

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

## **Consolidated Financial Statements and Independent Auditors' Review Report March 31, 2024 and 2023**

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

## **INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE**

To Kenda Rubber Ind. Co., Ltd.

### **Introduction**

We have duly reviewed the accompanying consolidated balance sheets of Kenda Rubber Ind. Co., Ltd. and its subsidiaries (hereinafter referred to as the "Company") as of March 31, 2024 and 2023, the related consolidated statements of income, changes in equity, and cash flows for January 1 to March 31, 2024 and 2023, as well as the accompanying notes to the consolidated financial statements, which include a summary of significant accounting policies. It is the responsibility of company management to prepare financial statements that present fairly the financial position of the Company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission and issued in effect. Our responsibility is to express an opinion on the consolidated financial statements based on our audit review.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 11 to the consolidated financial statements, the financial statements of the nonsignificant subsidiaries included in the aforementioned consolidated financial statements have not been duly reviewed, and their total assets amounted to NT\$7,828,832 thousand and NT\$8,256,150 thousand as of March 31, 2024 and 2023 respectively, representing 17% and 18% of the consolidated total assets. Total liabilities amounted to NT\$4,807,202 thousand and

NT\$4,711,385 thousand, accounting for 19% and 17% of the total consolidated liabilities, respectively. Total comprehensive income and loss amounted to NT\$19,908 thousand and NT\$72,093 thousand as of January 1 to March 31, 2024 and 2023, accounting for 2% and 18% of the total consolidated income and loss, respectively.

### **Qualified Conclusion**

Based on our review, nothing has come to our attention which causes us to believe that the consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Kenda Rubber Ind. Co., Ltd. as of March 31, 2024 and 2023, as well as the consolidated financial performance and consolidated cash flows for January 1 to March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting", as endorsed and issued by the Financial Supervisory Commission, except for the effect of possible adjustments to the consolidated financial statements that might have been made had the financial statements of non-significant subsidiaries been reviewed as described in the Basis for Qualified Conclusions paragraph.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 9, 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 March 31, 2024, December 31, 2023 and March 31, 2023 (In Thousands of New Taiwan Dollars)

| Assets   | March 31, 2024       |            | December 31, 2023    |              | March 31, 2023       |              |
|--|----------------------|------------|----------------------|--------------|----------------------|--------------|
|  | Amount               | %          | Amount               | %            | Amount               | %            |
| <b>Current assets</b>  |                      |            |                      |              |                      |              |
| Cash and cash equivalents (Note 6)   | \$ 7,808,630         | 17         | \$ 7,537,100         | 17           | \$ 6,679,100         | 15           |
| Financial assets at fair value through profit or loss - current                          | 1,460                | -          | 1,314                | -            | 1,314                | -            |
| Notes receivable (Note 8 and 23)   | 87,662               | -          | 213,243              | -            | 210,013              | -            |
| Trade receivable (Notes 8, 23 and 24)  | 3,967,249            | 9          | 3,324,917            | 8            | 4,102,787            | 9            |
| Inventories (Notes 9 and 24)   | 10,311,618           | 23         | 9,678,291            | 22           | 10,816,106           | 24           |
| Prepayments  | 296,854              | 1          | 262,530              | 1            | 312,334              | 1            |
| Other financial assets - current (Notes 10 and 24)                                       | 1,889,580            | 4          | 2,442,407            | 6            | 2,220,316            | 5            |
| Other current assets   | 487,204              | 1          | 493,966              | 1            | 571,877              | 1            |
| Total current assets   | <u>24,850,257</u>    | <u>55</u>  | <u>23,953,768</u>    | <u>55</u>    | <u>24,913,847</u>    | <u>55</u>    |
| <b>Non-current assets</b>  |                      |            |                      |              |                      |              |
| Financial assets at fair value through other comprehensive income - non-current (Note 7) | 415,460              | 1          | 413,017              | 1            | 520,428              | 1            |
| Investments accounted for using the equity method  | 144,899              | -          | 138,912              | -            | 131,462              | -            |
| Property, plant and equipment (Notes 12 and 24)  | 16,142,400           | 36         | 15,639,713           | 36           | 16,155,027           | 36           |
| Right-of-use assets (Note 13)  | 1,904,477            | 4          | 1,711,002            | 4            | 1,730,391            | 4            |
| Investment properties (Note 14)  | 29,394               | -          | 28,287               | -            | 26,743               | -            |
| Deferred tax assets  | 428,076              | 1          | 553,643              | 1            | 498,287              | 1            |
| Other financial assets - non-current (Note 10)   | 766,498              | 2          | 693,860              | 2            | 841,849              | 2            |
| Other non-current assets (Note 12)   | 629,088              | 1          | 594,025              | 1            | 639,875              | 1            |
| Total non-current assets   | <u>20,460,292</u>    | <u>45</u>  | <u>19,772,459</u>    | <u>45</u>    | <u>20,544,062</u>    | <u>45</u>    |
| <b>Total assets</b>  | <u>\$ 45,310,549</u> | <u>100</u> | <u>\$ 43,726,227</u> | <u>100</u>   | <u>\$ 45,457,909</u> | <u>100</u>   |
| <b>Liabilities and equity</b>  |                      |            |                      |              |                      |              |
| <b>Current liabilities</b>   |                      |            |                      |              |                      |              |
| Short-term borrowings (Note 15)  | \$ 3,466,947         | 8          | \$ 3,358,741         | 8            | \$ 4,486,040         | 10           |
| Contract liabilities - current   | 270,981              | 1          | 225,301              | -            | 288,822              | 1            |
| Notes payable  | 33,011               | -          | 40,749               | -            | 102,397              | -            |
| Trade payable (Note 23)  | 2,380,491            | 5          | 2,318,996            | 5            | 2,227,058            | 5            |
| Dividends payable  | 954,890              | 2          | -                    | -            | 454,705              | 1            |
| Other payables (Note 23)   | 1,645,327            | 4          | 1,557,393            | 4            | 1,427,657            | 3            |
| Current tax liabilities  | 184,648              | -          | 104,337              | -            | 288,848              | 1            |
| Lease liabilities - current (Note 13)  | 161,098              | -          | 168,684              | -            | 122,760              | -            |
| Current portion of long-term borrowings (Note 15)  | 1,553,936            | 3          | 2,076,196            | 5            | 1,919,727            | 4            |
| Other current liabilities (Note 17)  | 296,662              | 1          | 335,266              | 1            | 130,466              | -            |
| Total current liabilities  | <u>10,947,991</u>    | <u>24</u>  | <u>10,185,663</u>    | <u>23</u>    | <u>11,448,480</u>    | <u>25</u>    |
| <b>Non-current liabilities</b>   |                      |            |                      |              |                      |              |
| Long-term borrowings (Note 15)   | 12,096,295           | 27         | 11,850,709           | 27           | 13,470,190           | 30           |
| Deferred tax liabilities   | 737,690              | 2          | 644,909              | 2            | 658,714              | 1            |
| Lease liabilities - non-current (Note 13)  | 630,115              | 1          | 478,124              | 1            | 514,945              | 1            |
| Net defined benefit liabilities  | 43,249               | -          | 45,932               | -            | 94,557               | -            |
| Other non-current liabilities (Note 13)  | 978,410              | 2          | 947,469              | 2            | 750,959              | 2            |
| Total non-current liabilities  | <u>14,485,759</u>    | <u>32</u>  | <u>13,967,143</u>    | <u>32</u>    | <u>15,489,365</u>    | <u>34</u>    |
| Total liabilities  | <u>25,433,750</u>    | <u>56</u>  | <u>24,152,806</u>    | <u>55</u>    | <u>26,937,845</u>    | <u>59</u>    |
| Ordinary shares  | <u>9,548,900</u>     | <u>21</u>  | <u>9,548,900</u>     | <u>22</u>    | <u>9,094,100</u>     | <u>20</u>    |
| Capital surplus  | <u>41</u>            | <u>-</u>   | <u>41</u>            | <u>-</u>     | <u>41</u>            | <u>-</u>     |
| <b>Retained earnings</b>   |                      |            |                      |              |                      |              |
| Legal reserve  | 3,440,228            | 7          | 3,440,228            | 8            | 3,398,776            | 8            |
| Special reserve  | 831,490              | 2          | 831,490              | 2            | 1,970,995            | 4            |
| Unappropriated earnings  | 6,327,226            | 14         | 6,846,330            | 15           | 4,915,633            | 11           |
| Total retained earnings  | <u>10,598,944</u>    | <u>23</u>  | <u>11,118,048</u>    | <u>25</u>    | <u>10,285,404</u>    | <u>23</u>    |
| Other equity   | ( <u>271,086</u> )   | <u>-</u>   | ( <u>1,093,568</u> ) | ( <u>2</u> ) | ( <u>859,481</u> )   | ( <u>2</u> ) |
| Total equity   | <u>19,876,799</u>    | <u>44</u>  | <u>19,573,421</u>    | <u>45</u>    | <u>18,520,064</u>    | <u>41</u>    |
| <b>Total liabilities and equity</b>  | <u>\$ 45,310,549</u> | <u>100</u> | <u>\$ 43,726,227</u> | <u>100</u>   | <u>\$ 45,457,909</u> | <u>100</u>   |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 9, 2024)

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

### Consolidated Statements of Comprehensive Income For the three months ended March 31, 2024 and 2023 (In Thousands of New Taiwan dollars, Except Earnings (Loss) Per Share)

|  | January 1 to March 31,<br>2024 |           | January 1 to March 31,<br>2023 |             |
|--|--------------------------------|-----------|--------------------------------|-------------|
|  | Amount                         | %         | Amount                         | %           |
| Net operating revenues (Notes 17 and 23)                                 | \$ 8,265,242                   | 100       | \$ 8,220,272                   | 100         |
| Operating costs (Notes 9, 18 and 23)                                     | <u>6,310,135</u>               | <u>76</u> | <u>7,167,504</u>               | <u>87</u>   |
| Gross profit   | <u>1,955,107</u>               | <u>24</u> | <u>1,052,768</u>               | <u>13</u>   |
| Operating expenses (Notes 18 and 23)                                     |                                |           |                                |             |
| Selling and marketing expenses   | 619,895                        | 7         | 571,370                        | 7           |
| General and administrative expenses                                      | 396,009                        | 5         | 352,842                        | 5           |
| Research and development expenses  | 383,950                        | 5         | 348,934                        | 4           |
| Expected benefits from reversal of credit losses                         | <u>985</u>                     | <u>-</u>  | <u>( 9,517)</u>                | <u>-</u>    |
| Total operating expenses   | <u>1,400,839</u>               | <u>17</u> | <u>1,263,629</u>               | <u>16</u>   |
| Net operating income (loss)  | <u>554,268</u>                 | <u>7</u>  | <u>( 210,861)</u>              | <u>( 3)</u> |
| Non-operating income and expenses (Notes 18 and 23)                      |                                |           |                                |             |
| Interest income  | 59,705                         | 1         | 49,258                         | 1           |
| Other income   | 25,679                         | -         | 25,697                         | -           |
| Other gains and losses   | 68,954                         | 1         | ( 51,022)                      | -           |
| Financial costs  | ( 127,487)                     | ( 2)      | ( 138,396)                     | ( 2)        |
| Share of profit or loss of associates recognized under the equity method | <u>( 1,701)</u>                | <u>-</u>  | <u>( 780)</u>                  | <u>-</u>    |
| Total non-operating income and expenses                                  | <u>25,150</u>                  | <u>-</u>  | <u>( 115,243)</u>              | <u>( 1)</u> |

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|  | January 1 to March 31,<br>2024 |           | January 1 to March 31,<br>2023 |             |
|--|--------------------------------|-----------|--------------------------------|-------------|
|  | Amount                         | %         | Amount                         | %           |
| Net income (loss) before income tax  | \$ 579,418                     | 7         | (\$ 326,104)                   | ( 4)        |
| Income tax expense (Note 19)   | ( 143,632)                     | ( 2)      | ( 53,501)                      | ( 1)        |
| Net profit (loss) for the period   | <u>435,786</u>                 | <u>5</u>  | <u>( 379,605)</u>              | <u>( 5)</u> |
| Other comprehensive income   |                                |           |                                |             |
| Items that may be reclassified<br>subsequently to profit or loss:                              |                                |           |                                |             |
| Exchange differences on<br>translation of the financial<br>statements of foreign<br>operations | 1,028,102                      | 12        | ( 34,989)                      | -           |
| Income tax related to items<br>that may be reclassified<br>subsequently to profit or<br>loss   | ( 205,620)                     | ( 2)      | 6,998                          | -           |
| Other comprehensive income<br>for the period, net of<br>income tax                             | <u>822,482</u>                 | <u>10</u> | <u>( 27,991)</u>               | <u>-</u>    |
| Total comprehensive income for the<br>period   | <u>\$ 1,258,268</u>            | <u>15</u> | <u>(\$ 407,596)</u>            | <u>( 5)</u> |
| Earnings (loss) per share (Note 20)  |                                |           |                                |             |
| Basic  | <u>\$ 0.46</u>                 |           | <u>(\$ 0.40)</u>               |             |
| Diluted  | <u>\$ 0.46</u>                 |           | <u>(\$ 0.40)</u>               |             |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 9, 2024)

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

### Consolidated Statements of Changes in Equity For the three months ended March 31, 2024 and 2023 (In Thousands of New Taiwan Dollars)

|  | Equity attributable to owners of the Company |                 |                     |                     |                         | Other equity items  |  | 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 on financial assets at fair value through other comprehensive income |                      |                           |                      |
|  |  |                 | Legal reserve       | Special reserve     | Unappropriated earnings |   |  |                      |                           |                      |
| Balance as of January 1, 2023  | \$ 9,094,100                                 | \$ 41           | \$ 3,398,776        | \$ 1,970,995        | \$ 5,749,958            | (\$ 1,213,319)  | \$ 381,829   | \$ 19,382,380        | \$ 16                     | \$ 19,382,396        |
| Appropriations of 2022 earnings  |  |                 |                     |                     |                         |   |  |                      |                           |                      |
| Cash dividends - NT\$0.5 per share   | -  | -               | -                   | -                   | ( 454,705 )             | -   | -  | ( 454,705 )          | -                         | ( 454,705 )          |
| Net loss for the period from January 1 to March 31, 2023                             | -  | -               | -                   | -                   | ( 379,605 )             | -   | -  | ( 379,605 )          | -                         | ( 379,605 )          |
| Other comprehensive income after tax for the period from January 1 to March 31, 2023 | -  | -               | -                   | -                   | -                       | ( 27,991 )  | -  | ( 27,991 )           | -                         | ( 27,991 )           |
| Total comprehensive income for the for the period from January 1 to March 31, 2023   | -  | -               | -                   | -                   | ( 379,605 )             | ( 27,991 )  | -  | ( 407,596 )          | -                         | ( 407,596 )          |
| Changes in ownership equity of subsidiaries  | -  | -               | -                   | -                   | ( 15 )                  | -   | -  | ( 15 )               | ( 16 )                    | ( 31 )               |
| Balance as of March 31, 2023   | <u>\$ 9,094,100</u>                          | <u>\$ 41</u>    | <u>\$ 3,398,776</u> | <u>\$ 1,970,995</u> | <u>\$ 4,915,633</u>     | <u>(\$ 1,241,310)</u>   | <u>\$ 381,829</u>  | <u>\$ 18,520,064</u> | <u>\$ -</u>               | <u>\$ 18,520,064</u> |
| Balance as of January 1, 2024  | \$ 9,548,900                                 | \$ 41           | \$ 3,440,228        | \$ 831,490          | \$ 6,846,330            | (\$ 1,370,790)  | \$ 277,222   | \$ 19,573,421        | \$ -                      | \$ 19,573,421        |
| Appropriations of 2023 earnings  |  |                 |                     |                     |                         |   |  |                      |                           |                      |
| Cash dividends - NT\$1.0 per share   | -  | -               | -                   | -                   | ( 954,890 )             | -   | -  | ( 954,890 )          | -                         | ( 954,890 )          |
| Net profit for the period from January 1 to March 31, 2024                           | -  | -               | -                   | -                   | 435,786                 | -   | -  | 435,786              | -                         | 435,786              |
| Other comprehensive income after tax for the period from January 1 to March 31, 2024 | -  | -               | -                   | -                   | -                       | 822,482   | -  | 822,482              | -                         | 822,482              |
| Total comprehensive income for the for the period from January 1 to March 31, 2024   | -  | -               | -                   | -                   | 435,786                 | 822,482   | -  | 1,258,268            | -                         | 1,258,268            |
| Balance as of March 31, 2024   | <u>\$ 9,548,900</u>                          | <u>\$ 41</u>    | <u>\$ 3,440,228</u> | <u>\$ 831,490</u>   | <u>\$ 6,327,226</u>     | <u>(\$ 548,308)</u>   | <u>\$ 277,222</u>  | <u>\$ 19,876,799</u> | <u>\$ -</u>               | <u>\$ 19,876,799</u> |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 9, 2024)

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

**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2024 and 2023**  
**(In Thousands of New Taiwan Dollars)**

|  | <b>January 1 to<br/>March 31, 2024</b> | <b>January 1 to<br/>March 31, 2023</b> |
|--|--|--|
| Net cash flow from operating activities  |  |  |
| Net income (loss) before income tax  | \$ 579,418                             | (\$ 326,104)                           |
| Income and expense items   |  |  |
| Depreciation   | 427,212                                | 447,703                                |
| Amortization   | 3,612                                  | 4,068                                  |
| Expected benefits from reversal of credit impairment losses                    | 985                                    | ( 9,517)                               |
| Net loss (gain) on financial assets at fair value through profit or loss       | ( 146)                                 | 5                                      |
| Financial costs  | 127,487                                | 138,396                                |
| Interest income  | ( 59,705)                              | ( 49,258)                              |
| Share of profits and losses of affiliates recognized under the equity method   | 1,701                                  | 780                                    |
| Net (gain) loss on disposal of property, plant and equipment                   | 8,695                                  | ( 324)                                 |
| Provision (reversal) for decline in value of inventories and doubtful accounts | 9,288                                  | ( 60,799)                              |
| Net (gain) loss on foreign currency exchange                                   | ( 145,954)                             | 144,074                                |
| Changes in operating assets and liabilities                                    |  |  |
| Notes receivable   | 125,581                                | ( 11,748)                              |
| Accounts receivable  | ( 511,456)                             | ( 374,326)                             |
| Other receivables  | ( 4,885)                               | ( 17,192)                              |
| Inventories  | ( 277,598)                             | 1,454,830                              |
| Prepayments  | ( 34,324)                              | ( 30,690)                              |
| Other current assets   | ( 21,668)                              | 25,934                                 |
| Other non-current assets   | -                                      | ( 2,481)                               |
| Contract liabilities   | 45,680                                 | 56,759                                 |
| Notes payable  | ( 7,738)                               | ( 3,568)                               |
| Accounts payable   | 171,900                                | ( 180,235)                             |
| Other payables   | 70,399                                 | ( 179,230)                             |
| Other current liabilities  | ( 38,754)                              | 19,681                                 |
| Net defined benefit liabilities  | ( 2,683)                               | ( 6,381)                               |
| Other non-current liabilities  | 101                                    | ( 460)                                 |
| Cash inflow from operating activities  | 467,148                                | 1,039,917                              |

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|   | <b>January 1 to<br/>March 31, 2024</b> | <b>January 1 to<br/>March 31, 2023</b> |
|---|--|--|
| Interest received   | \$ 82,360                              | \$ 50,538                              |
| Dividends received  | -                                      | 17,314                                 |
| Interest paid   | ( 119,239 )                            | ( 132,323 )                            |
| Income tax paid   | ( 42,014 )                             | ( 5,729 )                              |
| Net cash inflow from operating activities                       | <u>388,255</u>                         | <u>969,717</u>                         |
| <b>Cash flows from investing activities</b>                     |  |  |
| Acquisition of property, plant and equipment                    | ( 358,183 )                            | ( 212,295 )                            |
| Disposal of property, plant and equipment                       | 3,648                                  | 5,990                                  |
| Increase in refundable deposits                                 | ( 19,731 )                             | ( 29,482 )                             |
| Decrease in refundable deposits                                 | 22,416                                 | 28,915                                 |
| Acquisition of intangible assets                                | ( 1,475 )                              | ( 5,089 )                              |
| Increase in other financial assets                              | 578,763                                | ( 554,318 )                            |
| Increase in prepayments for equipment                           | ( 91,554 )                             | ( 44,870 )                             |
| Net cash inflow (outflow) from investing activities             | <u>133,884</u>                         | <u>( 811,149 )</u>                     |
| <b>Cash flows from financing activities</b>                     |  |  |
| Increase (decrease) in short-term borrowings                    | 24,132                                 | ( 85,038 )                             |
| Long-term borrowings  | 6,938,619                              | 4,763,804                              |
| Repayment of long-term borrowings                               | ( 7,268,451 )                          | ( 5,112,284 )                          |
| Increase in deposits received                                   | 21                                     | 5,842                                  |
| Decrease in deposits received                                   | ( 5,958 )                              | ( 5,842 )                              |
| Repayment of lease principal                                    | ( 55,749 )                             | ( 81,786 )                             |
| Changes in ownership equity of subsidiaries                     | -                                      | ( 31 )                                 |
| Net cash outflow from financing activities                      | <u>( 367,386 )</u>                     | <u>( 515,335 )</u>                     |
| Effect of exchange rate changes on cash and cash equivalents    | <u>116,777</u>                         | <u>( 21,266 )</u>                      |
| Increase (decrease) in cash and cash equivalents for the period | 271,530                                | ( 378,033 )                            |
| Cash and cash equivalents at beginning of period                | <u>7,537,100</u>                       | <u>7,057,133</u>                       |
| Cash and cash equivalents at the end of the period              | <u>\$ 7,808,630</u>                    | <u>\$ 6,679,100</u>                    |

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to Deloitte & Touche auditors' review report dated May 9, 2024)

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

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

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

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### 1. COMPANY HISTORY

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 and traded on the Taiwan Stock Exchange (TWSE) 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. DATE AND PROCEDURE FOR APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on May 9, 2024.

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

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

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

- b. IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

| <u>New, amended and revised standards and interpretations</u>  | <u>Effective date of IASB issuance (Note 1)</u> |
|--|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | Not yet determined                              |
| IFRS 17 “Insurance Contracts”  | January 1, 2023                                 |
| Amendments to IFRS 17  | January 1, 2023                                 |
| Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”                              | January 1, 2023                                 |
| IFRS 18 "Presentation and Disclosure in Financial Statements"  | January 1, 2027                                 |
| Amendments to IAS 21 "Lack of Exchangeability"   | January 1, 2025 (Note 2)                        |

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

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. Upon initial application of this amendment, comparative periods shall not be restated, and the effects shall be recognized in the retained earnings or equity under the foreign operation exchange differences (as appropriate) on the date of initial application, as well as the related affected assets and liabilities.

### IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of Financial Statements". The main changes in this standard include:

- The income statement should classify revenue and expense items into categories of operating, investing, financing, income tax, and discontinued operations.
- The income statement should report operating income, financing and pre-tax income, as well as subtotals and totals of income.
- Proved guidelines for strengthening consolidation and subdivision provisions: The consolidated company must identify assets, liabilities, equity, income, expenses, and cash flows from individual transactions or other matters, and classify and consolidate them based on common characteristics so that each line item reported in the main financial statements has at least one similar characteristic. Items with different characteristics should be further subdivided into the main financial statements and notes. The consolidated company should only label such items as "Other" when a more informative name cannot be found.
- Enhance disclosure of performance measures defining management levels: When the consolidated company engages in public communication outside of financial statements and communicates the perspective of management levels on the overall financial performance of the consolidated company, relevant information regarding the disclosure of performance measures defining management levels should be disclosed in a single note to the financial statements. This includes the description of the measures, how they are calculated, adjustments to subtotals or totals as defined by IFRS accounting standards, and the impact of income tax and non-controlling interests related to the adjustments.

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

#### c. Presentation of reclassification

Regarding the funds repatriated by the Group for substantive investment, in accordance with The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the nature of the deposit has not changed due to the related utilization restrictions. To reflect the true situation of the consolidated financial statements and to

maintain consistency in presentation, the carrying amount of other financial assets (non-current) as of March 31, 2023, has been reclassified to cash and cash equivalents, amounting to NT\$958,849 thousand. After the aforementioned reclassification, the total amount of current assets has increased by NT\$958,849 thousand. The net cash outflow from investment activities and the net decrease in cash and cash equivalents in the cash flow statement for the period from January 1, 2023 to March 31, 2023, have both increased by NT\$90,563 thousand. Please refer to Note 6 and Note 10 for details of the reclassification.

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

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

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

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

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

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

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

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

The consolidated financial statements include the financial statements of the Company and entities (subsidiaries) controlled by the Company. The consolidated statement of income incorporates the operating profit or loss of the acquired or disposed subsidiary for the period from the date of acquisition or up to the date of disposal. The financial statements of the subsidiaries have been adjusted to conform to the accounting policies of the Consolidated Company. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and losses have been offset.

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

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

d. Other significant accounting policies

In addition to the descriptions below, please refer to the summary of significant accounting policies in the consolidated financial statements for the fiscal year 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

- a) Assets held primarily for the purpose of trading;
- b) Assets expected to be realized within 12 months after the balance sheet date; and
- c) 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:

- a) Liabilities held primarily for the purpose of trading;
- b) Liabilities due to be settled within 12 months after the balance sheet date; and
- c) Liabilities that does not have in substance the right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

2) Defined benefit post-employment benefits

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

### 3) Income tax expense

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

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

In developing significant accounting estimates, the Group takes into account the potential impact on the estimation of cash flows, growth rates, discount rates, and profitability. Management will continue to review the estimates and underlying assumptions. Please refer to the main explanation of the of significant accounting judgments, estimates, and assumption uncertainty in the consolidated financial statements for the year 2023.

## 6. CASH AND CASH EQUIVALENTS

|   | March 31, 2024      | December 31,<br>2023 | March 31, 2023      |
|---|---------------------|----------------------|---------------------|
| Cash on hand and revolving funds  | \$ 9,800            | \$ 7,658             | \$ 6,964            |
| Bank checks and demand deposits   | 6,121,673           | 6,061,461            | 6,138,122           |
| Cash equivalents (time deposits<br>with original maturity of less<br>than 3 months) | <u>1,677,157</u>    | <u>1,467,981</u>     | <u>534,014</u>      |
|   | <u>\$ 7,808,630</u> | <u>\$ 7,537,100</u>  | <u>\$ 6,679,100</u> |

The interest rate range for time deposits with original maturities of less than 3 months at the balance sheet date is as follows:

|   | March 31, 2024 | December 31,<br>2023 | March 31, 2023 |
|---|----------------|----------------------|----------------|
| Time deposits with original<br>maturity of less than 3 months | 0.30%~5.40%    | 0.30%~5.38%          | 0.30%~4.20%    |

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

|                                   | March 31, 2024    | December 31,<br>2023 | March 31, 2023    |
|-----------------------------------|-------------------|----------------------|-------------------|
| Investments in equity instruments |                   |                      |                   |
| Domestic unlisted shares          | \$ 339,551        | \$ 339,551           | \$ 385,358        |
| Foreign unlisted shares           | <u>75,909</u>     | <u>73,466</u>        | <u>135,070</u>    |
|                                   | <u>\$ 415,460</u> | <u>\$ 413,017</u>    | <u>\$ 520,428</u> |

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

## 8. NOTES AND ACCOUNTS RECEIVABLE

|                            | March 31, 2024      | December 31,<br>2023 | March 31, 2023      |
|----------------------------|---------------------|----------------------|---------------------|
| <u>Notes receivable</u>    |                     |                      |                     |
| Measured at amortized cost | <u>\$ 87,662</u>    | <u>\$ 213,243</u>    | <u>\$ 210,013</u>   |
| <u>Accounts receivable</u> |                     |                      |                     |
| Measured at amortized cost |                     |                      |                     |
| Total carrying amount      | \$ 4,038,968        | \$ 3,394,679         | \$ 4,173,899        |
| Less: Allowance for losses | ( <u>71,719</u> )   | ( <u>69,762</u> )    | ( <u>71,112</u> )   |
|                            | <u>\$ 3,967,249</u> | <u>\$ 3,324,917</u>  | <u>\$ 4,102,787</u> |

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

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

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

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

### March 31, 2024

|  | <u>Not past due</u> | <u>Past due 1 to 30 days</u> | <u>Past due 31 to 60 days</u> | <u>Past due 61 to 90 days</u> | <u>Past due 91 to 120 days</u> | <u>Past due 121 to 180 days</u> | <u>Past due over 181 days</u> | <u>Total</u>        |
|--|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------|
| Total carrying amount                                  | \$ 3,336,522        | \$ 537,160                   | \$ 94,212                     | \$ 94,599                     | \$ 18,440                      | \$ -                            | \$ 45,697                     | \$ 4,126,630        |
| Allowance for losses (lifetime expected credit losses) | ( 857 )             | ( 4,559 )                    | ( 2,736 )                     | ( 5,779 )                     | ( 12,137 )                     | -                               | ( 45,651 )                    | ( 71,719 )          |
| Amortized cost   | <u>\$ 3,335,665</u> | <u>\$ 532,601</u>            | <u>\$ 91,476</u>              | <u>\$ 88,820</u>              | <u>\$ 6,303</u>                | <u>\$ -</u>                     | <u>\$ 46</u>                  | <u>\$ 4,054,911</u> |

### December 31, 2023

|  | <u>Not past due</u> | <u>Past due 1 to 30 days</u> | <u>Past due 31 to 60 days</u> | <u>Past due 61 to 90 days</u> | <u>Past due 91 to 120 days</u> | <u>Past due 121 to 180 days</u> | <u>Past due over 181 days</u> | <u>Total</u>        |
|--|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------|
| Total carrying amount                                  | \$ 3,187,097        | \$ 263,117                   | \$ 42,688                     | \$ 42,468                     | \$ 13,303                      | \$ 1,099                        | \$ 58,150                     | \$ 3,607,922        |
| Allowance for losses (lifetime expected credit losses) | ( 651 )             | ( 1,922 )                    | ( 1,576 )                     | ( 3,258 )                     | ( 4,149 )                      | ( 510 )                         | ( 57,697 )                    | ( 69,762 )          |
| 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> |

### March 31, 2023

|  | <u>Not past due</u> | <u>Past due 1 to 30 days</u> | <u>Past due 31 to 60 days</u> | <u>Past due 61 to 90 days</u> | <u>Past due 91 to 120 days</u> | <u>Past due 121 to 180 days</u> | <u>Past due over 181 days</u> | <u>Total</u>        |
|--|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------|
| Total carrying amount                                  | \$ 4,015,274        | \$ 273,204                   | \$ 19,452                     | \$ 8,527                      | \$ 4,161                       | \$ 4,745                        | \$ 58,549                     | \$ 4,383,912        |
| Allowance for losses (lifetime expected credit losses) | ( 960 )             | ( 2,497 )                    | ( 1,566 )                     | ( 1,967 )                     | ( 2,591 )                      | ( 3,342 )                       | ( 58,189 )                    | ( 71,112 )          |
| Amortized cost   | <u>\$ 4,014,314</u> | <u>\$ 270,707</u>            | <u>\$ 17,886</u>              | <u>\$ 6,560</u>               | <u>\$ 1,570</u>                | <u>\$ 1,403</u>                 | <u>\$ 360</u>                 | <u>\$ 4,312,800</u> |

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

|  | <u>January 1 to March 31, 2024</u> | <u>January 1 to March 31, 2023</u> |
|--|------------------------------------|------------------------------------|
| Opening balance                            | \$ 69,762                          | \$ 80,296                          |
| Reversal of impairment loss for the period | 985                                | ( 9,517 )                          |
| Actual write-off for the period            | ( 326 )                            | ( 219 )                            |
| Foreign currency translation differences   | <u>1,298</u>                       | <u>552</u>                         |
| Ending balance                             | <u>\$ 71,719</u>                   | <u>\$ 71,112</u>                   |

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

## 9. INVENTORIES

|                      | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------------|-----------------------|--------------------------|-----------------------|
| Finished goods       | \$ 3,893,591          | \$ 3,661,573             | \$ 3,990,300          |
| Work in progress     | 939,167               | 903,179                  | 1,026,429             |
| Raw materials        | 4,375,464             | 4,284,689                | 4,503,933             |
| Supplies             | 512,745               | 471,187                  | 516,232               |
| Merchandise          | 109,514               | 82,064                   | 88,410                |
| Inventory in transit | <u>481,137</u>        | <u>275,599</u>           | <u>690,802</u>        |
|                      | <u>\$ 10,311,618</u>  | <u>\$ 9,678,291</u>      | <u>\$ 10,816,106</u>  |

The cost of goods sold related to inventories was NT\$6,310,135 thousand and NT\$7,167,504 thousand for January 1 to March 31, 2024 and 2023, respectively. Cost of goods sold from January 1 to March 31, 2024, included a provision of NT\$9,288 thousand of inventory valuation and obsolescence loss. Cost of goods sold from January 1 to March 31, 2023 included NT\$60,799 thousand of reversal of inventory valuation and obsolescence loss, which was mainly due to the depletion of inventory stock.

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

## 10. OTHER FINANCIAL ASSETS

|   | March 31, 2024      | December 31,<br>2023 | March 31, 2023      |
|---|---------------------|----------------------|---------------------|
| <u>Current</u>  |                     |                      |                     |
| Time deposits with an original maturity of more than 3 months | \$ 1,860,124        | \$ 2,440,230         | \$ 2,218,096        |
| Others  | <u>29,456</u>       | <u>2,177</u>         | <u>2,220</u>        |
|   | <u>\$ 1,889,580</u> | <u>\$ 2,442,407</u>  | <u>\$ 2,220,316</u> |
| <u>Non-current</u>  |                     |                      |                     |
| Time deposits with an original maturity of more than 1 year   | <u>\$ 766,498</u>   | <u>\$ 693,860</u>    | <u>\$ 841,849</u>   |

The interest rate range for time deposits at the balance sheet date is as follows:

|               | March 31, 2024 | December 31,<br>2023 | March 31, 2023 |
|---------------|----------------|----------------------|----------------|
| Time deposits | 1.80%~5.66%    | 2.00%~5.75%          | 2.10%~5.44%    |

Please refer to Note 22 for related credit risk management and evaluation methods. Please refer to Note 24 for information related to other financial assets pledged as collateral for loans.

## 11. SUBSIDIARY

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

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

| Investor    | Name of subsidiary                            | Nature of business  | Percentage of shareholding |                   |                | Remark |
|-------------|---|---|----------------------------|-------------------|----------------|--------|
|             |   |   | March 31, 2024             | December 31, 2023 | March 31, 2023 |        |
| The Company | American Kenda Rubber Ind. Co., Ltd. (KA)     | Trading, investment                                       | 100%                       | 100%              | 100%           | -      |
| The Company | Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK) | Trading, investment                                       | 100%                       | 100%              | 100%           | -      |
| The Company | Kenda Rubber (Vietnam) Co., Ltd. (KV)         | Manufacturing and selling of tubes and tires for vehicles | 100%                       | 100%              | 100%           | -      |

(Continued)

| Investor          | Name of subsidiary                                 | Nature of business   | Percentage of shareholding |                   |                | Remark |
|-------------------|--|--|----------------------------|-------------------|----------------|--------|
|                   |  |  | March 31, 2024             | December 31, 2023 | March 31, 2023 |        |
| The Company       | Kenda Rubber Industrial Co. (Europe GmbH) (KE)     | Marketing planning and R&D   | 100%                       | 100%              | 100%           | Note 1 |
| The Company       | Kenda International Corporation Co., Ltd. (KIC)    | Investment   | 100%                       | 100%              | 100%           | -      |
| The Company       | Kenfong Industrial Co., Ltd. (KF)                  | Manufacturing and selling of tubes and tires for vehicles            | 100%                       | 100%              | 100%           | Note 1 |
| The Company       | Pt. Kenda Rubber Indonesia (KI)                    | Manufacturing and selling of tubes and tires for vehicles            | 99.99%                     | 99.99%            | 99.99%         | Note 1 |
| KF                | KI   | Manufacturing and selling of tubes and tires for vehicles            | 0.01%                      | 0.01%             | 0.01%          | Note 2 |
| KA                | Americana Development, Inc. (ADI)                  | Manufacturing of rims and distribution and selling of tires and rims | 100%                       | 100%              | 100%           | -      |
| KHK               | Kenda Rubber (Shenzhen) Ltd. (KS)                  | Manufacturing and selling of tubes and tires for vehicles            | 60%                        | 60%               | 60%            | Note 1 |
| KHK               | Kenda Rubber (Tianjin) Co., Ltd. (KT)              | Manufacturing and selling of tubes and tires for vehicles            | 13.64%                     | 13.64%            | 13.64%         | -      |
| KIC               | Kenda Global Holding Co., Ltd. (KGH)               | Investment   | 100%                       | 100%              | 100%           | -      |
| KIC               | Kenda Global Investment Corporation (KGI)          | Investment   | 100%                       | 100%              | 100%           | Note 1 |
| KGI               | STARCO Europe A/S                                  | Investment   | 100%                       | 100%              | 100%           | Note 1 |
| KGH               | Kenda Global (China) Investment Corporation (KGCI) | Investment   | 100%                       | 100%              | 100%           | -      |
| KGH               | KS   | Manufacturing and selling of tubes and tires for vehicles            | 40%                        | 40%               | 40%            | Note 1 |
| KGCI              | KT   | Manufacturing and selling of tubes and tires for vehicles            | 86.36%                     | 86.36%            | 86.36%         | -      |
| KGCI              | Kenda Rubber (China) Ltd. (KC)                     | Manufacturing and selling of tubes and tires for vehicles            | 100%                       | 100%              | 100%           | -      |
| STARCO Europe A/S | STARCO GB Ltd.                                     | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO GmbH  | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO Polska Sp.z.o.o.                            | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |

(Continued)

| Investor          | Name of subsidiary                       | Nature of business   | Percentage of shareholding |                   |                | Remark |
|-------------------|--|--|----------------------------|-------------------|----------------|--------|
|                   |  |  | March 31, 2024             | December 31, 2023 | March 31, 2023 |        |
| STARCO Europe A/S | STARCO NV                                | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO GS AG                             | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO Baltic OÜ                         | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO FR SAS                            | Distribution and selling of tires and rims                           | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO Beli Manastir d.o.o.              | Manufacturing of rims  | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | STARCO DML                               | Manufacturing of rims and distribution and selling of tires and rims | 100%                       | 100%              | 100%           | Note 1 |
| STARCO Europe A/S | Jelshoj Imovina d.o.o. (Jelshoj Imovina) | Investment   | 100%                       | 100%              | 100%           | Note 1 |

(Concluded)

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

Note 2: In response to operational needs in the beginning of 2023, the Group acquired 0.01% equity interest in KI from a related party (Note 23), resulting in an increase in the Group's shareholding in KI from 99.99% to 100%. As this transaction did not change the Group's control over KI, the Group Company treated it as an equity transaction.

b. Subsidiaries not included in the consolidated financial statements: None.

## 12. PROPERTY, PLANT AND EQUIPMENT

|  | March 31, 2024      | December 31, 2023   | March 31, 2023      |
|--|---------------------|---------------------|---------------------|
| Land   | \$ 2,581,838        | \$ 2,574,150        | \$ 2,569,855        |
| Buildings  | 5,171,975           | 4,284,403           | 4,409,751           |
| Machinery and equipment                                | 7,353,347           | 7,214,191           | 7,756,261           |
| Other equipment  | 549,302             | 556,631             | 618,074             |
| Equipment under acceptance and unfinished construction | 485,938             | 1,010,338           | 801,086             |
|  | <u>\$16,142,400</u> | <u>\$15,639,713</u> | <u>\$16,155,027</u> |

The Group added NT\$368,834 thousand and NT\$200,294 thousand of new equipment from January 1 to March 31, 2024 and 2023, respectively.

Other than the abovementioned changes and recognized depreciation expenses, no significant changes occurred in the properties, plants and equipment of the Group.

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

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

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

As of March 31, 2024 and December 31 and March 31, 2023, the prepayments for equipment amounted to NT\$457,931 thousand, NT\$423,181 thousand and NT\$455,427 thousand, respectively, and were recorded as other non-current assets.

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

### 13. LEASE AGREEMENTS

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

|   | March 31, 2024      | December 31,<br>2023           | March 31, 2023                 |
|---|---------------------|--------------------------------|--------------------------------|
| Carrying amount of right-of-use assets      |                     |                                |                                |
| Land  | \$ 1,599,651        | \$ 1,386,673                   | \$ 1,405,249                   |
| Buildings                                   | 269,825             | 298,919                        | 293,471                        |
| Machinery and equipment                     | 13,754              | 11,670                         | 14,737                         |
| Other equipment                             | 21,247              | 13,740                         | 16,934                         |
|   | <u>\$ 1,904,477</u> | <u>\$ 1,711,002</u>            | <u>\$ 1,730,391</u>            |
|   |                     | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
| Additions to right-of-use assets            |                     | <u>\$164,423</u>               | <u>\$ 10,057</u>               |
| Depreciation expense of right-of-use assets |                     |                                |                                |
| Land  |                     | \$ 8,819                       | \$ 7,494                       |
| Buildings                                   |                     | 34,550                         | 32,788                         |
| Machinery and equipment                     |                     | 1,927                          | 1,216                          |
| Other equipment                             |                     | 2,395                          | 1,832                          |
|   |                     | <u>\$ 47,691</u>               | <u>\$ 43,330</u>               |

Except for the aforementioned additions and recognized depreciation expense, the Group did not have significant subleases or impairment of right-of-use assets for the period from January 1 to March 31 2024 and 2023.

b. Lease liabilities

|                                      | March 31, 2024    | December 31,<br>2023 | March 31, 2023    |
|--------------------------------------|-------------------|----------------------|-------------------|
| Carrying amount of lease liabilities |                   |                      |                   |
| Current                              | <u>\$ 161,098</u> | <u>\$ 168,684</u>    | <u>\$ 122,760</u> |
| Non-current                          | <u>\$ 630,115</u> | <u>\$ 478,124</u>    | <u>\$ 514,945</u> |

The discount rate range for lease liabilities is as follows

|                         | March 31, 2024 | December 31,<br>2023 | March 31, 2023 |
|-------------------------|----------------|----------------------|----------------|
| Land                    | 3.00%          | 3.00%                | 3.00%          |
| Buildings               | 2.75%~3.20%    | 2.75%~3.20%          | 2.75%~3.20%    |
| Machinery and equipment | 2.75%~3.20%    | 2.75%~3.20%          | 2.75%~3.20%    |
| Other equipment         | 2.75%~3.20%    | 2.75%~3.20%          | 2.75%~3.20%    |

c. Material leasing activities and terms

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

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

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

d. Other lease information

|                                   | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|-----------------------------------|--------------------------------|--------------------------------|
| Short-term lease expense          | <u>\$ 34,908</u>               | <u>\$ 35,229</u>               |
| Lease expense of low-value assets | <u>\$ 132</u>                  | <u>\$ 57</u>                   |
| Total cash outflow from leases    | <u>\$ 95,456</u>               | <u>\$121,578</u>               |

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

|                   | March 31, 2024      | December 31,<br>2023 | March 31, 2023    |
|-------------------|---------------------|----------------------|-------------------|
| Lease commitments | <u>\$ 1,063,743</u> | <u>\$ 805,901</u>    | <u>\$ 797,034</u> |

#### 14. INVESTMENT PROPERTIES

|                     | March 31, 2024   | December 31,<br>2023 | March 31, 2023   |
|---------------------|------------------|----------------------|------------------|
| Right-of-use assets | <u>\$ 29,394</u> | <u>\$ 28,287</u>     | <u>\$ 26,743</u> |

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

|                     |             |
|---------------------|-------------|
| Right-of-use assets | 40-50 years |
|---------------------|-------------|

In response to the urbanization policy of future city development in Shenzhen, KS entered into a urban renewal collaboration agreement with Kaisa Urban Renewal Group (Shenzhen) Co., Ltd. ("Kaisa") in October 2014 for the development of land use rights. According to the agreement, KS and Kaisa will jointly transform industrial land in Shenzhen into new types of industrial buildings (office buildings), new types of industrial supporting commercial buildings, new types of industrial supporting residential buildings and government supporting indemnificatory housing. Joint construction and allocation of housing units is carried out in accordance with the ratio stipulated in the contract and the approval documents of the future competent authorities. KS is responsible for the relocation of original factories and termination of employees, while Kaisa is responsible for the demolition of buildings, measurement, assessment, verification of rights, preparation of special plans, signing of compensation agreement, land formation, land acquisition, construction, and project development within the renewal unit of the renovation project.

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

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

As of March 31, 2024, the Group received a total of RMB200,000 thousand (approximately NT\$901,762 thousand presented in other non-current liabilities) of allocation fee for urban renewal project from Heju according to the agreement, which will be returned to Heju after the project is completed and has been delivered to KS.

The fair values of investment properties as of December 31, 2023 and 2022 were NT\$5,831,910 thousand and NT\$5,959,859 thousand, respectively. As evaluated by the management of the Group, there was no significant change in the fair value as of March 31, 2024 and 2023.

## 15. BORROWINGS

### a. Short-term borrowings

|                              | March 31, 2024      | December 31,<br>2023 | March 31, 2023      |
|------------------------------|---------------------|----------------------|---------------------|
| Credit borrowings            | \$ 3,031,671        | \$ 2,952,442         | \$ 4,036,276        |
| Secured borrowings (Note 24) |                     |                      |                     |
| (1)                          | <u>435,276</u>      | <u>406,299</u>       | <u>449,764</u>      |
|                              | <u>\$ 3,466,947</u> | <u>\$ 3,358,741</u>  | <u>\$ 4,486,040</u> |
| Range of interest rates      | 1.74%~7.00%         | 1.45%~6.19%          | 0.75%~5.67%         |

### b. Long-term borrowings

|                                     | March 31, 2024       | December 31,<br>2023 | March 31, 2023       |
|-------------------------------------|----------------------|----------------------|----------------------|
| Unsecured borrowings                | \$ 12,495,163        | \$ 12,730,623        | \$ 13,212,792        |
| Secured borrowings (Note 24)        |                      |                      |                      |
| (1)                                 | 1,047,183            | 1,054,518            | 1,933,934            |
| Project borrowing (2)               | <u>107,885</u>       | <u>141,764</u>       | <u>243,191</u>       |
| Subtotal                            | 13,650,231           | 13,926,905           | 15,389,917           |
| Less: Amount due within one<br>year | <u>1,553,936</u>     | <u>2,076,196</u>     | <u>1,919,727</u>     |
| Long-term borrowings                | <u>\$ 12,096,295</u> | <u>\$ 11,850,709</u> | <u>\$ 13,470,190</u> |
| Range of interest rates             | 1.10%~6.88%          | 1.00%~6.88%          | 0.00%~6.25%          |
| Maturity date                       | 2024~2035            | 2024~2027            | 2024~2027            |

- 1) Certain subsidiaries of the Company, KA, ADI and STARCO are required by contract to maintain certain financial ratios, in addition to providing assets as collateral, and to periodically review their potential defaults on a semi-annual or annual basis. As of March 31, 2024, there were no defaults due to the above financial ratios.
- 2) The Group participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally in September 2019. The Group expects to construct or expand factories, and acquire machinery and equipment in Taiwan from 2019 to 2022. Any shortage of funds would be financed via bank borrowings.

## 16. EQUITY

### a. Ordinary shares

|   | March 31, 2024       | December 31,<br>2023 | March 31, 2023       |
|---|----------------------|----------------------|----------------------|
| Authorized shares (in thousands of shares)            | <u>1,100,000</u>     | <u>1,100,000</u>     | <u>1,100,000</u>     |
| Authorized share capital                              | <u>\$ 11,000,000</u> | <u>\$ 11,000,000</u> | <u>\$ 11,000,000</u> |
| Issued and fully paid shares (in thousands of shares) | <u>954,890</u>       | <u>954,890</u>       | <u>909,410</u>       |
| Issued share capital                                  | <u>\$ 9,548,900</u>  | <u>\$ 9,548,900</u>  | <u>\$ 9,094,100</u>  |

### b. Retained earnings and dividends policy

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

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

In accordance with the provisions of Jin-Guan-Zheng-Fa No. 1090150022 and No. 1010012865 and the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company sets aside special reserve and the reversal of special reserve in other equity items, if any, may be included in distributable retained earnings when the debit balance of other equity items is reversed.

The appropriations of earnings for 2023 and 2022 were as follows:

|   | <u>Appropriations of earnings</u> |               | <u>Dividends per share (NT\$)</u> |             |
|---|-----------------------------------|---------------|-----------------------------------|-------------|
|   | <u>2023</u>                       | <u>2022</u>   | <u>2023</u>                       | <u>2022</u> |
| Provision for legal reserve             | \$ 90,782                         | \$ 41,452     |                                   |             |
| Provision (reversal) of special reserve | 262,078                           | ( 1,139,505 ) |                                   |             |
| Cash dividends                          | 954,890                           | 454,705       | \$ 1.0                            | \$ 0.5      |
| Share dividends                         | -                                 | 454,800       | -                                 | 0.500104    |

The above cash dividends were approved by the Board of Directors on March 11, 2024 and March 10, 2023, respectively, and the remaining appropriation of earnings for 2022 was approved by the shareholders' meeting on May 31, 2023. The remaining appropriation of earnings for 2023 is pending the resolution of the shareholders' meeting held on May 31, 2024

## 17. REVENUE

### a. Breakdown of contracts with customers

|                                    | <u>January 1 to March 31, 2024</u> | <u>January 1 to March 31, 2023</u> |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Major product/service lines</u> |                                    |                                    |
| Motorcycle and other bias tires    | \$ 3,474,669                       | \$ 3,858,274                       |
| Radial tires                       | 2,667,020                          | 1,949,080                          |
| Bicycle tires                      | 472,519                            | 553,666                            |
| Tubes                              | 240,821                            | 303,266                            |
| Others                             | <u>1,410,213</u>                   | <u>1,555,986</u>                   |
| Total                              | <u>\$ 8,265,242</u>                | <u>\$ 8,220,272</u>                |

### b. Contract balances

|                                  | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------------------------|-----------------------|--------------------------|-----------------------|
| Refundable liabilities - current | <u>\$ 197,688</u>     | <u>\$ 245,110</u>        | <u>\$ 78,137</u>      |

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

## 18. NET PROFIT (LOSS) FOR THE PERIOD

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

a. Other gains and losses

|   | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|---|--------------------------------|--------------------------------|
| Net foreign currency exchange gain<br>(loss)                            | \$ 78,898                      | (\$ 48,480)                    |
| Gain (loss) on disposal of property,<br>plant and equipment             | ( 8,695 )                      | 324                            |
| Gain (loss) on financial assets at<br>fair value through profit or loss | 146                            | ( 5 )                          |
| Others  | ( <u>1,395</u> )               | ( <u>2,861</u> )               |
|   | <u>\$ 68,954</u>               | <u>(\$ 51,022)</u>             |

b. Financial costs

|  | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|--|--------------------------------|--------------------------------|
| Interest expense on bank loans                             | \$ 122,820                     | \$ 134,384                     |
| Interest on lease liabilities                              | 4,667                          | 4,506                          |
| Less: Amounts included in the cost<br>of qualifying assets | <u>-</u>                       | ( <u>494</u> )                 |
|  | <u>\$ 127,487</u>              | <u>\$ 138,396</u>              |

c. Depreciation and amortization

|                               | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|-------------------------------|--------------------------------|--------------------------------|
| Property, plant and equipment | \$ 379,505                     | \$ 404,373                     |
| Right-of-use assets           | 47,691                         | 43,330                         |
| Investment properties         | 16                             | -                              |
| Intangible assets             | <u>3,612</u>                   | <u>4,068</u>                   |
|                               | <u>\$ 430,824</u>              | <u>\$ 451,771</u>              |

Depreciation expense is aggregated  
by function

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Operating costs        | \$ 325,568        | \$ 343,145        |
| Operating expenses     | 101,628           | 104,558           |
| Other gains and losses | <u>16</u>         | <u>-</u>          |
|                        | <u>\$ 427,212</u> | <u>\$ 447,703</u> |

Amortization expense is aggregated  
by function

|                    |                 |                 |
|--------------------|-----------------|-----------------|
| Operating costs    | \$ 1,233        | \$ 1,260        |
| Operating expenses | <u>2,379</u>    | <u>2,808</u>    |
|                    | <u>\$ 3,612</u> | <u>\$ 4,068</u> |

d. Employee benefits expense

|                                    | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|------------------------------------|--------------------------------|--------------------------------|
| Short-term employee benefits       |                                |                                |
| Wages and salaries                 | \$ 1,363,924                   | \$ 1,233,824                   |
| Labor/Health insurance<br>expenses | <u>139,981</u>                 | <u>145,373</u>                 |
|                                    | <u>1,503,905</u>               | <u>1,379,197</u>               |
| Post-employment benefits           |                                |                                |
| Defined contribution plans         | 77,661                         | 76,563                         |
| Defined benefit plans              | <u>628</u>                     | <u>1,169</u>                   |
|                                    | <u>78,289</u>                  | <u>77,732</u>                  |
| Other employee benefits            | <u>61,511</u>                  | <u>53,504</u>                  |
| Total employee benefit expenses    | <u>\$ 1,643,705</u>            | <u>\$ 1,510,433</u>            |
| Total by function                  |                                |                                |
| Operating costs                    | \$ 917,395                     | \$ 865,542                     |
| Operating expenses                 | <u>726,310</u>                 | <u>644,891</u>                 |
|                                    | <u>\$ 1,643,705</u>            | <u>\$ 1,510,433</u>            |

e. Remuneration of employees and directors

In accordance with the Company's Articles of Incorporation, the Company shall distribute employee remuneration at no less than 0.5% of the Company's earnings for the year; and shall distribute directors' remuneration at no more than 3% of the Company's earnings for the year. From January 1 to March 31, 2023, employees' remuneration was not estimated because of the pre-tax net loss. For the period from January 1 to March 31, 2024, the estimated employees' remuneration was NT\$3,090 thousand and the estimated remuneration to directors was NT\$4,637 thousand.

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

The remuneration to employees and directors for 2023 and 2022, as resolved by the Board of Directors, are as follows:

|                         | <u>2023</u>      | <u>2022</u>     |
|-------------------------|------------------|-----------------|
|                         | Cash             | Cash            |
| Employees' remuneration | <u>\$ 9,262</u>  | <u>\$ 5,937</u> |
| Directors' remuneration | <u>\$ 10,895</u> | <u>\$ 8,911</u> |

The actual amounts of employee and director's remuneration for 2023 and 2022 were not different from the amounts recognized in the consolidated financial statements for each of the respective fiscal years.

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

## 19. INCOME TAX

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

The major components of income tax expense are as follows:

|  | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|--|--|--|
| Income tax   |  |  |
| In respect of the current period                   | \$ 126,600                             | \$ 39,080                              |
| Adjustments for the prior year                     | <u>18</u>                              | <u>-</u>                               |
|  | <u>126,618</u>                         | <u>39,080</u>                          |
| Deferred tax                                       |  |  |
| In respect of the current period                   | <u>17,014</u>                          | <u>14,421</u>                          |
| Income tax expense recognized in<br>profit or loss | <u>\$ 143,632</u>                      | <u>\$ 53,501</u>                       |

### b. Income tax recognized in other comprehensive income

|   | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|---|--|--|
| <u>Deferred tax</u>                           |  |  |
| Translation of foreign operations<br>entities | <u>\$ 205,620</u>                      | <u>(\$ 6,998)</u>                      |

### c. Income tax assessments

The income tax returns of the Company and its subsidiaries were approved by the competent tax authorities up to 2021

### d. Pillar Two income taxes bill

In December 2023, the governments of Vietnam, Germany, Denmark, France, the United Kingdom, Switzerland, Croatia, and Belgium, where the subsidiaries KV, KE, and STARCO Europe A/S are registered, have substantively legislated the Pillar Two, which will take effect from January 1, 2024.

According to the bill, STARCO Europe A/S is required to pay additional taxes in Denmark for the profits of its subsidiaries that are taxed at a rate lower than 15%. The main jurisdictions at risk for this income tax include Estonia and Poland.

In the Group's consolidated financial statements, the current effective tax rate for KV, KE, and STARCO Europe A/S is approximately 14%. The full impact of the adjustments required by the bill has not yet been comprehensively considered, and the actual impact on the consolidated company could vary significantly. The Group is actively reviewing and assessing the impact of the Pillar Two on its overall financial performance.

## 20. EARNINGS PER SHARE (LOSS)

|  | Unit: NT\$ per share           |                                |
|--|--------------------------------|--------------------------------|
|  | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
| Basic and diluted earnings per share<br>(loss) | <u>\$ 0.46</u>                 | <u>(\$ 0.40)</u>               |

The impact of bonus shares has been adjusted retrospectively when calculating earnings per loss. The reference date for the bonus shares was July 22, 2023. Due to retrospective adjustments, the changes in basic and diluted loss per share from January 1 to March 31, 2023 are as follows:

|                                  | Unit: NT\$ per share                   |                                    |
|----------------------------------|--|------------------------------------|
|                                  | Before<br>retrospective<br>adjustments | After retrospective<br>adjustments |
|                                  | January 1 to March<br>31, 2024         | January 1 to March<br>31, 2023     |
| Basic and diluted loss per share | <u>(\$ 0.42)</u>                       | <u>(\$ 0.40)</u>                   |

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

### Net profit (loss) for the period

|   | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
|---|--------------------------------|--------------------------------|
| Net profit attributable to shareholders<br>of the parent (loss) | <u>\$ 435,786</u>              | <u>(\$ 379,605)</u>            |

### Number of shares

|   | Unit: Thousands of shares      |                                |
|---|--------------------------------|--------------------------------|
|   | January 1 to March<br>31, 2024 | January 1 to March<br>31, 2023 |
| Weighted-average ordinary shares used<br>in calculating basic earnings per<br>share   | 954,890                        | 909,410                        |
| Effect of potentially dilutive ordinary<br>shares                                     |                                |                                |
| Employees' remuneration   | <u>292</u>                     | <u>-</u>                       |
| Weighted average ordinary shares used<br>in calculating diluted earnings per<br>share | <u>955,182</u>                 | <u>909,410</u>                 |

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

## 21. CAPITAL RISK MANAGEMENT

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

## 22. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

##### March 31, 2024

|  | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>     |
|--|-----------------|----------------|------------------|------------------|
| <u>Financial assets at fair value through profit or loss</u>             |                 |                |                  |                  |
| Domestic listed shares   | <u>\$ 1,460</u> | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ 1,460</u>  |
| <u>Financial assets at fair value through other comprehensive income</u> |                 |                |                  |                  |
| Investments in equity instruments  |                 |                |                  |                  |
| Domestic and foreign unlisted shares                                     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$415,460</u> | <u>\$415,460</u> |

##### December 31, 2023

|  | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>     |
|--|-----------------|----------------|------------------|------------------|
| <u>Financial assets at fair value through profit or loss</u>             |                 |                |                  |                  |
| Domestic listed shares   | <u>\$ 1,314</u> | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ 1,314</u>  |
| <u>Financial assets at fair value through other comprehensive income</u> |                 |                |                  |                  |
| Investments in equity instruments  |                 |                |                  |                  |
| Domestic and foreign unlisted shares                                     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$413,017</u> | <u>\$413,017</u> |

March 31, 2023

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

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

| <u>Financial assets measured at fair value through other comprehensive income or loss - equity instruments</u> | <u>January 1 to March 31, 2024</u> | <u>January 1 to March 31, 2023</u> |
|--|------------------------------------|------------------------------------|
| Opening balance  | \$ 413,017                         | \$ 521,443                         |
| Effects of exchange rate   | <u>2,443</u>                       | <u>( 1,015 )</u>                   |
| Ending balance   | <u>\$ 415,460</u>                  | <u>\$ 520,428</u>                  |

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

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

c. Types of financial instruments

|   | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|---|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u>                               |                       |                          |                       |
| Financial assets at fair value through profit or loss |                       |                          |                       |
| Listed shares   | \$ 1,460              | \$ 1,314                 | \$ 1,314              |
| Financial assets at amortized cost (Note 1)           | 15,012,356            | 14,722,958               | 14,532,911            |

(Continued)

|   | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u>     |
|---|-----------------------|------------------------------|---------------------------|
| Financial assets at fair value through other comprehensive income |                       |                              |                           |
| Investments in equity instruments                                 | \$ 415,460            | \$ 413,017                   | \$ 520,428                |
| <u>Financial liabilities</u>                                      |                       |                              |                           |
| Measured at amortized cost (Note 2)                               | 23,088,231            | 22,116,697                   | 24,817,095<br>(Concluded) |

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Exchange rate risk

Several subsidiaries of the Company engage in sales and purchases denominated in foreign currency, which expose the Group to the exchange rate 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 affected by fluctuations in the USD exchange rate.

The sensitivity analysis measures the effect of a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting currency risk internally to key management and represents management's assessment of the reasonable range of possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency monetary items, and adjusts their translation at the end of the year for a 1% change in currency rates. When the New Taiwan dollar and RMB strengthens/weakens by 1% against the USD, the effect on the Group's net profit (loss) before tax from January 1 to March 31, 2024 and 2023 will decrease/increase by NT\$54,577 thousand and NT\$52,070 thousand.

#### b) Interest rate risk

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

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

|                               | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u> |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Fair value interest rate risk |                       |                              |                       |
| — Financial assets            | \$ 3,537,281          | \$ 3,908,211                 | \$ 2,739,404          |
| — Financial liabilities       | 3,669,997             | 3,194,542                    | 4,674,505             |
| Cash flow interest rate risk  |                       |                              |                       |
| — Financial assets            | 6,917,561             | 6,757,436                    | 6,982,127             |
| — Financial liabilities       | 14,238,394            | 14,737,912                   | 15,839,157            |

### Sensitivity analysis

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

If interest rates increase/decrease by 10 basis points and all other variables are held constant, the Group's net profit before tax from January 1 to March 31, 2024 and 2023 will decrease/increase by NT\$1,830 thousand and NT\$2,214 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

This sensitivity analysis was based on the exposure to equity price risk at the balance sheet date.

If equity price increases/decreases by 5%, the Group's net profit before tax from January 1 to March 31, 2024 and 2023 will change favorably/unfavorably by NT\$73 thousand and NT\$66 thousand, respectively, as a result of the changes in fair value of financial assets measured at fair value through profit or loss. The Group's other comprehensive income from January 1 to March 31, 2024 and 2023 will change favorably/unfavorably by NT\$20,773 thousand and NT\$26,021 thousand, respectively, as a result of the changes in fair value of financial assets measured at fair value through other comprehensive income.

2) Credit risk

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

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

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

### 3) Liquidity risk

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

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

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

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

#### March 31, 2024

|   | <u>Within 1 year</u> | <u>1-5 years</u>    | <u>More than 5<br/>years</u> |
|---|----------------------|---------------------|------------------------------|
| <u>Non-derivative financial<br/>liabilities</u> |                      |                     |                              |
| Non-interest bearing<br>liabilities             | \$ 5,005,993         | \$ -                | \$ -                         |
| Lease liabilities                               | 161,098              | 244,405             | 385,710                      |
| Floating rate instruments                       | 4,058,265            | 10,792,805          | -                            |
| Fixed rate instruments                          | <u>1,433,254</u>     | <u>1,500,004</u>    | <u>-</u>                     |
|   | <u>\$10,658,610</u>  | <u>\$12,537,214</u> | <u>\$ 385,710</u>            |

#### December 31, 2023

|   | <u>Within 1 year</u> | <u>1-5 years</u>    | <u>More than 5<br/>years</u> |
|---|----------------------|---------------------|------------------------------|
| <u>Non-derivative financial<br/>liabilities</u> |                      |                     |                              |
| Non-interest bearing<br>liabilities             | \$ 3,896,981         | \$ -                | \$ -                         |
| Lease liabilities                               | 168,684              | 255,769             | 222,355                      |
| Floating rate instruments                       | 4,825,509            | 10,653,681          | -                            |
| Fixed rate instruments                          | <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>            |

March 31, 2023

|   | <u>Within 1 year</u> | <u>1-5 years</u>    | <u>More than 5<br/>years</u> |
|---|----------------------|---------------------|------------------------------|
| <u>Non-derivative financial liabilities</u> |                      |                     |                              |
| Non-interest bearing liabilities            | \$ 4,211,817         | \$ -                | \$ -                         |
| Lease liabilities                           | 122,760              | 241,898             | 273,047                      |
| Floating rate instruments                   | 4,200,364            | 12,154,777          | -                            |
| Fixed rate instruments                      | <u>2,338,891</u>     | <u>1,795,422</u>    | <u>-</u>                     |
|   | <u>\$10,873,832</u>  | <u>\$14,192,097</u> | <u>\$ 273,047</u>            |

b) Financing limit

|  | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u> |
|--|-----------------------|------------------------------|-----------------------|
| Unsecured bank overdraft limit (reviewed annually)       |                       |                              |                       |
| — Amount utilized  | \$ 40,213             | \$ -                         | \$ 7                  |
| — Amount unutilized                                      | <u>-</u>              | <u>-</u>                     | <u>-</u>              |
|  | <u>\$ 40,213</u>      | <u>\$ -</u>                  | <u>\$ 7</u>           |
| Secured bank overdraft limit                             |                       |                              |                       |
| — Amount utilized  | \$ 34,601             | \$ 5,827                     | \$ -                  |
| — Amount unutilized                                      | <u>74,128</u>         | <u>-</u>                     | <u>-</u>              |
|  | <u>\$ 108,729</u>     | <u>\$ 5,827</u>              | <u>\$ -</u>           |
| Unsecured bank loan limit                                |                       |                              |                       |
| — Amount utilized  | \$15,945,687          | \$16,224,471                 | \$18,226,041          |
| — Amount unutilized                                      | <u>21,113,352</u>     | <u>17,890,772</u>            | <u>16,683,835</u>     |
|  | <u>\$37,059,039</u>   | <u>\$34,115,243</u>          | <u>\$34,909,876</u>   |
| Secured bank loan limit (extendable by mutual agreement) |                       |                              |                       |
| — Amount utilized  | \$ 1,096,677          | \$ 1,055,348                 | \$ 1,649,909          |
| — Amount unutilized                                      | <u>3,059,196</u>      | <u>2,896,548</u>             | <u>2,355,420</u>      |
|  | <u>\$ 4,155,873</u>   | <u>\$ 3,951,896</u>          | <u>\$ 4,005,329</u>   |

e. Transfers of financial assets

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized banker's acceptances is the face amounts of banker's acceptances transferred but not yet matured, and as of March 31, 2024, and December 31, 2023 and March 31, 2023, the face amounts of these transferred but not yet matured banker's acceptances were NT\$647,965 thousand, NT\$583,897 thousand and NT\$546,140 thousand, respectively. These notes will mature within six months after the balance sheet date. Taking into consideration the credit risk of the derecognized banker's acceptances, the Group estimates that the fair values of its continuing involvement are not significant.

From January 1 to March 31, 2024 and 2023, the Group did not recognize any profit or loss upon the transfer of the banker's acceptances. No profit or loss was recognized from the continuing involvement in these bills, both during the period or cumulatively.

### 23. TRANSACTIONS WITH RELATED PARTIES

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

a. Names of related parties and their relationships

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

Other related party indicates that the chairman of the entity is the same as the chairman of the Company, or is a relative within the second degree of kinship, or is identified as a related party in substance.

b. Operating income

| <u>Account items</u> | <u>Type of related party</u> | <u>January 1 to<br/>March 31, 2024</u> | <u>January 1 to<br/>March 31, 2023</u> |
|----------------------|------------------------------|--|--|
| Sales revenue        | Other related party          | \$ 128                                 | \$ 249                                 |
|                      | Affiliate                    | <u>14,968</u>                          | <u>-</u>                               |
|                      |                              | <u>\$ 15,096</u>                       | <u>\$ 249</u>                          |

c. Purchases

| <u>Type of related party</u> | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|------------------------------|--|--|
| Other related party          | \$ 36,049                              | \$ 30,617                              |
| Affiliate                    | <u>72,497</u>                          | <u>31,915</u>                          |
|                              | <u>\$108,546</u>                       | <u>\$ 62,532</u>                       |

d. Receivables from related parties

| <u>Account items</u> | <u>Type of related party</u> | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u> |
|----------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| Accounts receivable  | Other related party          | \$ 135                | \$ 623                       | \$ 103                |
| Accounts receivable  | Affiliate                    | 17,232                | -                            | -                     |
| Other receivables    | Other related party          | <u>-</u>              | <u>588</u>                   | <u>406</u>            |
|                      |                              | <u>\$ 17,367</u>      | <u>\$ 1,211</u>              | <u>\$ 509</u>         |

e. Payables to related parties

| <u>Account items</u> | <u>Type of related party</u> | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u> |
|----------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| Accounts payable     | Other related party          | \$ 56,998             | \$ 58,592                    | \$ 49,068             |
| Accounts payable     | Affiliate                    | 73,973                | 38,668                       | 32,007                |
| Other payables       | Other related party          | <u>6,640</u>          | <u>8,753</u>                 | <u>6,167</u>          |
|                      |                              | <u>\$ 137,611</u>     | <u>\$ 106,013</u>            | <u>\$ 87,242</u>      |

f. Others

| <u>Account items</u>     | <u>Type of related party</u> | <u>January 1 to<br/>March 31, 2024</u> | <u>January 1 to<br/>March 31, 2023</u> |
|--------------------------|------------------------------|--|--|
| Manufacturing<br>expense | Other related party          | \$ 4,044                               | \$ 4,189                               |
| Operating expense        | Other related party          | <u>574</u>                             | <u>465</u>                             |
|                          |                              | <u>\$ 4,618</u>                        | <u>\$ 4,654</u>                        |

g. Lessee's lease agreement

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

| <u>Type of related party/<br/>name</u> | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|--|--|--|
| <u>Lease expense</u>                   |  |  |
| Other related party                    |  |  |
| ADH                                    | \$ 4,179                               | \$ 4,042                               |
| Y&C                                    | 2,529                                  | 2,446                                  |
| Others                                 | <u>472</u>                             | <u>809</u>                             |
|  | <u>\$ 7,180</u>                        | <u>\$ 7,297</u>                        |

h. Rental agreement

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

| <u>Type of related party/ name</u> | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|------------------------------------|--|--|
| <u>Lease income</u>                |  |  |
| Other related party                |  |  |
| HBC                                | <u>\$ 1,257</u>                        | <u>\$ 540</u>                          |

i. Acquisition of financial assets

January 1 to March 31, 2023

| <u>Type of related party/<br/>name</u>        | <u>Account items</u>                                    | <u>Number of<br/>shares traded</u> | <u>Subject of<br/>transaction</u> | <u>Acquired<br/>price</u> |
|---|---|------------------------------------|-----------------------------------|---------------------------|
| Director of the<br>Company/Yang Ying-<br>Ming | Investments accounted<br>for using the equity<br>method | 1,000                              | Equity of KI                      | <u>\$ 31</u>              |

j. Remuneration of key management personnel

|                              | <u>January 1 to March<br/>31, 2024</u> | <u>January 1 to March<br/>31, 2023</u> |
|------------------------------|--|--|
| Short-term employee benefits | \$ 13,880                              | \$ 10,381                              |
| Post-employment benefits     | <u>29</u>                              | <u>26</u>                              |
|                              | <u>\$ 13,909</u>                       | <u>\$ 10,407</u>                       |

## 24. PLEDGED ASSETS

All of the operating assets of KA, including but not limited to cash and cash equivalents, trade receivable, inventories, property, plant and equipment, and intangible assets, are pledged as collateral for bank borrowings, and are subject to the bank's priority in settlement. The values of the above assets were NT\$8,128,238 thousand, NT\$7,518,638 thousand and NT\$8,110,389 thousand as of March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

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

|                               | <u>March 31, 2024</u> | <u>December 31,<br/>2023</u> | <u>March 31, 2023</u> |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Accounts receivable           | \$ 8,522              | \$ 15,009                    | \$ 47,441             |
| Property, plant and equipment | 193,698               | 162,800                      | 163,447               |
| Others                        | <u>72,308</u>         | <u>51,658</u>                | <u>61,068</u>         |
|                               | <u>\$ 274,528</u>     | <u>\$ 229,467</u>            | <u>\$ 271,956</u>     |

## 25. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

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

a. Material capital expenditures contracted for but not yet incurred

| Item                          | March 31, 2024    | December 31,<br>2023 | March 31, 2023    |
|-------------------------------|-------------------|----------------------|-------------------|
| Property, plant and equipment | <u>\$ 355,365</u> | <u>\$ 190,741</u>    | <u>\$ 274,706</u> |

b. Contingencies

1) Product liability insurance

The Group has entered into product liability insurance for tires and other products manufactured by the Group and sold globally. The contract period of the insurance policy 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 sales in Nigeria. Due to circumstances related to local sales, the traders commissioned by the Company switched to other distributors to sell products in Nigeria. Consequently, Gabjohn filed a lawsuit against the Company for breach of exclusive agency contract and demanded NT\$90,000 thousand (NGN500,000 thousand) as compensation. The Company signed a litigation agreement with Tommy & Jason Intellectual Property Rights Co., Ltd. ("Tommy & Jason Intellectual"), which then engaged a lawyer in the local intellectual property office, AdenijiKazeem & Co., to handle the litigation and regularly reported the related proceedings. The lawsuit is currently awaiting in the High Court of Nigeria. As of the date of issuance of the financial statements for Q1 2024, the possible outcome of the dispute regarding the agency cannot be estimated with sufficient reliability.

3) The U.S. Department of Commerce notified KA in June 2019 of the review results of the U.S. anti-dumping duties on the total import price of car tires imported from China from August 2016 to July 2017. The review results are not applicable to all companies importing car tires from China. The result of the anti-dumping tax re-examination increased the anti-dumping duty rate from the original rate that had previously been imposed of 8.72% to 64.57%. KA believes that this tax rate is unreasonable based on past experience, so it has appealed to the U.S. Federal Circuit Court. However, the Group has estimated the tax amount of about US\$7,778 thousand and the related overdue interest of US\$789 thousand in accordance with the abovementioned tax rate in 2020.

## 26. OTHER MATTER

On February 15, 2023, the President announced the amendment of the Climate Change Response Act, which includes provisions for the imposition of carbon fees. Subsequently, on April 29, 2024, the Ministry of Environment released drafts of Regulations for the Charging of Carbon Fees, Regulations for Voluntary Emission Reduction Projects, and Designated Greenhouse Gas Reduction Targets for Carbon Fee Imposition. According to the draft of Regulations for the Charging of Carbon Fees, the entities subject to carbon fee imposition are emission sources that meet the Ministry of Environment's requirements for inventory, registration, and inspection, and have a total annual greenhouse gas emission of 25,000 metric tons of carbon dioxide equivalent from direct emissions and indirect emissions generated by electricity usage in the entire plant or facility, including the electricity industry and large-scale manufacturing industry.

Based on the emissions of the Company in 2022, it is expected that the threshold will be reached in 2024. However, the above-mentioned draft is still in the notification stage and the carbon fee rate has not been announced. Therefore, the Company is unable to reasonably estimate the potential impact of the carbon fee on the consolidated financial statements.

The subsidiaries of the Group located in the China region report their annual carbon emissions data in accordance with the relevant policies established by the People's Republic of China. Local government departments distribute free carbon emission quotas based on the total annual emission quota and allocation plan. If there is a shortage of quotas, they can be purchased through the carbon emission rights trading market to make up for the shortfall.

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

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

March 31, 2024

|                         | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>Carrying amount</u> |
|-------------------------|-------------------------|----------------------|------------------------|
| <u>Financial assets</u> |                         |                      |                        |
| <u>Monetary items</u>   |                         |                      |                        |
| USD                     | \$ 97,294               | 31.99 (USD: TWD)     | \$ 3,112,432           |
| USD                     | 96,125                  | 7.10 (USD: CNY)      | 3,075,047              |
| USD                     | 4,820                   | 7.83 (USD: HKD)      | 154,194                |
| CNY                     | 88,000                  | 0.14 (RMB:USD)       | 396,775                |
| EUR                     | 9,105                   | 7.68 (EUR: CNY)      | 314,264                |
| IDR (in million)        | 162,668                 | 0.06 (IDR: USD)      | 328,265                |
|                         |                         |                      | <u>\$ 7,380,977</u>    |

(Continued)

| Financial liabilities | Foreign currency | Exchange rate    | Carrying amount   |
|-----------------------|------------------|------------------|-------------------|
| <u>Monetary items</u> |                  |                  |                   |
| USD                   | 18,509           | 31.99 (USD: TWD) | \$ 592,087        |
| USD                   | 4,303            | 7.10 (USD: CNY)  | 137,644           |
| EUR                   | 612              | 34.52 (EUR: TWD) | 21,139            |
| IDR (in million)      | 19,304           | 0.06 (IDR: USD)  | 38,957            |
| GBP                   | 739              | 1.17 (GBP: EUR)  | 29,860            |
| VND (in million)      | 130,960          | 0.04 (VND: USD)  | 168,808           |
|                       |                  |                  | <u>\$ 988,495</u> |
|                       |                  |                  | (Concluded)       |

December 31, 2023

| Financial assets             | Foreign currency | Exchange rate    | Carrying amount     |
|------------------------------|------------------|------------------|---------------------|
| <u>Monetary items</u>        |                  |                  |                     |
| USD                          | \$ 59,135        | 30.72 (USD: TWD) | \$ 1,816,333        |
| USD                          | 96,415           | 7.08 (USD: CNY)  | 2,961,399           |
| CNY                          | 88,000           | 0.14 (RMB: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:RMB)   | 130,515             |
|                              |                  |                  | <u>\$ 5,678,993</u> |
| <u>Financial liabilities</u> |                  |                  |                     |
| <u>Monetary items</u>        |                  |                  |                     |
| USD                          | 5,139            | 30.72 (USD: TWD) | \$ 157,858          |
| USD                          | 8,138            | 7.08 (USD: CNY)  | 249,967             |
| EUR                          | 484              | 33.90 (EUR: TWD) | 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)  | 29,098              |
|                              |                  |                  | <u>\$ 732,556</u>   |

March 31, 2023

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

The Group recorded foreign currency exchange (loss) gains of NT\$78,898 thousand and NT\$(48,480) thousand from January 1 to March 31, 2024 and 2023. Due to the wide variety of foreign currency transactions and the individual functional currencies of the Group's operating Entities, it is not possible to disclose the exchange gains or losses by each material currency.

## 28. SUPPLEMENTARY DISCLOSURES

a. Information on significant transactions and b. Information on investees:

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

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

## 29. SEGMENT INFORMATION

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

### Segment revenue and operating results

The segment revenue and operating results from continuing operations of the Group were analyzed by reportable segments as follows:

#### January 1 to March 31, 2024

|   | <u>Asia</u>         | <u>Non-Asia<br/>regions</u> | <u>Others</u>     | <u>Adjustment and<br/>write-off</u> | <u>Total</u>        |
|---|---------------------|-----------------------------|-------------------|-------------------------------------|---------------------|
| <u>Revenue</u>  |                     |                             |                   |                                     |                     |
| Revenue from external customers                                 | \$ 3,783,489        | \$ 4,481,753                | \$ -              | \$ -                                | \$ 8,265,242        |
| Intersegment revenue  | <u>2,591,205</u>    | <u>49,798</u>               | <u>-</u>          | <u>( 2,641,003 )</u>                | <u>-</u>            |
| Total   | <u>\$ 6,374,694</u> | <u>\$ 4,531,551</u>         | <u>\$ -</u>       | <u>( \$ 2,641,003 )</u>             | <u>\$ 8,265,242</u> |
| Interest income   | <u>\$ 60,775</u>    | <u>\$ 1,353</u>             | <u>\$ 3,421</u>   | <u>( \$ 5,844 )</u>                 | <u>\$ 59,705</u>    |
| Financial costs   | <u>\$ 79,895</u>    | <u>\$ 54,920</u>            | <u>\$ -</u>       | <u>( \$ 7,328 )</u>                 | <u>\$ 127,487</u>   |
| Depreciation and amortization                                   | <u>\$ 337,010</u>   | <u>\$ 93,811</u>            | <u>\$ 4</u>       | <u>\$ -</u>                         | <u>\$ 430,824</u>   |
| Segment profit or loss (excluding investment income)            | <u>\$ 316,010</u>   | <u>\$ 235,509</u>           | <u>( \$ 871 )</u> | <u>\$ 30,471</u>                    | \$ 581,119          |
| Investment income or loss accounted for using the equity method |                     |                             |                   |                                     | <u>( 1,701 )</u>    |
| Net profit before tax   |                     |                             |                   |                                     | <u>\$ 579,418</u>   |
| Total assets  |                     |                             |                   |                                     | <u>\$45,310,549</u> |

#### January 1 to March 31, 2023

|   | <u>Asia</u>           | <u>Non-Asia<br/>regions</u> | <u>Others</u>   | <u>Adjustment and<br/>write-off</u> | <u>Total</u>          |
|---|-----------------------|-----------------------------|-----------------|-------------------------------------|-----------------------|
| <u>Revenue</u>  |                       |                             |                 |                                     |                       |
| Revenue from external customers                                 | \$ 3,533,341          | \$ 4,686,931                | \$ -            | \$ -                                | \$ 8,220,272          |
| Intersegment revenue  | <u>2,001,755</u>      | <u>36,549</u>               | <u>-</u>        | <u>( 2,038,304 )</u>                | <u>-</u>              |
| Total   | <u>\$ 5,535,096</u>   | <u>\$ 4,723,480</u>         | <u>\$ -</u>     | <u>( \$ 2,038,304 )</u>             | <u>\$ 8,220,272</u>   |
| Interest income   | <u>\$ 51,093</u>      | <u>\$ 854</u>               | <u>\$ 2,963</u> | <u>( \$ 5,652 )</u>                 | <u>\$ 49,258</u>      |
| Financial costs   | <u>\$ 94,465</u>      | <u>\$ 51,102</u>            | <u>\$ -</u>     | <u>( \$ 7,171 )</u>                 | <u>\$ 138,396</u>     |
| Depreciation and amortization                                   | <u>\$ 375,704</u>     | <u>\$ 87,027</u>            | <u>\$ 4</u>     | <u>( \$ 10,964 )</u>                | <u>\$ 451,771</u>     |
| Segment profit or loss (excluding investment income)            | <u>( \$ 294,121 )</u> | <u>\$ 56,578</u>            | <u>\$ 1,925</u> | <u>( \$ 89,706 )</u>                | <u>( \$ 325,324 )</u> |
| Investment income or loss accounted for using the equity method |                       |                             |                 |                                     | <u>( 780 )</u>        |
| Net loss before tax   |                       |                             |                 |                                     | <u>( \$ 326,104 )</u> |
| Total assets  |                       |                             |                 |                                     | <u>\$45,457,909</u>   |

Intersegment sales are valued at market prices.

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

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

## Loans of Funds to Others

January 1 to March 31, 2024

(In Thousands of New Taiwan Dollars)

| No. | Lender                      | Borrower             | Account item          | Related party | Maximum balance for the period | Ending balance | Actual amount utilized | Range of interest rates | Nature of loan to others | Amount of transactions | Reason for short-term financing | Allowance for losses | Collateral |       | Lending of funds to individual parties and limits   | Aggregate financing limit                           |
|-----|-----------------------------|----------------------|-----------------------|---------------|--------------------------------|----------------|------------------------|-------------------------|--------------------------|------------------------|---------------------------------|----------------------|------------|-------|---|---|
|     |                             |                      |                       |               |                                |                |                        |                         |                          |                        |                                 |                      | Name       | Value |   |   |
| 1   | STARCO Europe A/S           | STARCO DML Ltd.      | Financing receivables | Yes           | \$ 30,272                      | \$ 30,272      | \$ 10,493              | 7.00%                   | Short-term financing     | \$ -                   | Business operations             | \$ -                 | —          | \$ -  | 40% of the subsidiary's net worth, being \$ 151,789 | 85% of the subsidiary's net worth, being \$ 322,551 |
| 1   | STARCO Europe A/S           | STARCO GS            | Financing receivables | Yes           | 71,623                         | 71,623         | 71,623                 | 6.00~7.00%              | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 151,789    | 85% of the subsidiary's net worth, being 322,551    |
| 1   | STARCO Europe A/S           | Starco Polska Sp.zoo | Financing receivables | Yes           | 123,462                        | 91,471         | 91,471                 | 7.00%                   | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 151,789    | 85% of the subsidiary's net worth, being 322,551    |
| 1   | STARCO Europe A/S           | STARCO GmbH          | Financing receivables | Yes           | 94,102                         | 85,672         | 85,672                 | 7.00%                   | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 151,789    | 85% of the subsidiary's net worth, being 322,551    |
| 2   | STARCO Beli Manastir d.o.o. | Jelshoj Imovina      | Financing receivables | Yes           | 6,869                          | 6,869          | 1,381                  | 2.68%                   | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 140,657    | 85% of the subsidiary's net worth, being 298,895    |
| 3   | STARCO GB Ltd.              | STARCO DML Ltd.      | Financing receivables | Yes           | 44,548                         | 44,424         | 44,424                 | 7.00%                   | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 103,433    | 85% of the subsidiary's net worth, being 219,794    |
| 4   | STARCO GmbH                 | STARCO GS            | Financing receivables | Yes           | 3,452                          | 3,452          | 3,452                  | 7.00%                   | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 51,265     | 85% of the subsidiary's net worth, being 108,937    |
| 5   | KC                          | KT                   | Financing receivables | Yes           | 739,445                        | 739,445        | 739,445                | 3.3065~3.5065%          | Short-term financing     | -                      | Business operations             | -                    | —          | -     | 40% of the subsidiary's net worth, being 2,834,166  | 60% of the subsidiary's net worth, being 4,251,248  |

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

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

Endorsements/Guarantees Provided  
January 1 to March 31, 2024  
(In Thousands of New Taiwan Dollars)

| No. | Name of endorsing company | Subject of endorsement/guarantee |                       | Endorsement guarantee limit for a single enterprise (Note 2) | Maximum endorsement guarantee balance for the period | Endorsement guarantee balance at the end of the period | Actual amount utilized | Amount of endorsement guarantee secured by property | Ratio of accumulated endorsement guarantee amount to the net value of the most recent financial statements (%) | Endorsements/guarantees: Maximum limit (Note 3) | Endorsement/guarantee made by parent for subsidiaries | Endorsement/guarantee made by subsidiaries for parent | Endorsement/guarantee made for entities in mainland china | Remark |
|-----|---------------------------|----------------------------------|-----------------------|--|--|--|------------------------|---|--|---|---|---|---|--------|
|     |                           | Name of company                  | Relationship (Note 1) |  |  |  |                        |   |  |   |   |   |   |        |
| 0   | The Company               | STARCO Europe A/S                | 1                     | \$ 7,950,720   | \$ 2,796,015   | \$ 2,796,015   | \$ 1,617,046           | \$ -  | 14.07%   | \$15,901,439                                    | Yes   | No  | No  | Note 5 |
| 0   | The Company               | STARCO GmbH                      | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO DML                       | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO Polska Sp.z.o.o.          | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO SAS                       | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO GS AG                     | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO NV                        | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO GB                        | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | STARCO Baltic OÜ                 | 1                     | 7,950,720  | 639,800  | 639,800  | -                      | -   | 3.22%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | AMERICANA DEVELOPMENT, INC.      | 1                     | 7,950,720  | 191,940  | 191,940  | 127,960                | -   | 0.97%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | KA                               | 1                     | 7,950,720  | 479,850  | 479,850  | 223,930                | -   | 2.41%  | 15,901,439                                      | Yes   | No  | No  | -      |
| 0   | The Company               | KV                               | 1                     | 7,950,720  | 3,262,980  | 3,262,980  | 113,277                | -   | 16.42%   | 15,901,439                                      | Yes   | No  | No  | Note 6 |
| 0   | The Company               | KI                               | 1                     | 7,950,720  | 2,367,260  | 2,367,260  | 1,001,287              | -   | 11.91%   | 15,901,439                                      | Yes   | No  | No  | Note 6 |
| 0   | The Company               | KT                               | 1                     | 7,950,720  | 351,890  | 351,890  | -                      | -   | 1.77%  | 15,901,439                                      | Yes   | No  | Yes   | -      |
| 1   | KHK                       | KS                               | 1                     | 1,086,656  | 901,762  | 901,762  | -                      | -   | 66.39%   | 1,222,488                                       | No  | No  | Yes   | Note 4 |
| 2   | KGCI                      | KS                               | 1                     | 4,169,291  | 1,803,524  | 1,803,524  | -                      | -   | 17.30%   | 8,338,583                                       | No  | No  | Yes   | Note 4 |

(Continued)

| No. | Name of endorsing company | Subject of endorsement/guarantee |                       | Endorsement guarantee limit for a single enterprise (Note 2) | Maximum endorsement guarantee balance for the period | Endorsement guarantee balance at the end of the period | Actual amount utilized | Amount of endorsement guarantee secured by property | Ratio of accumulated endorsement guarantee amount to the net value of the most recent financial statements (%) | Endorsements/guarantees: Maximum limit (Note 3) | Endorsement/guarantee made by parent for subsidiaries | Endorsement/guarantee made by subsidiaries for parent | Endorsement/guarantee made for entities in mainland china | Remark |
|-----|---------------------------|----------------------------------|-----------------------|--|--|--|------------------------|---|--|---|---|---|---|--------|
|     |                           | Name of company                  | Relationship (Note 1) |  |  |  |                        |   |  |   |   |   |   |        |
| 3   | STARCO Europe A/S         | STARCO GB Ltd.                   | 1                     | \$ 379,471   | \$ 100,952   | \$ 100,952   | \$ 1,090               | \$ -  | 26.60%   | \$ 758,943                                      | No  | No  | No  | —      |
| 3   | STARCO Europe A/S         | STARCO NV                        | 1                     | 379,471  | 155,327  | 155,327  | 8,526                  | -   | 40.93%   | 758,943   | No  | No  | No  | —      |
| 3   | STARCO Europe A/S         | STARCO GS AG                     | 1                     | 379,471  | 14,522   | 14,202   | -                      | -   | 3.74%  | 758,943   | No  | No  | No  | —      |
| 3   | STARCO Europe A/S         | STARCO GmbH                      | 1                     | 379,471  | 36,531   | 30,410   | -                      | -   | 8.01%  | 758,943   | No  | No  | No  | —      |
| 3   | STARCO Europe A/S         | Starco Beli Manastir             | 1                     | 379,471  | 190,673  | 190,673  | -                      | -   | 50.25%   | 758,943   | No  | No  | No  | —      |

(Concluded)

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

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

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

The limit on endorsements/guarantees made by KHK for a single enterprise is 40% of KHK's net worth, whereas the limit on endorsements/guarantees made by KHK for an enterprise whose voting shares are 100% held by KHK or the Company, either directly or indirectly, is 80% of KHK's net worth.

The limit on endorsements/guarantees made by KGCI for a single enterprise is 40% of KGCI's net worth.

The limit on endorsements/guarantees made by STARCO Europe A/S for a single enterprise is 100% of STARCO Europe A/S's net worth.

Note 3: The Company's aggregate endorsement/guarantee limit is 80% of its net worth.

KHK's aggregate endorsement/guarantee limit is 90% of its net worth.

KGCI's aggregate endorsement/guarantee limit is 80% of its net worth.

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

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

Note 5: The Company provided endorsements/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 a shared limit of US\$20 million.

Note 6: The Company provided endorsement/guarantee for two subsidiaries, KV and KI, with a shared limit of US\$20 million, of which the available limits are US\$17 million for KV and US\$8 million for KI.

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

Marketable Securities Held at the End of the Period  
 March 31, 2024  
 (In Thousands of New Taiwan Dollars)

| Held by     | Type and name of marketable securities                                      | Relationship with the issuer of marketable securities                    | Accounting Item   | End of year  |                 |                  |                     | Remark |
|-------------|---|--|---|--------------|-----------------|------------------|---------------------|--------|
|             |   |  |   | Shares/Units | Carrying amount | Shareholding (%) | Fair value (Note 1) |        |
| The Company | <u>Shares and equity</u><br>China Development Financial Holding Corporation | —  | Financial assets at fair value through profit or loss - current                 | 105          | \$ 1,460        | 0.00%            | \$ 1,460            | —      |
|             | Kenjou Industrial Co., Ltd.   | Its chairman and the chairman of the Company are second-degree relatives | Financial assets at fair value through other comprehensive income - non-current | 7,382        | 297,911         | 10.86%           | 297,911             | —      |
|             | Chang Hwa Golf Co., Ltd.  | —  | Financial assets at fair value through other comprehensive income - non-current | 30           | 388             | 0.08%            | 388                 | —      |
|             | TotalEnergies Marketing Taiwan Ltd.   | Its chairman and the chairman of the Company are second-degree relatives | Financial assets at fair value through other comprehensive income - non-current | 81           | 41,252          | 6.80%            | 41,252              | —      |
|             | BOMY (BVI) CO.,LTD.   | —  | Financial assets at fair value through other comprehensive income - non-current | 2,000        | 14,604          | 9.73%            | 14,604              | —      |
| KGI         | <u>Shares and equity</u><br>Kenjou Investment Co., Ltd.                     | Its chairman and the chairman of the Company are second-degree relatives | Financial assets at fair value through other comprehensive income - non-current | 1,703        | 61,305          | 13.00%           | 61,305              | —      |

Note 1: Fair value of domestic listed shares is determined based on its closing price on March 31, 2024.

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

Purchase or Sale of Goods with Related Parties Amounting to at Least NTS100 million or 20% of the Company's Paid-in Capital

January 1 to March 31, 2024

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

| Purchase (sales) company | Counterparty | Relationship                              | Transaction       |            |                                 |  | Justification of unusual transaction terms |               | Notes and accounts receivable (payable) |   | Remark |
|--------------------------|--------------|---|-------------------|------------|---------------------------------|--|--|---------------|---|---|--------|
|                          |              |   | Purchases (sales) | Amount     | Share of total purchase (sales) | Credit period  | Unit price                                 | Credit period | Balance                                 | Percentage of total notes and accounts receivable (payable) |        |
| The Company              | KA           | Subsidiary                                | Sales             | \$ 134,575 | 13.15%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | \$ 571,373                              | 39.70%  | —      |
|                          | KF           | Subsidiary                                | Sales             | 200,114    | 19.56%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 76,506                                  | 5.32%   | —      |
|                          | ADI          | Indirectly invested subsidiary            | Sales             | 175,625    | 17.16%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 437,977                                 | 30.43%  | —      |
| KV                       | KA           | Subsidiary of the ultimate parent company | Sales             | 546,905    | 27.85%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 852,479                                 | 42.06%  | —      |
|                          | ADI          | Subsidiary of the ultimate parent company | Sales             | 276,432    | 14.08%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 518,040                                 | 25.56%  | —      |
|                          | The Company  | Parent company                            | Sales             | 434,201    | 22.11%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 440,383                                 | 21.73%  | —      |
| KT                       | KS           | Subsidiary of the ultimate parent company | Sales             | 222,938    | 27.13%                          | In accordance with the terms and conditions agreed by both parties | By mutual agreement                        | —             | 172,465                                 | 29.16%  | —      |

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

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

Amounts Receivable from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

March 31, 2024

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

| Companies included in accounts receivable | Counterparty | Relationship                              | Balance of receivables from related parties | Turnover rate | Overdue amounts receivable from related parties |                 | Recovery amount of receivables from related parties in subsequent period (Note 2) | Allowance for losses |
|---|--------------|---|---|---------------|---|-----------------|---|----------------------|
|   |              |   |   |               | Amount  | Handling method |   |                      |
| The Company                               | KA           | Subsidiary                                | \$ 571,373                                  | 1.70          | \$ 14   | —               | \$ 21,691   | \$ -                 |
|   | ADI          | Indirectly invested subsidiary            | 437,977                                     | 1.72          | 246,614   | —               | 123,689   | -                    |
| KC  | ADI          | Subsidiary of the ultimate parent company | 104,659                                     | 3.27          | 20  | —               | 7,979   | -                    |
|   | KT           | Subsidiary of the ultimate parent company | 739,445                                     | Note 2        | -   | —               | 45,558  | -                    |
| KV  | KA           | Subsidiary of the ultimate parent company | 852,479                                     | 2.02          | 16,784  | —               | 461,600   | -                    |
|   | ADI          | Subsidiary of the ultimate parent company | 518,040                                     | 2.62          | 168,635   | —               | 96,976  | -                    |
|   | The Company  | Parent Company                            | 440,383                                     | 7.87          | -   | —               | 90  | -                    |
| KT  | KS           | Subsidiary of the ultimate parent company | 172,465                                     | 5.00          | 10  | —               | 97,027  | -                    |

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

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

Note 3: Represents the amount recovered as of April 30, 2024.

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

## Business Relationships and Material Intercompany Transactions between the Parent and Subsidiaries and between Subsidiaries and their Amounts

January 1 to March 31, 2024

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

| No.<br>(Note 1)          | Transaction party | Counterparty             | Relationship with<br>transaction party<br>(Note 2) | Status of transactions (Note 3) |            |                   | Percentage of total<br>consolidated<br>revenue or total<br>assets |
|--------------------------|-------------------|--------------------------|--|---------------------------------|------------|-------------------|---|
|                          |                   |                          |  | Accounting item                 | Amount     | Transaction terms |   |
| 0                        | The Company       | ADI                      | 1  | Sales revenue                   | \$ 175,625 | (Note 4)          | 2.12%   |
|                          |                   | KA                       | 1  | Sales revenue                   | 134,575    | (Note 4)          | 1.63%   |
|                          |                   | KC                       | 1  | Service (labor) revenue         | 33,884     | (Note 4)          | 0.41%   |
|                          |                   | KF                       | 1  | Sales revenue                   | 200,114    | (Note 4)          | 2.42%   |
|                          |                   | KF                       | 1  | Service (labor) revenue         | 7,551      | (Note 4)          | 0.09%   |
|                          |                   | KI                       | 1  | Sales revenue                   | 7,254      | (Note 4)          | 0.09%   |
|                          |                   | KI                       | 1  | Service (labor) revenue         | 10,037     | (Note 4)          | 0.12%   |
|                          |                   | KT                       | 1  | Service (labor) revenue         | 13,515     | (Note 4)          | 0.16%   |
|                          |                   | KV                       | 1  | Sales revenue                   | 26,636     | (Note 4)          | 0.32%   |
|                          |                   | KV                       | 1  | Service (labor) revenue         | 56,344     | (Note 4)          | 0.68%   |
|                          |                   | 1                        | KC   | STARCO GB Ltd.                  | 1          | Sales revenue     | 7,981   |
| ADI                      | 3                 |                          |  | Sales revenue                   | 65,098     | (Note 4)          | 0.79%   |
| KA                       | 3                 |                          |  | Sales revenue                   | 54,167     | (Note 4)          | 0.66%   |
| KS                       | 3                 |                          |  | Sales revenue                   | 61,202     | (Note 4)          | 0.74%   |
| KF                       | 3                 |                          |  | Sales revenue                   | 11,767     | (Note 4)          | 0.14%   |
| STARCO GB Ltd.           | 3                 |                          |  | Sales revenue                   | 16,864     | (Note 4)          | 0.20%   |
| STARCO NV                | 3                 |                          |  | Sales revenue                   | 50,376     | (Note 4)          | 0.61%   |
| STARCO Polska Sp. Z.o.o. | 3                 |                          |  | Sales revenue                   | 30,234     | (Note 4)          | 0.37%   |
| 2                        | KT                | ADI                      | 3  | Sales revenue                   | 35,174     | (Note 4)          | 0.43%   |
|                          |                   | KS                       | 3  | Sales revenue                   | 222,938    | (Note 4)          | 2.70%   |
|                          |                   | KF                       | 3  | Sales revenue                   | 14,613     | (Note 4)          | 0.18%   |
|                          |                   | STARCO NV                | 3  | Sales revenue                   | 16,684     | (Note 4)          | 0.20%   |
|                          |                   | STARCO Polska Sp. Z.o.o. | 3  | Sales revenue                   | 10,891     | (Note 4)          | 0.13%   |
| 3                        | KI                | KV                       | 3  | Sales revenue                   | 11,204     | (Note 4)          | 0.14%   |
|                          |                   | The Company              | 2  | Sales revenue                   | 434,201    | (Note 4)          | 5.25%   |
| 4                        | KV                | ADI                      | 3  | Sales revenue                   | 276,432    | (Note 4)          | 3.34%   |
|                          |                   | KA                       | 3  | Sales revenue                   | 546,905    | (Note 4)          | 6.62%   |
|                          |                   | The Company              | 2  | Service (labor) revenue         | 48,657     | (Note 4)          | 0.59%   |

(Continued)

| No.<br>(Note 1) | Transaction party | Counterparty             | Relationship with<br>transaction party<br>(Note 2) | Status of transactions (Note 3) |            |                   | Percentage of total<br>consolidated<br>revenue or total<br>assets |
|-----------------|-------------------|--------------------------|--|---------------------------------|------------|-------------------|---|
|                 |                   |                          |  | Accounting item                 | Amount     | Transaction terms |   |
| 0               | The Company       | ADI                      | 1  | Accounts receivable             | \$ 437,977 | (Note 4)          | 0.97%   |
|                 |                   | KC                       | 1  | Other receivables               | 34,877     | (Note 4)          | 0.08%   |
|                 |                   | KT                       | 1  | Other receivables               | 17,361     | (Note 4)          | 0.04%   |
|                 |                   | KI                       | 1  | Other receivables               | 12,942     | (Note 4)          | 0.03%   |
|                 |                   | KI                       | 1  | Accounts receivable             | 19,823     | (Note 4)          | 0.04%   |
|                 |                   | KA                       | 1  | Other receivables               | 7,145      | (Note 4)          | 0.02%   |
|                 |                   | KA                       | 1  | Accounts receivable             | 571,373    | (Note 4)          | 1.26%   |
|                 |                   | KV                       | 1  | Other receivables               | 61,308     | (Note 4)          | 0.14%   |
|                 |                   | KV                       | 1  | Accounts receivable             | 27,301     | (Note 4)          | 0.06%   |
|                 |                   | KF                       | 1  | Accounts receivable             | 76,506     | (Note 4)          | 0.17%   |
| 1               | KC                | STARCO GB Ltd.           | 1  | Accounts receivable             | 8,136      | (Note 4)          | 0.02%   |
|                 |                   | ADI                      | 3  | Accounts receivable             | 104,659    | (Note 4)          | 0.23%   |
|                 |                   | KT                       | 3  | Other receivables               | 739,444    | (Note 4)          | 1.63%   |
|                 |                   | KT                       | 3  | Earned revenue receivable       | 11,008     | (Note 4)          | 0.02%   |
|                 |                   | KA                       | 3  | Accounts receivable             | 53,218     | (Note 4)          | 0.12%   |
|                 |                   | KS                       | 3  | Accounts receivable             | 66,010     | (Note 4)          | 0.15%   |
|                 |                   | KF                       | 3  | Accounts receivable             | 11,975     | (Note 4)          | 0.03%   |
|                 |                   | STARCO GB Ltd.           | 3  | Accounts receivable             | 17,162     | (Note 4)          | 0.04%   |
|                 |                   | STARCO NV                | 3  | Accounts receivable             | 45,588     | (Note 4)          | 0.10%   |
|                 |                   | STARCO Polska Sp. Z.o.o. | 3  | Accounts receivable             | 30,769     | (Note 4)          | 0.07%   |
| 2               | KT                | ADI                      | 3  | Accounts receivable             | 55,077     | (Note 4)          | 0.12%   |
|                 |                   | STARCO Polska Sp. Z.o.o. | 3  | Accounts receivable             | 10,805     | (Note 4)          | 0.02%   |
|                 |                   | KS                       | 3  | Accounts receivable             | 172,465    | (Note 4)          | 0.38%   |
|                 |                   | KF                       | 3  | Accounts receivable             | 14,871     | (Note 4)          | 0.03%   |
|                 |                   | STARCO NV                | 3  | Accounts receivable             | 16,980     | (Note 4)          | 0.04%   |
|                 |                   | The Company              | 2  | Accounts receivable             | 21,789     | (Note 4)          | 0.05%   |
| 6               | KA                | The Company              | 2  | Accounts receivable             | 440,383    | (Note 4)          | 0.97%   |
|                 |                   | ADI                      | 3  | Accounts receivable             | 518,040    | (Note 4)          | 1.14%   |
| 4               | KV                | ADI                      | 3  | Accounts receivable             | 852,479    | (Note 4)          | 1.88%   |
|                 |                   | KA                       | 3  | Accounts receivable             | 11,403     | (Note 4)          | 0.03%   |
| 3               | KI                | KV                       | 3  | Accounts receivable             | 11,403     | (Note 4)          | 0.03%   |
|                 |                   | STARCO Europe A/S        | 7  | Other receivables               | 10,493     | (Note 4)          | 0.02%   |
| 7               | STARCO Europe A/S | STARCO DML Ltd.          | 1  | Other receivables               | 71,623     | (Note 4)          | 0.16%   |
|                 |                   | STARCO GS AG             | 1  | Other receivables               | 85,672     | (Note 4)          | 0.19%   |
|                 |                   | STARCO GmbH              | 1  | Other receivables               | 85,672     | (Note 4)          | 0.19%   |
|                 |                   | STARCO Polska Sp.z.o.o.  | 1  | Other receivables               | 91,471     | (Note 4)          | 0.20%   |
|                 |                   | STARCO GB Ltd.           | 1  | Other receivables               | 24,596     | (Note 4)          | 0.05%   |
| STARCO NV       | 1                 | Other receivables        | 20,751   | (Note 4)                        | 0.05%      |                   |   |

(Continued)

| No.<br>(Note 1) | Transaction party           | Counterparty            | Relationship with<br>transaction party<br>(Note 2) | Status of transactions (Note 3) |          |                   |   |
|-----------------|-----------------------------|-------------------------|--|---------------------------------|----------|-------------------|---|
|                 |                             |                         |  | Accounting item                 | Amount   | Transaction terms | Percentage of total<br>consolidated<br>revenue or total<br>assets |
| 8               | STARCO Beli Manastir d.o.o. | STARCO GmbH             | 3  | Accounts receivable             | \$ 7,411 | (Note 4)          | 0.02%   |
| 9               | STARCO NV                   | STARCO France           | 3  | Accounts receivable             | 18,557   | (Note 4)          | 0.04%   |
|                 |                             | STARCO Europe A/S       | 2  | Accounts receivable             | 24,884   | (Note 4)          | 0.05%   |
| 10              | STARCO GB Ltd.              | STARCO DML Ltd.         | 3  | Other receivables               | 44,424   | (Note 4)          | 0.10%   |
| 11              | STARCO France               | STARCO Europe A/S       | 3  | Accounts receivable             | 25,813   | (Note 4)          | 0.06%   |
| 7               | STARCO Europe A/S           | STARCO GB Ltd.          | 1  | Sales revenue                   | 11,714   | (Note 4)          | 0.14%   |
|                 |                             | STARCO NV               | 1  | Sales revenue                   | 25,432   | (Note 4)          | 0.31%   |
|                 |                             | STARCO Polska Sp.z.o.o. | 1  | Sales revenue                   | 7,924    | (Note 4)          | 0.10%   |
|                 |                             | STARCO Baltic OÜ        | 1  | Sales revenue                   | 24,540   | (Note 4)          | 0.30%   |
| 8               | STARCO Beli Manastir d.o.o. | STARCO GmbH             | 3  | Sales revenue                   | 28,941   | (Note 4)          | 0.35%   |
|                 |                             | STARCO Polska Sp.z.o.o. | 3  | Sales revenue                   | 18,979   | (Note 4)          | 0.23%   |
|                 |                             | STARCO GS AG            | 3  | Sales revenue                   | 10,799   | (Note 4)          | 0.13%   |
|                 |                             | STARCO NV               | 3  | Sales revenue                   | 12,592   | (Note 4)          | 0.15%   |
|                 |                             | STARCO GB Ltd.          | 3  | Sales revenue                   | 11,895   | (Note 4)          | 0.14%   |
| 12              | STARCO GmbH                 | STARCO SAS              | 3  | Sales revenue                   | 8,968    | (Note 4)          | 0.11%   |
| 9               | STARCO NV                   | STARCO SAS              | 3  | Sales revenue                   | 33,635   | (Note 4)          | 0.41%   |
| 13              | STARCO Polska Sp.z.o.o.     | STARCO Baltic OÜ        | 3  | Sales revenue                   | 12,528   | (Note 4)          | 0.15%   |

(Concluded)

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

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

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

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

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

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

**TABLE 7**

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

Information about the investee company, its location, etc.

January 1 to March 31, 2024

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

| Investor          | Investee                    | Location       | Main business scope and activities                                   | Initial investment amount |                           | Ending shareholding |            |                          | Profit (loss) of the investee for the period (Note 1) | Investment profit (loss) recognized for the period (Note 1) | Remark        |
|-------------------|-----------------------------|----------------|--|---------------------------|---------------------------|---------------------|------------|--------------------------|---|---|---------------|
|                   |                             |                |  | End of the year (Note 1)  | End of last year (Note 1) | Number of shares    | Percentage | Carrying amount (Note 1) |   |   |               |
| The Company       | KA                          | United States  | Trading, investment  | USD 9,000                 | USD 9,000                 | -                   | 100%       | NTD 3,153,527            | NTD 175,783   | NTD 175,783   | Note 3        |
|                   | KHK                         | Hong Kong      | Trading, investment  | HKD 100                   | HKD 100                   | -                   | 100%       | NTD 1,358,321            | (NTD 23,449)  | (NTD 23,449)  | Note 3        |
|                   | KV                          | Vietnam        | Manufacturing of tires   | USD 30,600                | USD 30,600                | -                   | 100%       | NTD 9,608,409            | NTD 263,496   | NTD 295,125   | Notes 2 and 3 |
|                   | KIC                         | Cayman Islands | Investment   | USD 67,680                | USD 67,680                | -                   | 100%       | NTD 11,401,770           | (NTD 42,823)  | (NTD 42,823)  | Note 3        |
|                   | KE                          | Germany        | Marketing planning and R&D   | USD 81,753                | USD 81,753                | -                   | 100%       | NTD 59,792               | NTD 19,991  | NTD 19,991  | Note 3        |
|                   | KF                          | Taiwan         | Selling of tires   | EUR 405                   | EUR 405                   | -                   | 100%       | NTD 252,874              | NTD 17,323  | NTD 17,323  | Note 3        |
|                   | KI                          | Indonesia      | Manufacturing of tires   | NTD 199,000               | NTD 199,000               | 19,900              | 100%       | NTD 706,843              | (NTD 48,199)  | (NTD 48,198)  | Note 3        |
| KF                | KI                          | Indonesia      | Manufacturing of tires   | USD 52,999                | USD 52,999                | -                   | 99.99%     | NTD 11                   | (NTD 48,199)  | (NTD 1)   | Note 3        |
| KA                | ADI                         | United States  | Manufacturing of rims and distribution and selling of tires and rims | USD 1                     | USD 1                     | -                   | 0.01%      | USD 73,841               | USD 2,057   | Note 1  | Note 3        |
|                   |                             |                |  | USD 20,000                | USD 20,000                | 1                   | 100%       |                          |   |   |               |
| KIC               | KGH                         | Cayman Islands | Investment   | USD 112,050               | USD 112,050               | -                   | 100%       | USD 344,245              | (USD 625)   | Note 1  | Note 3        |
|                   | KGI                         | Mauritius      | Investment   | USD 1,703                 | USD 1,703                 | -                   | 100%       | USD 11,739               | (USD 740)   | Note 1  | Note 3        |
| KGI               | STARCO Europe A/S           | Denmark        | Investment   | EUR 6,936                 | EUR 6,936                 | -                   | 100%       | USD 7,914                | (USD 763)   | Note 1  | Note 3        |
| STARCO Europe A/S | STARCO GB Ltd.              | United Kingdom | Distribution and selling of tires and rims                           | EUR 552                   | EUR 552                   | -                   | 100%       | EUR 8,014                | EUR 400   | Note 1  | Note 3        |
|                   | STARCO GmbH                 | Germany        | Distribution and selling of tires and rims                           | EUR 511                   | EUR 511                   | -                   | 100%       | EUR 3,674                | (EUR 39)  | Note 1  | Note 3        |
|                   | STARCO Polska Sp.z.o.o.     | Poland         | Distribution and selling of tires and rims                           | EUR 30                    | EUR 30                    | -                   | 100%       | EUR 3,558                | EUR 96  | Note 1  | Note 3        |
|                   | STARCO NV                   | Belgium        | Distribution and selling of tires and rims                           | EUR 2,810                 | EUR 2,810                 | -                   | 100%       | EUR 4,399                | EUR 17  | Note 1  | Note 3        |
|                   | STARCO GS AG                | Switzerland    | Distribution and selling of tires and rims                           | EUR 355                   | EUR 355                   | -                   | 100%       | EUR 1,483                | (EUR 101)   | Note 1  | Note 3        |
|                   | STARCO Baltic OÜ            | Estonia        | Distribution and selling of tires and rims                           | EUR 3                     | EUR 3                     | -                   | 100%       | EUR 1,150                | (EUR 3)   | Note 1  | Note 3        |
|                   | STARCO FR SAS               | France         | Distribution and selling of tires and rims                           | EUR 183                   | EUR 183                   | -                   | 100%       | EUR 1,292                | EUR 52  | Note 1  | Note 3        |
|                   | STARCO Beli Manastir d.o.o. | Croatia        | Manufacturing of rims  | EUR 9,614                 | EUR 9,614                 | -                   | 100%       | EUR 9,841                | (EUR 347)   | Note 1  | Note 3        |
|                   | STARCO DML                  | United Kingdom | Manufacturing of rims and distribution and selling of tires and rims | EUR 1,031                 | EUR 1,031                 | -                   | 100%       | EUR 517                  | (EUR 282)   | Note 1  | Note 3        |
|                   | Jelshoj Imovina             | Croatia        | Investment   | EUR 3                     | EUR 3                     | -                   | 100%       | EUR 1,910                | EUR 12  | Note 1  | Note 3        |

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

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

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

TABLE 8

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

## Information on Investments in Mainland China

January 1 to March 31, 2024

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

| Investee Company                               | Main business scope and activities                                   | Paid-in capital          | Investment method | Accumulated investment amount remitted from Taiwan at beginning of period | Remitted or recovered during the year Investment amount |           | Accumulated investment amount remitted from Taiwan at end of period | Profit or loss of the Investee for the year | Shareholding of the Company's direct or indirect investments | Investment income or loss recognized during the year (Note 3) | Book value as of the end of the year | Investment income remitted back at end of the year | Remark  |
|--|--|--------------------------|-------------------|---|---|-----------|---|---|--|---|--------------------------------------|--|---------|
|  |  |                          |                   |   | Remitted  | Recovered |   |   |  |   |                                      |  |         |
| KS   | Manufacturing and selling of various tubes and tires for vehicles    | \$ 799,750<br>USD 25,000 | Note 1            | \$ 799,750<br>USD 25,000  | \$ -  | \$ -      | \$ 799,750<br>USD 25,000  | (\$ 21,126)                                 | 100%   | (\$ 21,126)   | \$ 1,202,861                         | \$ 8,363,658                                       | —       |
| KC   | Manufacturing and selling of various tubes and tires for vehicles    | 2,239,300<br>USD 70,000  | Notes 1 and 7     | 2,239,300<br>USD 70,000   | -   | -         | 2,239,300<br>USD 70,000   | 49,279                                      | 100%   | Note 4  | Note 4                               | Note 4   | —       |
| KT   | Manufacturing and selling of various tubes and tires for vehicles    | 7,037,800<br>USD 220,000 | Notes 1, 2 and 7  | 499,044<br>USD 15,600   | -   | -         | 499,044<br>USD 15,600   | ( 67,780)                                   | 100%   | ( 62,674)   | 3,336,185                            | -  | Note 10 |
| KGCI   | Investment   | 5,150,390<br>USD 161,000 | Notes 1 and 2     | -   | -   | -         | -   | ( 9,258)                                    | 100%   | ( 9,258)  | 10,423,204                           | -  | —       |
| Shanghai Bomy Foodstuff Co., Ltd.              | Manufacturing, processing and selling of various foods and beverages | 639,800<br>USD 20,000    | Note 1            | 63,980<br>USD 2,000   | -   | -         | 63,980<br>USD 2,000   | -   | 9.66%  | -   | 14,604                               | -  | —       |
| Ningbo Jingshang Huaxiang Auto Parts Co., Ltd. | Interior and exterior parts for automobiles                          | 835,995<br>USD 26,133    | Note 1            | 54,479<br>USD 1,703   | -   | -         | 54,479<br>USD 1,703   | -   | 2.6%   | -   | 61,305                               | 143,443  | —       |
| STARCO Huanmei                                 | Manufacturing of rims  | 172,586<br>EUR 5,000     | Note 1            | Note 9  | -   | -         | Note 9  | ( 5,125)                                    | 33%  | ( 1,701)  | 144,899                              | -  | Note 9  |

| Cumulative outward remittances from Taiwan at the end of the year Amount of investment in Mainland China | Investment Commission, Ministry of Economic Affairs Approved investment amount | In accordance with the regulations of the Investment Commission, Ministry of Economic Affairs Maximum amount of investment in Mainland China (Note 5) |
|--|--|---|
| \$ 3,656,553<br>USD 114,303<br>Note 5  | \$ 10,284,598<br>USD 319,703<br>EUR 1,660<br>Note 5                            | Note 6  |

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

Note 2: Differences between the paid-in capital and the investment amounts remitted from Taiwan resulted from the reinvestment of dividends received and the repatriation of cash capital increase from offshore subsidiaries.

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

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

Note 5: The difference of US\$205,400 thousand between the investment amount of US\$319,703 thousand authorized by the 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 qualification for operational headquarters issued by the Industrial Development Administration, MOEA, the Company has no limitation on the accumulated remittance for investments in mainland China.

Note 7: The paid-in capital of KC and a portion of KT's was included in the paid-in capital of the investor. Therefore, such paid-in capital was not double counted when calculating the investment amounts authorized and remitted.

Note 8: Foreign currencies were translated into NTD using spot rates as of the end of the reporting period or average exchange rates for the year.

Note 9: The remittance is indirectly included through mergers and acquisitions.

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

**KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES****Information on Major Shareholders****March 31, 2024****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Major shareholder | Shares                |                    |
|-------------------|-----------------------|--------------------|
|                   | Number of shares held | Shareholding ratio |
| Yang Chi-Jen      | 95,361,725            | 9.98%              |
| Yang Ying-Ming    | 65,959,222            | 6.90%              |