded)

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

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

A portion of the land for operational use in Chongyang section of Yuanlin City and Citong Township of Yunlin County is categorized as agricultural and 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 prepayments for machinery and equipment of \$423,181 thousand and \$473,177 thousand as of December 31, 2023 and 2022 were presented in other non-current assets.

Property, plant and equipment pledged as collateral for borrowings are set out in Note 25.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Land	\$ 1,386,673	\$ 1,421,851
Buildings	298,919	316,859
Machinery and equipment	11,670	19,867
Other equipment	<u>13,740</u>	<u>17,409</u>
	<u>\$ 1,711,002</u>	<u>\$ 1,775,986</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	\$ <u>128,708</u>	\$ <u>296,282</u>
Depreciation charge for right-of-use assets		
Land	\$ 30,467	\$ 69,260
Buildings	125,464	85,330
Machinery and equipment	16,905	43,616
Other equipment	<u>7,686</u>	<u>6,683</u>
	<u>\$ 180,522</u>	<u>\$ 204,889</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	\$ <u>168,684</u>	\$ <u>164,466</u>
Non-current	\$ <u>478,124</u>	\$ <u>515,201</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	3.00%	3.00%
Buildings	2.75%-3.20%	2.75%-3.20%
Machinery and equipment	2.75%-3.20%	2.75%-3.20%
Other equipment	2.75%-3.20%	2.75%-3.20%

c. Material leasing activities and terms

KS, KC, and KT signed land use right contracts with Longhua, Penglant, Kunshan, and Tianjin government in mainland China, respectively; the periods of the land use right contracts are between 40 and 50 years. KV signed a land use right contract with Jiangtian Industrial Zone, Dong Nai Province in Vietnam; the period of the land use right contract is between 33 and 43 years.

The land use right contracts stipulated that the above companies have the rights to use, to make profit from, to transfer, to sublet and have other rights to dispose, and should pay taxes associated with using the land. The land use right contracts permit lessee to construct factories, office buildings and employees' dormitories on the land.

KI signed a land use right contract with the government of Serang, Banten Province in Indonesia. The land use right contract permits KI to construct factories, office buildings and employees' dormitories on the land.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ 121,279	\$ 84,737
Expenses relating to low-value asset leases	\$ 79	\$ 102
Total cash outflow for leases	<u>\$ 312,339</u>	<u>\$ 199,051</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Lease commitments	<u>\$ 805,901</u>	<u>\$ 847,431</u>

#### 14. INVESTMENT PROPERTIES

	<b>Right-of-use Assets</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 32,917
Transferred from right-of-use assets	2,477
Effects of foreign currency exchange differences	<u>(587)</u>
Balance at December 31, 2023	<u>\$ 34,807</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 6,307
Transferred from right-of-use assets	321
Effects of foreign currency exchange differences	<u>(108)</u>
Balance at December 31, 2023	<u>\$ 6,520</u>
Carrying amount at December 31, 2023	<u>\$ 28,287</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 32,410
Effects of foreign currency exchange differences	<u>507</u>
Balance at December 31, 2022	<u>\$ 32,917</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 5,081
Depreciation expense	1,153
Effects of foreign currency exchange differences	<u>73</u>
Balance at December 31, 2022	<u>\$ 6,307</u>
Carrying amount at December 31, 2022	<u>\$ 26,610</u>



Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Right-of-use assets 40-50 years

Due to the urbanization policy of future city development in Shenzhen, KS entered into a collaboration agreement with Kaisa Urban Renewal Group (“Kaisa”) in October 2014 for the development of KS’s land use rights. According to the agreement, KS’s industrial land will be transformed into new types of industrial, commercial, residential, and government subsidized buildings. The percentage of joint development and allocation of housing units is based on the agreement and subject to government approval. KS is responsible for relocating the original factories, terminating employees, etc. Whereas Kaisa is responsible for demolishing the buildings, measuring, assessing, verifying rights, planning, signing of compensation agreements, preparing and acquiring land, construction and development of the project.

However, KS reached a tripartite consensus with Kaisa and Shenzhen Heju Real Estate Co., Ltd. (hereinafter referred to as Heju) in June 2022. On the premise of protecting the original rights and interests of KS without increasing KS’s responsibilities, Heju undertook the first phase of the land development project based on the original property allocation ratio. Therefore, KS canceled part of the original agreement entered into with Kaisa in July 2022 to cancel the first phase of the land development project. Meanwhile, KS signed a collaboration agreement with Heju for the first phase of land development.

In accordance with the relevant regulations for land development projects in China, KS signed a land purchase agreement with the Heju and Shenzhen Urban Planning and Resources Bureau (hereinafter referred to as the Bureau) in September 2022. The Bureau first took back the land use rights, and then the Longhua District Government handed them over to Heju for urban development and construction in accordance with the relevant procedures. Currently, Heju Company is in the process of urban development and construction.

As of December 31, 2023, the Group received the guarantee deposits of CNY200,000 thousand (approximately NT\$867,325 thousand presented in other non-current liabilities) for the urban renewal project from Heju according to the agreement. The guaranteed amount will be refunded to Heju after the project is completed and delivered to KS.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to the Residual Land Value Method. The fair value as appraised was \$5,831,910 thousand and \$5,959,859 thousand for the years ended December 31, 2023 and 2022, respectively.

## 15. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured borrowings	\$ 2,952,442	\$ 4,337,200
Secured borrowings (Note 25) (1)	<u>406,299</u>	<u>253,073</u>
	<u>\$ 3,358,741</u>	<u>\$ 4,590,273</u>
Range of interest rates	1.45%-6.19%	0.60%-5.75%

b. Long-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured borrowings	\$ 12,730,623	\$ 13,479,372
Secured borrowings (Note 25) (1)	1,054,518	1,997,881
Project borrowing (2)	<u>141,764</u>	<u>276,930</u>
	13,926,905	15,754,183
Less: Current portion	<u>2,076,196</u>	<u>1,735,672</u>
Long-term borrowings	<u>\$ 11,850,709</u>	<u>\$ 14,018,511</u>
Range of interest rates	1.00%-6.88%	0.00%-5.75%
Maturity date	2024-2027 Years	2024-2027 Years

- 1) As stipulated in the loan agreements, the Company, KA, ADI and some of the subsidiaries of STARCO Europe A/S should pledge assets as collaterals and, additionally, maintain certain covenants related to financial ratios reviewed on a semi-annual or annual basis periodically. There was no breach of loan agreements associated with financial covenants as of December 31, 2023.
- 2) The Group participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally in September 2019. The Group expects to construct or expand factories and acquire machinery and equipment in Taiwan from 2019 to 2025. Any shortage of funds would be financed via bank borrowings.

## 16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and its subsidiaries in Taiwan 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.

The employees of the Group's subsidiaries in the United States, Vietnam, Indonesia, Europe and mainland China are members of state-managed retirement benefit plans operated by the governments. The subsidiaries are required to contribute specified percentages of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act 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 subsidiary in Indonesia adopted a defined benefit plan and the remeasurement of the plan is carried out by qualified actuaries in compliant with the local labor standards law.

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

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

Movements in net defined benefit liabilities were as follows:

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

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.20%	1.25%
Expected rate of salary increase	2.00%	2.00%

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

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

The above sensitivity analysis presented above 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.

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

## 17. EQUITY

### a. Ordinary shares

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

### 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(g).

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 2022 and 2021 were as follows:

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

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

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

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

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

## 18. REVENUE

### a. Revenue from contracts with customers

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Major goods/service lines</u>		
Motorcycle and bias tires	\$ 14,932,060	\$ 15,594,014
Radial tires	10,780,756	9,236,722
Bicycle tires	2,180,136	4,058,353
Tubes	1,275,487	2,522,191
Others	<u>5,275,237</u>	<u>7,206,601</u>
	<u>\$ 34,443,676</u>	<u>\$ 38,617,881</u>

### b. Contract balances

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Refund liabilities - current	<u>\$ 245,110</u>	<u>\$ 74,958</u>

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

## 19. NET PROFIT

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Dividend income	\$ 46,832	\$ 66,517
Others	<u>157,434</u>	<u>155,672</u>
	<u>\$ 204,266</u>	<u>\$ 222,189</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign currency exchange gains	\$ 112,429	\$ 481,082
Net gain on disposal of property, plant and equipment	2,814	644
Net loss on financial assets and financial liabilities at FVTPL	(5)	(513)
Others	<u>(20,293)</u>	<u>(25,420)</u>
	<u>\$ 94,945</u>	<u>\$ 455,793</u>

### c. Financial costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 541,529	\$ 364,119
Interest on lease liabilities	16,903	9,522
Less: Amounts included in the cost of qualifying assets	<u>(672)</u>	<u>(969)</u>
	<u>\$ 557,760</u>	<u>\$ 372,672</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 1,616,665	\$ 1,623,358
Right-of-use assets	180,522	204,889
Investment properties	-	1,153
Intangible assets	<u>15,490</u>	<u>13,744</u>
	<u>\$ 1,812,677</u>	<u>\$ 1,843,144</u>
An analysis of depreciation by function		
Operating costs	\$ 1,375,026	\$ 1,435,057
Operating expenses	<u>422,161</u>	<u>394,343</u>
	<u>\$ 1,797,187</u>	<u>\$ 1,829,400</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of amortization by function		
Operating costs	\$ 5,176	\$ 4,103
Operating expenses	<u>10,314</u>	<u>9,641</u>
	<u>\$ 15,490</u>	<u>\$ 13,744</u>
		(Concluded)

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits		
Salary expense	\$ 5,416,048	\$ 5,391,051
Labor/health insurance expense	<u>544,158</u>	<u>555,792</u>
	<u>5,960,206</u>	<u>5,946,843</u>
Post-employment benefits		
Defined contribution plans	309,828	327,535
Defined benefit plans	<u>4,678</u>	<u>6,134</u>
	<u>314,506</u>	<u>333,669</u>
Termination benefits	-	300
Other employee benefits	<u>233,117</u>	<u>221,684</u>
Total employee benefits expense	<u>\$ 6,507,829</u>	<u>\$ 6,502,496</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,725,155	\$ 3,832,611
Operating expenses	2,782,674	2,669,585
Other operating income and expenses	<u>-</u>	<u>300</u>
	<u>\$ 6,507,829</u>	<u>\$ 6,502,496</u>

f. Compensation of employees and remuneration of directors

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

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

If there is a change in the amounts after the annual consolidated financial statements are 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 consolidated financial statements for the years ended December 31, 2022 and 2021.

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

## 20. INCOME TAXES RELATING TO CONTINUING OPERATIONS.

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

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 437,736	\$ 384,630
Income tax on unappropriated earnings	30,153	-
Adjustments for prior years	<u>(11,197)</u>	<u>116,188</u>
	<u>456,692</u>	<u>500,818</u>
Deferred tax		
In respect of the current year	<u>(32,485)</u>	<u>(127,713)</u>
Income tax expense recognized in profit or loss	<u>\$ 424,207</u>	<u>\$ 373,105</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ 1,305,189</u>	<u>\$ 711,256</u>
Income tax expense calculated at the statutory rate	\$ 571,528	\$ 183,555
Nondeductible expenses in determining taxable income	(182,551)	25,961
Tax-exempt income	(9,366)	(9,922)
Investment tax credits	(16,176)	(16,405)
Income tax on unappropriated earnings	30,153	-
Adjustments for prior years' tax	(11,197)	116,188
Non-deductible withholding tax on overseas income	43,581	-
Temporary differences	3,652	68,129
Others	<u>(5,417)</u>	<u>5,599</u>
Income tax expense recognized in profit or loss	<u>\$ 424,207</u>	<u>\$ 373,105</u>

b. Income tax recognized in other comprehensive income

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

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Exchange differences on translation of the financial statements of foreign operations	\$ 121,922	\$ -	\$ 39,368	\$ -	\$ 161,290
Property, plant and equipment	57,947	4,422	-	(1,035)	61,334
Unrealized loss on inventories	36,562	(8,341)	-	(57)	28,164
Unrealized gains on intercompany sales	14,714	4,589	-	-	19,303
Defined benefit obligations	14,018	-	(8,076)	-	5,942
Loss carryforwards	21,656	2,752	-	151	24,559
Others	<u>182,861</u>	<u>70,374</u>	<u>-</u>	<u>(184)</u>	<u>253,051</u>
	<u>\$ 449,680</u>	<u>\$ 73,796</u>	<u>\$ 31,292</u>	<u>\$ (1,125)</u>	<u>\$ 553,643</u>
<u>Deferred tax liabilities</u>					
Reserve for land value increment tax	\$ 208,226	\$ -	\$ -	\$ -	\$ 208,226
Share of profit of associates	171,441	-	-	-	171,441
Deferred depreciation expense	167,306	(5,887)	-	386	161,805
Others	<u>55,801</u>	<u>47,198</u>	<u>-</u>	<u>438</u>	<u>103,437</u>
	<u>\$ 602,774</u>	<u>\$ 41,311</u>	<u>\$ -</u>	<u>\$ 824</u>	<u>\$ 644,909</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Exchange differences on translation of the financial statements of foreign operations	\$ 398,539	\$ -	\$ (276,617)	\$ -	\$ 121,922
Loss carryforwards	89,087	(74,867)	-	7,436	21,656
Property, plant and equipment	50,706	6,484	-	757	57,947
Unrealized loss on inventories	47,468	(14,089)	-	3,183	36,562
Unrealized gains on intercompany sales	10,157	4,557	-	-	14,714
Defined benefit obligations	33,310	-	(19,292)	-	14,018
Others	<u>120,545</u>	<u>50,163</u>	<u>-</u>	<u>12,153</u>	<u>182,861</u>
	<u>\$ 749,812</u>	<u>\$ (27,752)</u>	<u>\$ (295,909)</u>	<u>\$ 23,529</u>	<u>\$ 449,680</u>

Deferred tax liabilities

Reserve for land value increment tax	\$ 208,226	\$ -	\$ -	\$ -	\$ 208,226
Deferred depreciation expense	117,363	35,986	-	13,957	167,306
Share of profit of associates	372,061	(200,620)	-	-	171,441
Others	<u>44,907</u>	<u>9,169</u>	<u>-</u>	<u>1,725</u>	<u>55,801</u>
	<u>\$ 742,557</u>	<u>\$ (155,465)</u>	<u>\$ -</u>	<u>\$ 15,682</u>	<u>\$ 602,774</u>

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets are as follows

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Unused loss carryforwards</u>		
KT		
Expire in 2027	\$ 534,324	\$ 543,208
Expire in 2028	367,329	373,437
Expire in 2029	236,671	240,606
Expire in 2030	114,942	116,853
Expire in 2031	196,549	199,817
Expire in 2032	182,238	185,268
Expire in 2033	<u>159,449</u>	<u>-</u>
	<u>\$ 1,257,178</u>	<u>\$ 1,115,981</u>

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
KS		
Expire in 2030	\$ 863,521	\$ 877,878
Expire in 2031	163,634	166,354
Expire in 2032	115,185	117,100
Expire in 2033	<u>97,770</u>	<u>-</u>
	<u>\$ 1,240,040</u>	<u>\$ 1,161,332</u>
KI		
Expire in 2023	\$ -	\$ 237,503
Expire in 2024	153,145	106,454
Expire in 2025	37,012	-
Expire in 2026	10,044	-
Expire in 2027	4,761	-
Expire in 2028	<u>139,108</u>	<u>-</u>
	<u>\$ 344,070</u>	<u>\$ 343,957</u>
		(Concluded)

e. Income tax assessments

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

f. Pillar Two income taxes bill

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

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

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

## 21. EARNINGS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic and diluted earnings per share	\$ 0.92	\$ 0.35

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

**Unit: NT\$ Per Share**

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic and diluted earnings per share	\$ 0.37	\$ 0.35

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

Net profit for the year

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

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

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

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares 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 Group requires to maintain an adequate level of capital to expand and optimize facilities and equipment. The Group's capital management strategy aims to ensure that the necessary financial resources and operating 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 consolidated balance sheet. The management of the Group considered the carrying amounts of financial assets and liabilities not measured at fair value on the consolidated balance sheet approximate the fair value.

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

#### 1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ <u>1,314</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,314</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic and foreign unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>413,017</u>	\$ <u>413,017</u>

December 31, 2022

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

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets at FVTOCI - equity instruments</u>		
Balance at January 1	\$ 521,443	\$ 479,634
Recognized in other comprehensive income	(108,916)	33,036
Settlements	(4,309)	-
Effects of exchange rate difference	<u>4,799</u>	<u>8,773</u>
Balance at December 31	<u>\$ 413,017</u>	<u>\$ 521,443</u>

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Listed shares	\$ 1,314	\$ 1,319
Financial assets at amortized cost (Note 1)	14,722,958	13,956,654
Financial assets at FVTOCI		
Equity instruments	413,017	521,443
<u>Financial liabilities</u>		
Amortized cost (Note 2)	22,116,697	25,197,086

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 and long-term borrowings (including the current portion), notes payable, trade and other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Group'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 Group 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 Group'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 Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 27.

Sensitivity analysis

The Group is mainly exposed to the USD.

The sensitivity analysis measures the effect of a 1% increase and decrease in the New Taiwan dollar and CNY (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. The pre-tax profit in 2023 and 2022 would have increased/decreased by \$43,699 thousand and \$48,946 thousand had the New Taiwan dollar and CNY strengthened/weakened by 1% against the USD.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. The Group's interest rate risk is resulted from cash and cash equivalents. Specifically, the Group 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 Group to fair value interest risk. The Group considers the overall interest rate trends and adjusts the portfolio of fixed and floating rate instruments accordingly.

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 3,908,211	\$ 1,921,666
Financial liabilities	3,194,542	5,284,212
Cash flow interest rate risk		
Financial assets	6,757,436	7,623,776
Financial liabilities	14,737,912	15,739,911

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$7,980 thousand and \$8,116 thousand, respectively.



c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would both have increased/decreased by \$66 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by \$20,651 thousand and \$26,072 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 Group. At the end of the year, the Group'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 receivables, the Group 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 Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced. The Group writes off trade receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

3) Liquidity risk

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

The Group 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 Group 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 Group'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 Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 3,896,981	\$ -	\$ -
Lease liabilities	168,684	255,769	222,355
Variable interest rate liabilities	4,825,509	10,653,681	-
Fixed interest rate liabilities	<u>1,215,615</u>	<u>1,377,581</u>	<u>-</u>
	<u>\$ 10,106,789</u>	<u>\$ 12,287,031</u>	<u>\$ 222,355</u>

December 31, 2022

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

b) Financing facilities

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Secured bank overdraft facilities:		
Amount used	\$ 5,827	\$ 6,546
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 5,827</u>	<u>\$ 6,546</u>

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank borrowing facilities		
Amount used	\$ 16,224,471	\$ 18,640,567
Amount unused	<u>17,890,772</u>	<u>14,119,467</u>
	<u>\$ 34,115,243</u>	<u>\$ 32,760,034</u>
Secured bank loan facilities which may be extended by mutual agreements:		
Amount used	\$ 1,055,348	\$ 1,697,343
Amount unused	<u>2,896,548</u>	<u>2,294,661</u>
	<u>\$ 3,951,896</u>	<u>\$ 3,992,004</u>

(Concluded)

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2023 and 2022, the face amounts of these unsettled bills receivable were \$583,897 thousand and \$635,549 thousand, respectively. The unsettled bills receivable will be due in 12 months after the balance sheet date. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2023 and 2022, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

## 24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Kenlight Trading Corp.	Other related party
Kenjou Co., Ltd.	Other related party
TotalEnergies Marketing Taiwan Ltd. (formerly known as Total Lubricants Taiwan Ltd.)	Other related party
Kenstone Metal Co., Ltd.	Other related party (before June 2022)

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Honko Technical Lubricants (Kunshan) Co., Ltd.	Other related party
Kenstone Metal (K.S.) Co., Ltd.	Other related party
GronBla CO., LTD.	Other related party
Americana Development Holding (ADH)	Other related party
Yang & Company, LLC (Y&C)	Other related party
Haro Bikes Corp. (HBC)	Other related party
Greentech Holding Corp. (GHC)	Other related party
STARCO Huanmei	Associate
Yang, Ying-Ming	Director of the Company
	(Concluded)

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

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2023	2022
Sales of goods	Other related parties	\$ 1,479	\$ 17,331

c. Purchases

Related Party Category	<u>For the Year Ended December 31</u>	
	2023	2022
Other related parties	\$ 141,492	\$ 176,967
Associates	<u>151,319</u>	<u>126,975</u>
	<u>\$ 292,811</u>	<u>\$ 303,942</u>

d. Receivables from related parties

Line Item	Related Party Category	<u>December 31</u>	
		2023	2022
Trade receivables	Other related parties	\$ 623	\$ 752
Other receivables	Other related parties	<u>588</u>	<u>1,077</u>
		<u>\$ 1,211</u>	<u>\$ 1,829</u>

e. Payables to related parties

Line Item	Related Party Category	<u>December 31</u>	
		2023	2022
Trade payables	Other related parties	\$ 58,592	\$ 61,395
Trade payables	Associates	38,668	29,145
Other payables	Other related parties	<u>8,753</u>	<u>7,195</u>
		<u>\$ 106,013</u>	<u>\$ 97,735</u>

f. Others

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Manufacturing expense	Other related parties	\$ 17,277	\$ 17,116
Operating expense	Other related parties	2,240	1,961
Operating expense	Associates	<u>1,097</u>	<u>-</u>
		<u>\$ 20,614</u>	<u>\$ 19,077</u>

g. Lease arrangements - the Group is lessee

The Group leased offices and warehouses from other related parties and paid rent based on local rent levels on a monthly basis.

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Lease expense</u>		
Other related parties		
ADH	\$ 16,564	\$ 15,838
Y&C	10,026	9,586
Others	<u>3,281</u>	<u>3,050</u>
	<u>\$ 29,871</u>	<u>\$ 28,474</u>

h. Lease arrangements - Group is lessor

The Group leased warehouses to other related parties and received rent based on local rent levels on a monthly basis.

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Lease income</u>		
Other related parties		
HBC	<u>\$ 3,600</u>	<u>\$ 2,118</u>

i. Acquisition of financial assets

For the year ended December 31, 2023

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Purchase Price
Director of the Company Yang, Ying-Ming`	Investments accounted for using the equity method	1,000	Shares of KI	<u>\$ 31</u>

j. Remuneration of key management personnel

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

## 25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

KA's operating assets, including but not limited to cash and cash equivalents, trade receivables, inventories, property, plant and equipment and intangible assets, were pledged as collateral for bank borrowings, and lien was placed by the banks correspondingly. The above assets were \$7,518,638 thousand and \$8,293,633 thousand as of December 31, 2023 and 2022, respectively.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Trade receivables	\$ 15,009	\$ 24,611
Property, plant and equipment	162,800	164,510
Restricted deposits and guarantees	<u>51,658</u>	<u>57,127</u>
	<b><u>\$ 229,467</u></b>	<b><u>\$ 246,248</u></b>

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

	<b>December 31</b>	
<b>Item</b>	<b>2023</b>	<b>2022</b>
Machinery and equipment	<u>\$ 190,741</u>	<u>\$ 302,612</u>

b. Contingencies

1) Products liability insurance

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

- 2) The Company had entered into an exclusive agency contract with Gabjohn for the product distributed in Nigeria. Due to circumstances related to local sales, the Company switched to other agencies to distribute products in Nigeria. Consequently, Gabjohn filed a lawsuit against the Company for breach of exclusive agency contract and demanded \$90,000 thousand (NGN500,000 thousand) as compensation. The Company signed an attorney agreement with Tommy & Jason International Intellectual Property Rights Co., Ltd. (collectively as Tommy & Jason), which then engaged a lawyer in the local intellectual Property Office, Adeniji Kazeem & Co., to handle the litigation and regularly reported the related proceedings. The lawsuit is currently awaiting in the High Court of Nigeria. Upon the date of issuance of the financial statements for the year ended December 31, 2023, the outcome of the dispute cannot be predicted with sufficient reliability.
- 3) The U.S. Department of Commerce notified Kenda in June 2019 of the review results of the U.S. anti-dumping duties on the total import price of car tires imported from China from August 2016 to July 2017. The review results are not applicable to all car tires imported from China. As a result of the anti-dumping tax re-examination, the anti-dumping tax rate was already raised from 8.72% to 64.57%. Kenda USA believes that this tax rate is unreasonable based on past experience, so it has appealed to the U.S. Federal Circuit Court. However, the Group has estimated the tax amount of about US\$7,778,000 and the related overdue interest of US\$789,000 in accordance with the above-mentioned tax rate in 2020.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 59,135	30.72 (USD:NTD)	\$ 1,816,333
USD	96,415	7.08 (USD:CNY)	2,961,399
CNY	88,000	0.14 (CNY:USD)	381,623
GBP	3,239	1.15 (GBP:EUR)	126,788
EUR	7,739	7.86 (EUR:CNY)	262,335
JPY	599,242	0.05 (JPY:CNY)	<u>130,515</u>
			<u>\$ 5,678,993</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,139	30.72 (USD:NTD)	\$ 157,858
USD	8,138	7.08 (USD:CNY)	249,967
EUR	484	33.90 (EUR:NTD)	16,442
EUR	654	7.86 (EUR: CNY)	22,173
IDR (in million)	19,305	0.06 (IDR:USD)	38,513
VND (in million)	172,611	0.04 (VND:USD)	218,525
GBP	743	1.15 (GBP:EUR)	<u>29,098</u>
			<u>\$ 732,556</u>

December 31, 2022

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

For the years ended December 31, 2023 and 2022, net foreign exchange gain were \$112,429 thousand and \$481,082 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 Group.

## **28. 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 (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) Intercompany relationships and significant intercompany transactions (Table 6)
  - 11) Information on investees (Table 7)
- 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 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (Table 6)
    - b) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (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 9)

## 29. SEGMENT INFORMATION

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

### a. Segment revenue and results

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

#### For the year ended December 31, 2023

	Asia	Regions Excluding Asia	Others	Adjustment and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$ 15,613,509	\$ 18,830,167	\$ -	\$ -	\$ 34,443,676
Segment revenue	<u>9,481,968</u>	<u>138,289</u>	<u>-</u>	<u>(9,620,257)</u>	<u>-</u>
	<u>\$ 25,095,477</u>	<u>\$ 18,968,456</u>	<u>\$ -</u>	<u>\$ (9,620,257)</u>	<u>\$ 34,443,676</u>
Interest income	<u>\$ 258,598</u>	<u>\$ 6,547</u>	<u>\$ 12,972</u>	<u>\$ (22,096)</u>	<u>\$ 256,021</u>
Finance costs	<u>\$ 367,265</u>	<u>\$ 218,908</u>	<u>\$ -</u>	<u>\$ (28,413)</u>	<u>\$ 557,760</u>
Depreciation and amortization	<u>\$ 1,463,780</u>	<u>\$ 359,845</u>	<u>\$ 17</u>	<u>\$ (10,965)</u>	<u>\$ 1,812,677</u>
Segment income (excluding share of profit of associates and other operating income and expenses)	<u>\$ 736,293</u>	<u>\$ 805,147</u>	<u>\$ 17,921</u>	<u>\$ (266,912)</u>	\$ 1,292,449
Share of profit of associates accounted for using the equity method					<u>12,739</u>
Profit before tax					<u>\$ 1,305,188</u>
Total assets					<u>\$ 43,726,227</u>

#### For the year ended December 31, 2022

	Asia	Regions Excluding Asia	Others	Adjustment and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$ 18,014,256	\$ 20,603,625	\$ -	\$ -	\$ 38,617,881
Segment revenue	<u>9,455,566</u>	<u>100,627</u>	<u>-</u>	<u>(9,556,193)</u>	<u>-</u>
	<u>\$ 27,469,822</u>	<u>\$ 20,704,252</u>	<u>\$ -</u>	<u>\$ (9,556,193)</u>	<u>\$ 38,617,881</u>
Interest income	<u>\$ 139,822</u>	<u>\$ 13,999</u>	<u>\$ 10,209</u>	<u>\$ (9,551)</u>	<u>\$ 154,479</u>
Finance costs	<u>\$ 251,774</u>	<u>\$ 137,115</u>	<u>\$ -</u>	<u>\$ (16,217)</u>	<u>\$ 372,672</u>
Depreciation and amortization	<u>\$ 1,538,720</u>	<u>\$ 324,946</u>	<u>\$ 16</u>	<u>\$ (20,538)</u>	<u>\$ 1,843,144</u>
Segment income (excluding share of profit of associates and other operating income and expenses)	<u>\$ 371,655</u>	<u>\$ 233,592</u>	<u>\$ 20,176</u>	<u>\$ 65,219</u>	\$ 690,642
Other operating income and expenses					(300)
Share of profit of associates accounted for using the equity method					<u>20,914</u>
Profit before tax					<u>\$ 711,256</u>
Total assets					<u>\$ 46,600,149</u>

Inter-segment revenue was accounted for according to market prices.

Segment profit represents the profit before tax earned by each segment without share of profit of associates, other operating income and expenses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Refer to Note 18 for information relating to revenue from contracts with customers.

b. Geographical information

The Group operates in four principal geographical areas - China, the United States, Taiwan and Vietnam.

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
USA	\$ 15,148,801	\$ 16,671,512	\$ 1,478,319	\$ 1,424,830
China	8,841,508	9,392,376	4,844,880	5,342,908
Taiwan	2,679,981	3,595,505	4,328,042	5,498,229
Vietnam	3,187,163	3,541,023	5,980,866	6,377,136
Others	<u>4,586,223</u>	<u>5,417,465</u>	<u>1,980,136</u>	<u>2,024,176</u>
	<u>\$ 34,443,676</u>	<u>\$ 38,617,881</u>	<u>\$ 18,612,243</u>	<u>\$ 20,667,279</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment properties and other non-current assets.

c. Information on major customers

There is no single customers contributing 10% or more to the Group's revenue for the years ended December 31, 2023 and 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(Concluded)

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Amount	Percentage of Ownership %	Fair Value (Note 1)	
The Company	<u>Shares and equity</u> China Development Financial Holding Corporation	-	Financial assets at FVTPL - current	105	\$ 1,314	0.00	\$ 1,314	-
	Kenjou Ind. Co., Ltd.	The chairman of Kenjou Ind. Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	7,382	297,911	10.86	297,911	-
	Chang Hwa Golf Co., Ltd.	-	Equity instruments at FVTOCI - non-current	30	388	0.08	388	-
	TotalEnergies Marketing Taiwan Ltd.	The chairman of Total Lubricants Taiwan Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	81	41,252	6.80	41,252	-
	BOMY (BVI) CO., LTD.	-	Equity instruments at FVTOCI - non-current	2,000	14,604	9.73	14,604	-
KGI	<u>Shares and equity</u> Kenjou Investment Co., Ltd.	The chairman of Kenjou Investment Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	1,703	58,862	13.00	58,862	-

Note: Fair value of domestic listed shares is determined based on its closing price on December 31, 2023.

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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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



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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2023**

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

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

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

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

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Details (Note 3)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	ADI	a	Sales revenue	\$ 966,930	(Note 4)	2.81
		KA	a	Sales revenue	257,495	(Note 4)	0.75
		KC	a	Sales revenue	8,943	(Note 4)	0.03
		KC	a	Service revenue	127,393	(Note 4)	0.37
		KF	a	Sales revenue	694,249	(Note 4)	2.02
		KF	a	Service revenue	29,819	(Note 4)	0.09
		KF	a	Rental income	7,541	(Note 4)	0.02
		KI	a	Sales revenue	24,630	(Note 4)	0.07
		KI	a	Service revenue	41,447	(Note 4)	0.12
		KS	a	Service revenue	16,873	(Note 4)	0.05
		KT	a	Sales revenue	11,851	(Note 4)	0.03
		KT	a	Service revenue	51,249	(Note 4)	0.15
		KV	a	Sales revenue	99,129	(Note 4)	0.29
		KV	a	Service revenue	258,777	(Note 4)	0.75
		KV	a	Other income	10,413	(Note 4)	0.03
			STARCO GB	a	Sales revenue	17,032	(Note 4)
	STARCO GmbH	a	Sales revenue	18,673	(Note 4)	0.05	
1	KC	ADI	c	Sales revenue	202,460	(Note 4)	0.59
		KA	c	Sales revenue	243,067	(Note 4)	0.71
		KS	c	Sales revenue	123,354	(Note 4)	0.36
		KT	c	Sales revenue	7,593	(Note 4)	0.02
		KT	c	Interest income	22,096	(Note 4)	0.06
		KV	c	Sales revenue	7,566	(Note 4)	0.02
		KF	c	Sales revenue	21,168	(Note 4)	0.06
		STARCO GB	c	Sales revenue	63,639	(Note 4)	0.18
		STARCO GS AG	c	Sales revenue	10,344	(Note 4)	0.03
		STARCO NV	c	Sales revenue	179,246	(Note 4)	0.52
	STARCO Polska Sp. Z.o.o.	c	Sales revenue	95,085	(Note 4)	0.28	
2	KT	ADI	c	Sales revenue	117,234	(Note 4)	0.34
		KS	c	Sales revenue	891,496	(Note 4)	2.59
		KF	c	Sales revenue	17,057	(Note 4)	0.05
		KC	c	Sales revenue	13,798	(Note 4)	0.04
		STARCO NV	c	Sales revenue	26,735	(Note 4)	0.08
		STARCO Polska Sp. Z.o.o.	c	Sales revenue	15,681	(Note 4)	0.05
		STARCO GS AG	c	Sales revenue	19,068	(Note 4)	0.06

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Details (Note 3)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
3	KI	KV	c	Sales revenue	\$ 34,502	(Note 4)	0.10
4	KA	The Company	b	Commission income	7,733	(Note 4)	0.02
5	KV	The Company	b	Sales revenue	11,545	(Note 4)	0.03
		ADI	c	Sales revenue	898,652	(Note 4)	2.61
		KI	c	Sales revenue	11,649	(Note 4)	0.03
		KA	c	Sales revenue	3,741,480	(Note 4)	10.86
		STARCO Beli Manastir d.o.o.	c	Sales revenue	7,560	(Note 4)	0.02
		STARCO GB	c	Sales revenue	12,770	(Note 4)	0.04
		KT	c	Sales revenue	7,736	(Note 4)	0.02
6	KE	The Company	b	Service revenue	137,570	(Note 4)	0.40
7	KS	KI	c	Service revenue	7,975	(Note 4)	0.02
0	The Company	ADI	a	Trade receivables	381,174	(Note 4)	0.87
		KC	a	Other receivables	12,170	(Note 4)	0.03
		KT	a	Other receivables	8,501	(Note 4)	0.02
		KI	a	Other receivables	13,564	(Note 4)	0.03
		KI	a	Trade receivables	21,978	(Note 4)	0.05
		KA	a	Other receivables	8,251	(Note 4)	0.02
		KA	a	Trade receivables	63,465	(Note 4)	0.15
		KV	a	Other receivables	24,199	(Note 4)	0.06
		KV	a	Trade receivables	22,971	(Note 4)	0.05
		KF	a	Trade receivables	189,396	(Note 4)	0.43
1	KC	ADI	c	Trade receivables	54,532	(Note 4)	0.12
		KT	c	Other receivables	646,157	(Note 4)	1.48
		KT	c	Other receivables	9,483	(Note 4)	0.02
		KA	c	Trade receivables	60,753	(Note 4)	0.14
		KS	c	Trade receivables	48,683	(Note 4)	0.11
		STARCO GB	c	Trade receivables	23,970	(Note 4)	0.05
		STARCO NV	c	Trade receivables	32,180	(Note 4)	0.07
		STARCO Polska Sp. Z.o.o.	c	Trade receivables	17,268	(Note 4)	0.04
2	KT	ADI	c	Trade receivables	42,893	(Note 4)	0.10
		KS	c	Trade receivables	184,490	(Note 4)	0.42
4	KA	The Company	b	Trade receivables	21,272	(Note 4)	0.05
5	KV	ADI	c	Trade receivables	326,736	(Note 4)	0.75
		KI	c	Trade receivables	11,442	(Note 4)	0.03
		KA	c	Trade receivables	1,314,253	(Note 4)	3.01

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Details (Note 3)			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
8	STARCO Europe A/S	STARCO GS AG	a	Trade receivables	\$ 69,726	(Note 4)	0.16
		STARCO GmbH	a	Trade receivables	94,299	(Note 4)	0.22
		STARCO Polska Sp.z.o.o.	a	Trade receivables	123,724	(Note 4)	0.28
		STARCO GB	a	Trade receivables	66,708	(Note 4)	0.15
		STARCO NV	a	Trade receivables	17,243	(Note 4)	0.04
9	STARCO Beli Manastir d.o.o.	STARCO GmbH	c	Trade receivables	10,174	(Note 4)	0.02
		STARCO Europe A/S	b	Trade receivables	26,035	(Note 4)	0.06
10	STARCO GmbH	STARCO Europe A/S	b	Trade receivables	12,136	(Note 4)	0.03
11	STARCO NV	STARCO Europe A/S	b	Trade receivables	51,967	(Note 4)	0.12
12	STARCO Polska Sp.z.o.o.	Jelshoj Imovina	c	Trade receivables	17,239	(Note 4)	0.04
13	STARCO DML	STARCO Europe A/S	b	Trade receivables	18,146	(Note 4)	0.04
14	STARCO GB	STARCO DML Ltd.	c	Other receivables	43,049	(Note 4)	0.10
15	STARCO GS AG	STARCO Europe A/S	b	Trade receivables	15,001	(Note 4)	0.03
16	STARCO FR SAS	STARCO Europe A/S	b	Trade receivables	25,349	(Note 4)	0.06
8	STARCO Europe A/S	STARCO GB	a	Sales revenue	35,346	(Note 4)	0.10
		STARCO NV	a	Sales revenue	57,676	(Note 4)	0.17
		STARCO GmbH	a	Sales revenue	21,953	(Note 4)	0.06
		STARCO Polska Sp. Z.o.o.	a	Sales revenue	28,834	(Note 4)	0.08
		STARCO Baltic OÜ	a	Sales revenue	13,624	(Note 4)	0.04
9	STARCO Beli Manastir d.o.o.	STARCO GmbH	c	Sales revenue	206,717	(Note 4)	0.60
		STARCO Polska Sp. Z.o.o.	c	Sales revenue	90,178	(Note 4)	0.26
		STARCO GS AG	c	Sales revenue	47,551	(Note 4)	0.14
		STARCO NV	c	Sales revenue	36,966	(Note 4)	0.11
		STARCO GB	c	Sales revenue	85,038	(Note 4)	0.25
10	STARCO GmbH	STARCO SAS	c	Sales revenue	39,136	(Note 4)	0.11
11	STARCO NV	STARCO SAS	c	Sales revenue	83,309	(Note 4)	0.24
		STARCO Polska Sp. Z.o.o.	c	Sales revenue	14,839	(Note 4)	0.04
12	STARCO Polska Sp. Z.o.o.	STARCO Baltic OÜ	c	Sales revenue	95,268	(Note 4)	0.28
		STARCO NV	c	Sales revenue	14,494	(Note 4)	0.04
13	Starco DML	STARCO GmbH	c	Sales revenue	11,672	(Note 4)	0.03

(Continued)

Note 1: The parent company and its subsidiaries are coded as follows:

- a. The parent company is coded as "0".
- b. Subsidiaries are coded sequentially, beginning from "1" and in the order presented in the table above.

Note 2: Nature of relationship is as follows:

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

Note 3: For calculation of account balance ratio to total assets, the numerator is the balance sheet account balance and the denominator is the total assets. For calculation of account balance ratio to total sales, the numerator is the income statement account balance and the denominator is the total sales.

Note 4: Terms are in accordance with mutual agreements.

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 7: The paid-in capital of KC and part of paid-in capital of KT were included in that of its investors and, therefore, they were not included when calculating the investment authorized and the investment remittance from Taiwan to mainland China.

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

(Continued)

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

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

(Concluded)



**TABLE 9****KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

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