Kenda Rubber Ind. Co., Ltd.

Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Kenda Rubber Ind. Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2021 is stated as follows:

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

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

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

1. We obtained an understanding of and reviewed the sales contracts and the terms between the Company and its customers to identify the appropriate point of revenue recognition.

2. We obtained an understanding of and evaluated the process and related controls over revenue recognition.

3. We performed cutoff testing procedures covering a certain period before and after the balance sheet date and examined relevant supporting documents to determine that revenue was recognized in the correct reporting period, as evidenced by sales terms.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe the matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

<u>*Notice to Readers*</u>

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

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

KENDA RUBBER IND. CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 872,097	3	$ 1,393,602	4
Financial assets at fair value through profit or loss - current (Note 7)	1,832	-	973	-
Notes receivable (Note 9)	23,910	-	22,802	-
Trade receivable from unrelated parties (Note 9)	381,604	1	292,808	1
Trade receivable from related parties (Notes 9 and 24)	1,240,009	4	929,378	3
Other receivables (Note 24)	89,331	-	270,429	1
Inventories (Note 10)	1,104,522	3	852,900	2
Other current assets	37,883	-	16,686	-
Total current assets	3,751,188	11	3,779,578	11
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	411,980	1	451,523	1
Investments accounted for using the equity method (Note 11)	24,128,820	71	23,531,238	70
Property, plant and equipment (Notes 12 and 24)	3,907,199	11	4,031,537	12
Right-of-use assets (Notes 13 and 24)	16,889	-	21,955	-
Deferred tax assets (Note 20)	465,259	1	419,743	1
Other financial assets - non-current (Note 14)	1,194,935	4	1,268,181	4
Other non-current assets	211,328	1	166,044	1
Total non-current assets	30,336,410	89	29,890,221	89
TOTAL	$ 34,087,598	100	$ 33,669,799	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	$ 200,000	1	$ 200,000	1
Contract liabilities - current (Note 18)	137,263	-	24,316	-
Notes payable	215	-	685	-
Trade payable (Note 24)	477,566	1	376,963	1
Other payables (Note 24)	456,893	1	470,432	2
Current tax liabilities (Note 20)	-	-	95,441	-
Lease liabilities - current (Notes 13 and 24)	5,141	-	5,141	-
Current portion of long-term borrowings (Note 15)	1,575,466	5	1,795,070	5
Other current liabilities (Note 18)	17,904	-	14,422	-
Total current liabilities	2,870,448	8	2,982,470	9
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	11,663,715	34	11,093,789	33
Deferred tax liabilities (Note 20)	598,608	2	216,190	-
Lease liabilities - non-current (Notes 13 and 24)	11,837	-	16,843	-
Net defined benefit liabilities - non-current (Note 16)	205,220	1	244,791	1
Other non-current liabilities	-	-	6,007	-
Total non-current liabilities	12,479,380	37	11,577,620	34
Total liabilities	15,349,828	45	14,560,090	43
EQUITY				
Share capital	9,094,100	27	9,094,100	27
Capital surplus	41	-	41	-
Retained earnings				
Legal reserve	3,308,030	10	3,213,262	10
Special reserve	1,601,002	5	1,330,054	4
Unappropriated earnings	6,705,592	19	7,073,254	21
Other equity	(1,970,995)	(6)	(1,601,002)	(5)
Total equity	18,737,770	55	19,109,709	57
TOTAL	$ 34,087,598	100	$ 33,669,799	100

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

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 18 and 24)	$ 5,998,964	100	$ 5,946,286	100
COST OF REVENUE (Notes 10, 19 and 24)	4,496,441	75	3,993,110	67
GROSS PROFIT	1,502,523	25	1,953,176	33
REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY REVENUE	105,451	2	(23,313)	-
REALIZED GROSS PROFIT	1,607,974	27	1,929,863	33
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	657,135	11	595,528	10
General and administrative expenses	192,407	3	193,162	3
Research and development expenses	406,751	7	390,596	7
Expected credit loss (gain) (Note 9)	(127)	-	5,959	-
Total operating expenses	1,256,166	21	1,185,245	20
INCOME FROM OPERATIONS	351,808	6	744,618	13
NON-OPERATING INCOME AND EXPENSES (Notes 19 and 24)				
Interest income	10,106	-	7,947	-
Other income	96,008	2	98,279	2
Other gains and losses	(63,200)	(1)	(149,814)	(3)
Finance costs	(111,071)	(2)	(120,940)	(2)
Share of profit of subsidiaries (Note 11)	1,098,625	18	595,287	10
Total non-operating income and expenses	1,030,468	17	430,759	7
PROFIT BEFORE INCOME TAX	1,382,276	23	1,175,377	20
INCOME TAX EXPENSE (Note 20)	464,343	8	203,152	4
NET PROFIT FOR THE YEAR	917,933	15	972,225	16

(Continued)

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	$ (12,769)	-	$ (26,430)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(36,133)	(1)	62,030	1
Share of other comprehensive income (loss) of subsidiaries	(56,573)	(1)	8,506	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 20)	2,554	-	5,286	-
	(102,921)	(2)	49,392	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(346,926)	(5)	(431,107)	(7)
Income tax related to items that may be reclassified subsequently to profit or loss (Note 20)	69,385	1	86,221	1
	(277,541)	(4)	(344,886)	(6)
Other comprehensive loss for the year, net of income tax	(380,462)	(6)	(295,494)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 537,471	9	$ 676,731	11
EARNINGS PER SHARE (Note 21)				
Basic	$ 1.01		$ 1.07	
Diluted	$ 1.01		$ 1.07	

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

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

			Retained Earnings (Note 17)			Other Equity		
	Capital Stock (Note 17)	Share Surplus (Note 17)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of The Financial Statements of Foreign Operations	Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	$ 8,744,300	$ 41	$ 3,113,042	$ 968,955	$ 7,286,466	$ (1,697,361)	$ 367,307	$ 18,782,750
Appropriation of 2019 earnings								
Legal reserve	-	-	100,220	-	(100,220)	-	-	-
Special reserve	-	-	-	361,099	(361,099)	-	-	-
Cash dividends to shareholders - NT$0.4 per share	-	-	-	-	(349,772)	-	-	(349,772)
Share dividends to shareholders - NT$0.4 per share	349,800	-	-	-	(349,800)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	972,225	-	-	972,225
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(24,546)	(344,886)	73,938	(295,494)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	947,679	(344,886)	73,938	676,731
BALANCE AT DECEMBER 31, 2020	9,094,100	41	3,213,262	1,330,054	7,073,254	(2,042,247)	441,245	19,109,709
Appropriation of 2020 earnings								
Legal reserve	-	-	94,768	-	(94,768)	-	-	-
Special reserve	-	-	-	270,948	(270,948)	-	-	-
Cash dividends to shareholders - NT$1.0 per share	-	-	-	-	(909,410)	-	-	(909,410)
Net profit for the year ended December 31, 2021	-	-	-	-	917,933	-	-	917,933
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(10,469)	(277,541)	(92,452)	(380,462)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	907,464	(277,541)	(92,452)	537,471
BALANCE AT DECEMBER 31, 2021	$ 9,094,100	$ 41	$ 3,308,030	$ 1,601,002	$ 6,705,592	$ (2,319,788)	$ 348,793	$ 18,737,770

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

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,382,276	$ 1,175,377
Adjustments for		
Depreciation expense	299,335	302,935
Amortization expense	14,434	15,002
Expected credit loss recognized (reversed) on trade receivables	(127)	5,959
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(858)	46
Finance costs	111,071	120,940
Interest income	(10,106)	(7,947)
Dividend income	(24,270)	(36,402)
Share of profit of subsidiaries	(1,098,625)	(595,287)
Net gain on disposal of property, plant and equipment	(5,257)	(310)
Reversal of write-down of inventories	(7,132)	(14,872)
Realized (unrealized) profit on intercompany revenue	(105,451)	23,313
Net loss on foreign currency exchange	4,601	23,568
Transfer of prepayments for equipment to expenses	7,664	18,587
Changes in operating assets and liabilities		
Notes receivable	(1,108)	(12,216)
Trade receivable	(405,843)	61,806
Other receivables	181,810	850,326
Inventories	(244,490)	(46,510)
Prepayments	(6,758)	7,140
Other current assets	(18,370)	2,203
Other non-current assets	-	(5,029)
Contract liabilities	112,947	15,039
Notes payable	(470)	(318)
Trade payable	101,174	40,218
Other payables	(11,189)	33,440
Other current liabilities	3,482	1,022
Net defined benefit liabilities	(52,340)	(29,826)
Cash generated from operations	226,400	1,948,204
Interest received	9,688	8,653
Dividends received	227,265	1,528,753
Interest paid	(109,632)	(119,498)
Income tax paid	(147,012)	(373,513)
Net cash generated from operating activities	206,709	2,992,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of capital from financial assets at fair value through other comprehensive income	3,410	3,942
Payments for property, plant and equipment	(54,002)	(42,732)
Proceeds from disposal of property, plant and equipment	64,042	9,040
Decrease (increase) in refundable deposits	360	(340)

(Continued)

KENDA RUBBER IND. CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Payments for intangible assets	$ (9,657)	$ (9,083)
Decrease (increase) in other financial assets	73,246	(1,268,181)
Increase in prepayments for equipment	(233,656)	(178,486)
Net cash used in investing activities	(156,257)	(1,485,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(150,000)
Proceeds from long-term borrowings	8,421,036	3,779,686
Repayments of long-term borrowings	(8,072,570)	(3,703,918)
Proceeds from (repayments of) guarantee deposits received	(6,007)	5,957
Repayment of the principal portion of lease liabilities	(5,006)	(1,660)
Cash dividends	(909,410)	(349,772)
Acquisition of subsidiaries	-	(347,157)
Net cash used in financing activities	(571,957)	(766,864)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(521,505)	739,895
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,393,602	653,707
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 872,097	$ 1,393,602

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

KENDA RUBBER IND. CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

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

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

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying financial statements were approved and authorized for issue by the board of directors on March 23, 2022.

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

a. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

(Concluded)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

- Assets held primarily for the purpose of trading;

- Assets expected to be realized within 12 months after the balance sheet date; and

- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;

- Liabilities due to be settled within 12 months after the balance sheet date; and

- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

g. Property, plant and equipment

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each balance sheet date, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 23: Financial Instruments.

ii. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

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

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

l. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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

m. Borrowing costs

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

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

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

n. Government grants

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	**2020**
Cash on hand	$ 291	$ 427
Checking accounts and demand deposits	816,454	1,097,978
Cash equivalents (time deposits with original maturities of 3 months or less)	55,352	295,197
	$ 872,097	$ 1,393,602

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 1,832	$ 973

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Non-current		
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 391,896	$ 438,814
Foreign unlisted shares	20,084	12,709
	$ 411,980	$ 451,523

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLE

	December 31	
	2021	2020
Notes receivable		
Carrying amount at amortized cost	$ 23,910	$ 22,802
Trade receivable		
At amortized cost		
Gross carrying amount	$ 1,624,980	$ 1,225,720
Less: Allowance for impairment loss	(3,367)	(3,534)
	$ 1,621,613	$ 1,222,186

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

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

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

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

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 1,212,047	$ 199,325	$ 128,670	$ 76,113	$ 29,359	$ 40	$ 3,336	$ 1,648,890
Loss allowance (Lifetime ECLs)	-	(10)	-	-	-	(21)	(3,336)	(3,367)
Amortized cost	$ 1,212,047	$ 199,315	$ 128,670	$ 76,113	$ 29,359	$ 19	$ -	$ 1,645,523

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 1,126,937	$ 111,552	$ 3,780	$ 953	$ 1,865	$ -	$ 3,435	$ 1,248,522
Loss allowance (Lifetime ECLs)	-	(37)	(62)	-	-	-	(3,435)	(3,534)
Amortized cost	$ 1,126,937	$ 111,515	$ 3,718	$ 953	$ 1,865	$ -	$ -	$ 1,244,988

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

	For the Year Ended December 31	
	2021	**2020**
Balance at January 1	$ 3,534	$ 8,882
Add: Net remeasurement of loss allowance	(147)	6,290
Less: Amounts written off	(20)	(11,638)
Balance at December 31	$ 3,367	$ 3,534

10. INVENTORIES

	December 31	
	2021	**2020**
Finished goods	$ 456,388	$ 315,054
Raw materials	346,965	226,401
Work in progress	119,771	111,544
Supplies	52,101	48,920
Merchandise	9,445	9,688
Inventory in transit	119,852	141,293
	$ 1,104,522	$ 852,900

The cost of revenue associated with inventories were $4,230,661 thousand and $3,749,493 thousand, respectively, for the years ended December 31, 2021 and 2020. The cost of revenue consisted of reversal of inventory write-downs of $7,132 thousand and $14,872 thousand.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in Subsidiaries

	December 31			
	2021		2020	
	Amount	Ownership (%)	Amount	Ownership (%)
Kenda International Corporation Co., Ltd. (KIC)	$ 11,634,683	100.00	$ 11,745,828	100.00
Kenda Rubber (Vietnam) Co., Ltd. (KV)	7,310,774	100.00	6,894,307	100.00
Kenda Rubber Ind. Co., (Hong Kong) Ltd. (KHK)	2,076,967	100.00	2,253,786	100.00
American Kenda Rubber Ind. Co., Ltd. (KA)	1,830,002	100.00	1,323,172	100.00
Pt. Kenda Rubber Indonesia (KI)	998,057	99.99	1,049,708	99.99
Kenfong Industrial Co., Ltd. (KF)	265,423	100.00	251,988	100.00
Kenda Rubber Industrial Co. (Europe GmbH) (KE)	12,914	100.00	12,449	100.00
	$ 24,128,820		$ 23,531,238	

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

	Balance at January 1, 2020	Additions	Disposals	Reclassification	Balance at December 31, 2020
Cost					
Land	$ 2,166,617	$ -	$ -	$ -	$ 2,166,617
Buildings	856,813	690	-	28,262	885,765
Machinery	3,054,682	24,147	(28,538)	80,474	3,130,765
Other equipment	716,947	4,484	(3,819)	19,328	736,940
Equipment under installation and construction in progress	39,459	21,799	-	(29,330)	31,928
	6,834,518	$ 51,120	$ (32,357)	$ 98,734	6,952,015
Accumulated depreciation					
Buildings	311,257	$ 27,363	$ -	$ -	338,620
Machinery	1,890,233	210,797	(20,148)	-	2,080,882
Other equipment	441,369	63,086	(3,479)	-	500,976
	2,642,859	$ 301,246	$ (23,627)	$ -	2,920,478
	$ 4,191,659				$ 4,031,537

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

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Buildings	$ 16,889	$ 21,955

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ -	$ 23,644
Depreciation charge for right-of-use assets		
Buildings	$ 5,067	$ 1,689

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	$ 5,141	$ 5,141
Non-current	$ 11,837	$ 16,843

Discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	0.8%	0.8%

c. Material leasing activities and terms

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	$ 2,065	$ 1,807
Expenses relating to low-value asset leases	$ 78	$ 156
Total cash outflow for leases	$ (7,303)	$ (3,683)

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

14. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Non-current		
Repatriated funds	$ 1,194,935	$ 1,268,181

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

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

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	**2020**
Unsecured borrowings	$ 200,000	$ 200,000
Range of rates	0.67%-0.68%	0.65%-0.68%

b. Long-term borrowings

	December 31	
	2021	**2020**
Unsecured borrowings	$ 12,850,641	$ 12,468,282
Project borrowings	388,540	420,577
Less: Current portion	(1,575,466)	(1,795,070)
Long-term borrowings	$ 11,663,715	$ 11,093,789
Range of rates	0.35%-1.00%	0.35%-1.09%
Maturity date	2022-2026 years	2022-2026 years

As stipulated in the loan agreements, the Company should pledge assets as collaterals and, additionally, maintain certain covenants related to financial ratios. There was no breach of loan agreements associated with financial covenants as of December 31, 2021.

The Company participated in a project of the Ministry of Economic Affairs that encouraged Taiwanese enterprises to invest locally. The Company 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. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

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

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

	December 31	
	2021	**2020**
Present value of defined benefit obligation	$ 639,195	$ 648,243
Fair value of plan assets	(433,975)	(403,452)
Net defined benefit liabilities	$ 205,220	$ 244,791

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

	Present Value of Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2020	$ 640,063	$ (391,876)	$ 248,187
Service cost			
Current service cost	6,656	-	6,656
Current service cost and gain on settlements	(299)	-	(299)
Net interest expense (income)	4,690	(2,957)	1,733
Recognized in profit or loss	11,047	(2,957)	8,090
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,689)	(12,689)
Actuarial loss - changes in demographic assumptions	124	-	124
Actuarial loss - changes in financial assumptions	27,046	-	27,046
Actuarial loss - experience adjustments	11,949	-	11,949
Recognized in other comprehensive income	39,119	(12,689)	26,430
Contributions from the employer	-	(37,916)	(37,916)
Benefits paid	(41,986)	41,986	-
Balance at December 31, 2020	648,243	(403,452)	244,791
Service cost			
Current service cost	5,988	-	5,988
Net interest expense (income)	1,901	(1,218)	683
Recognized in profit or loss	7,889	(1,218)	6,671
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,155)	(6,155)
Actuarial loss - changes in demographic assumptions	1,399	-	1,399
Actuarial loss - changes in financial assumptions	5,240	-	5,240
Actuarial loss - experience adjustments	12,285	-	12,285
Recognized in other comprehensive income	18,924	(6,155)	12,769
Contributions from the employer	-	(59,011)	(59,011)
Benefits paid	(35,861)	35,861	-
Balance at December 31, 2021	$ 639,195	$ (433,975)	$ 205,220

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

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

2) Interest risk: A decrease in both government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	**2020**
Discount rates	0.7%	0.3%
Expected rates of salary increase	2.5%	2.0%

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

	December 31	
	2021	**2020**
Discount rates		
0.25% increase	$ (14,316)	$ (15,190)
0.25% decrease	$ 14,819	$ 15,745
Expected rates of salary increase		
0.25% increase	$ 14,518	$ 15,439
0.25% decrease	$ (14,103)	$ (14,977)

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

	December 31	
	2021	**2020**
Expected contributions to the plans for the next year	$ 31,596	$ 34,436
Average duration of the defined benefit obligation	9 years	9 years

17. EQUITY

a. Ordinary shares

	December 31	
	2021	**2020**
Shares authorized (in thousands of shares)	910,000	910,000
Shares authorized, par value $10 (in thousands of dollars)	$ 9,100,000	$ 9,100,000
Shares issued and fully paid (in thousands of shares)	909,410	909,410
Shares issued and fully paid (in thousands of dollars)	$ 9,094,100	$ 9,094,100

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

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, the Company takes into consideration the Company's operating environment, growth stage, future capital needs, long-term financial plans, and the shareholders' demand for cash inflows before resolving the amount of dividends. The Company's board of directors could propose dividends between 10% and 80% of distributable earnings which comprise of the current remaining earning and undistributed earnings from previous year. When distributing dividends via issuing shares, the motion should be submitted to shareholders' meeting for approval. The shareholders may adjust the ratio of share dividends to reflect the profit and the adequacy of capital of the year. The cash dividends shall not be less than 10% of the total dividend declared. The board of directors is authorized to adopt a resolution to distribute dividends, bonuses, legal reserve and all or a portion of the capital surplus in cash and a report of such distribution should be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 19(g).

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

Items referred to under Rule No. 1010012865 and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were as follows:

	Appropriations of Earnings		Dividends Per Share (NT$)	
	2020	**2019**	**2020**	**2019**
Legal reserve	$ 94,768	$ 100,220		
Special reserve (reversal)	270,948	361,099		
Cash dividends	909,410	349,772	$ 1.0	$ 0.4
Share dividends	-	349,800	-	0.4

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 23, 2022 as follows:

	Appropriations of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 90,746	
Special reserve	369,993	
Cash dividends	909,410	$ 1.0

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 30, 2022.

18. REVENUE

a. Revenue from contracts with customers

	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	$ 5,502,276	$ 5,378,546
Revenue from the rendering of services	496,688	567,740
	$ 5,998,964	$ 5,946,286

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

b. Contract balances

	December 31	
	2021	2020
Contract liabilities - current	$ 137,263	$ 24,316
Refund liabilities - current (Note)	$ 1,399	$ 873

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

19. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividends	$ 24,270	$ 36,402
Rental income	9,424	9,454
Others	62,314	52,423
	$ 96,008	$ 98,279

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net gain (loss) on financial assets classified as at FVTPL	$ 858	$ (46)
Net gain on disposal of property, plant and equipment (Note 24)	5,257	310
Net foreign exchange losses	(69,410)	(149,590)
Others	95	(488)
	$ (63,200)	$ (149,814)

c. Financial cost

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	$ 111,276	$ 121,197
Interest on lease liabilities	154	60
Less: Amounts included in the cost of qualifying assets	(359)	(317)
	$ 111,071	$ 120,940

d. Employee benefits, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
For the year ended December 31, 2021			
Short-term benefits			
Salary expense	$ 781,192	$ 533,893	$ 1,315,085
Labor/health insurance expense	73,275	57,730	131,005
Post-employment benefits			
Defined contribution plans	31,861	23,049	54,910
Defined benefit plans	1,995	4,676	6,671
Remuneration of directors	1,471	16,035	17,506
Other employee benefit expense	13,933	11,051	24,984
Depreciation expense	227,850	71,485	299,335
Amortization expense	1,920	12,514	14,434
For the year ended December 31, 2020			
Short-term benefits			
Salary expense	742,459	509,795	1,252,254
Labor/health insurance expense	64,512	50,768	115,280
Post-employment benefits			
Defined contribution plans	28,654	20,625	49,279
Defined benefit plans	2,685	5,405	8,090
Remuneration of directors	1,866	17,077	18,943
Other employee benefit expense	13,248	11,541	24,789
Depreciation expense	231,837	71,098	302,935
Amortization expense	2,172	12,830	15,002

1) For the years ended December 31, 2021 and 2020, the Company employed 1,996 and 1,965 employees on average, respectively, which included 7 and 6 non-employee directors, respectively.

2) The employment benefit expenses, on average, were $771 thousand and $740 thousand for the years ended December 31, 2021 and 2020, respectively. The average salary expense were $661 thousand and $639 thousand for the years ended December 31, 2021 and 2020, respectively. The average salary expense changed by 3.4%.

3) The Company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, no compensation to supervisors was remunerated.

4) In addition to the pursuit of operating results, the Company values employee salary and benefits, embraces sustainability, promotes a win-win situation between capital and labor, implements corporate governance, maximizes social responsibility, and contributes to economic prosperity. Compensation packages for directors and managers are periodically assessed and evaluated by remuneration committee. Compensation policies for employees are re-evaluated annually with consideration of industry standards to offer competitive employee salary and benefits.

e. Compensation of employees and remuneration of directors

The shareholders of the Company resolved to amend the Company's Articles on August 31, 2021. The resolution modified the rates of employees' compensation from 0.5% to 1% but no less than 0.5% of the net profit each year. The Company accrued remuneration of directors at rates no higher than 3% of the net profit each year. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 23, 2022 and March 25, 2021, respectively, are as follows:

	For the Year Ended December 31			
	2021		**2020**	
	Amount	**Accrual Rate**	**Amount**	**Accrual Rate**
Compensation of employees	$ 10,192	0.72%	$ 11,188	0.93%
Remuneration of directors	$ 15,297	1.09%	$ 16,793	1.40%

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS.

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	$ 74,028	$ 300,423
Adjustments for prior year	(18,526)	154,870
	55,502	455,293
Deferred tax		
In respect of the current year	14,117	(55,707)
Adjustments for prior year	394,724	(196,434)
	408,841	(252,141)
Income tax expense recognized in profit or loss	$ 464,343	$ 203,152

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

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	$ 1,382,276	$ 1,175,377
Income tax expense calculated at the statutory rate	$ 276,455	$ 235,075
Nondeductible expenses in determining taxable income	(208,532)	(113,128)
Tax-exempt income	(4,854)	(7,280)
Investment tax credits	(10,079)	(9,454)
Adjustments for prior years' tax	376,198	(41,564)
Tax incentives associated with repatriation	45,361	120,114
Others	(10,206)	19,389
Income tax expense recognized in profit or loss	$ 464,343	$ 203,152

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year		
Translation of the financial statements of foreign operations	$ 69,385	$ 86,221
Remeasurement of defined benefit plans	2,554	5,286
Total income tax recognized in other comprehensive income	$ 71,939	$ 91,507

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventory	$ 8,327	$ (1,426)	$ -	$ 6,901
Unrealized gains on intercompany sales	31,247	(21,090)	-	10,157
Defined benefit obligations	30,756	-	2,554	33,310
Exchange differences on translation of the financial statements of foreign operations	329,154	-	69,385	398,539
Others	20,259	(3,907)	-	16,352
	$ 419,743	$ (26,423)	$ 71,939	$ 465,259

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries	$ -	$ 372,061	$ -	$ 372,061
Reserve for land value increment tax	208,226	-	-	208,226
Others	7,964	10,357	-	18,321
	$ 216,190	$ 382,418	$ -	$ 598,608

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventory	$ 11,301	$ (2,974)	$ -	$ 8,327
Unrealized gains on intercompany sales	26,584	4,663	-	31,247
Defined benefit obligations	25,470	-	5,286	30,756
Exchange differences on translation of the financial statements of foreign operations	242,933	-	86,221	329,154
Others	10,523	9,736	-	20,259
	$ 316,811	$ 11,425	$ 91,507	$ 419,743
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries	$ 246,845	$ (246,845)	$ -	$ -
Reserve for land value increment tax	208,226	-	-	208,226
Others	1,836	6,128	-	7,964
	$ 456,907	$ (240,717)	$ -	$ 216,190

d. Income tax assessments

The Company’s income tax returns through 2019 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2021	**2020**
Basic and diluted earnings per share	$ 1.01	$ 1.07

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

Net Profit for the Year

	For the Year Ended December 31	
	2021	**2020**
Earnings used in the computation of basic and diluted earnings per share	$ 917,933	$ 972,225

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2021	**2020**
Weighted average number of ordinary shares used in the computation of basic earnings per share	909,410	909,410
Effect of potentially dilutive ordinary shares		
Compensation of employees	393	419
Weighted average number of ordinary shares used in the computation of diluted earnings per share	909,803	909,829

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

22. CAPITAL MANAGEMENT

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

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

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

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

1) Fair value hierarchy

December 31, 2021

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

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 973	$ -	$ -	$ 973
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	$ -	$ -	$ 451,523	$ 451,523

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

	For the Year Ended December 31	
	2021	2020
Financial assets at FVTOCI - equity instruments		
Balance at January 1	$ 451,523	$ 393,435
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(36,133)	62,030
Return of capital	(3,410)	(3,942)
Balance at December 31	$ 411,980	$ 451,523

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

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

c. Categories of financial instruments

	December 31	
	2021	**2020**
Financial assets		
FVTPL		
Listed shares	$ 1,832	$ 973
Financial assets at amortized cost (1)	3,810,467	4,186,141
Financial assets at FVTOCI		
Equity instruments	411,980	451,523
Financial liabilities		
Amortized cost (2)	14,373,855	13,942,946

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 26.

Sensitivity analysis

The Company is mainly exposed to USD.

The sensitivity analysis measures the effect of a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. The pre-tax profit in 2021 and 2020 would have increased/decreased by $16,557 and $31,619 thousand had the New Taiwan dollar strengthened/weakened by 1% against USD.

b) Interest rate risk

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

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

	December 31	
	2021	**2020**
Fair value interest rate risk		
Financial assets	$ 668,749	$ 926,236
Financial liabilities	1,775,000	2,693,009
Lease liabilities	16,978	21,984
Cash flow interest rate risk		
Financial assets	1,405,915	1,743,032
Financial liabilities	11,664,181	10,395,850

Sensitivity analysis

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

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by $10,258 thousand and $8,653 thousand, respectively.

c) Other price risk

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

<u>Sensitivity analysis</u>

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

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $92 thousand and $49 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by $20,599 thousand and $22,576 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk is mainly resulted from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced. The Company writes off trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

3) Liquidity risk

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

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

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

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

December 31, 2021

	On Demand or Less than 1 Year	**1-5 Years**	**More than 5 Years**
Non-interest bearing	$ 934,674	$ -	$ -
Lease liabilities	5,274	11,819	-
Variable interest rate liabilities	1,768,321	10,086,738	-
Fixed interest rate liabilities	114,284	1,693,285	-
	$ 2,822,553	$ 11,791,842	$ -

December 31, 2020

	On Demand or Less than 1 Year	**1-5 Years**	**More than 5 Years**
Non-interest bearing	$ 848,080	$ -	$ -
Lease liabilities	5,141	16,843	-
Variable interest rate liabilities	1,165,300	9,350,722	45,136
Fixed interest rate liabilities	931,901	1,717,616	84,632
	$ 2,950,422	$ 11,085,181	$ 129,768

b) Financing facilities

	December 31	
	2021	**2020**
Unsecured bank overdraft facilities		
Amount used	$ 13,441,898	$ 13,093,432
Amount unused	3,958,466	5,152,854
	$ 17,400,364	$ 18,246,286

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

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

b. Revenue

Item	Related Party Category/Name	For the Year Ended December 31 2021	2020
Sales of goods	Subsidiaries		
	ADI	$ 1,296,198	$ 682,643
	KF	552,652	546,734
	KA	484,513	1,263,521
	Others	450,557	406,265
	Other related parties	16,192	8,367
		$ 2,800,112	$ 2,907,530

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

Item	Related Party Category/Name	For the Year Ended December 31 2021	2020
Rendering of services	Subsidiaries		
	KV	$ 199,764	$ 197,669
	KC	146,648	214,572
	KT	67,500	85,124
	KS	18,717	19,347
	Others	64,058	51,028
		$ 496,687	$ 567,740

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

c. Purchases

Related Party Category	For the Year Ended December 31 2021	2020
Subsidiaries	$ 43,771	$ 20,945
Other related parties	73,147	65,971
	$ 116,918	$ 86,916

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

d. Receivables from related parties

Item	Related Party Category/Name	December 31 2021	2020
Trade receivable	Subsidiaries		
	ADI	$ 725,591	$ 245,900
	KA	248,274	439,302
	KF	171,172	155,971
	Others	89,651	87,338
	Other related parties	5,321	867
		$ 1,240,009	$ 929,378
Other receivables	Subsidiaries		
	KHK	$ -	$ 130,626
	KIC	-	103,552
	Others	45,180	14,261
		$ 45,180	$ 248,439

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivable from related parties.

e. Payables to related parties

Item	Related Party Category/Name	December 31 2021	December 31 2020
Trade payable	Subsidiaries	$ 9,498	$ 7,322
	Other related parties	5,946	6,642
		$ 15,444	$ 13,964
Other payables	Subsidiaries		
	KA	$ 21,741	$ 23,702
	Other	189	565
	Other related parties	257	126
		$ 22,187	$ 24,393

The outstanding trade payable to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31 2021	Purchase Price For the Year Ended December 31 2020
Subsidiaries	$ 3,237	$ 31

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2021	Proceeds For the Year Ended December 31 2020	Gain on Disposal For the Year Ended December 31 2021	Gain on Disposal For the Year Ended December 31 2020
Subsidiaries				
KV	$ 58,304	$ 1,276	$ 5,588	$ 114
KT	2,375	518	264	129
KC	534	1,684	249	52
KI	1,728	5,381	(495)	457
	$ 62,941	$ 8,859	$ 5,606	$ 752

h. Lease arrangements

Related Party Category/Name	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Acquisition of right-of-use assets		
Subsidiary		
KF	$ 21,955	$ 23,644

Line Item	Related Party Category/Name	For the Year Ended December 31 2021	2020
Lease liabilities	Subsidiary		
	KF	$ 16,978	$ 21,984

Related Party Category/Name	For the Year Ended December 31 2021	2020
Lease expense		
Subsidiary		
KF	$ 154	$ 60

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31 2021	2020
Subsidiaries	$ 8,016,791	$ 6,977,993

j. Others

Item	Related Party Categories/Name	For the Year Ended December 31 2021	2020
Service cost	Subsidiary		
	KE	$ 102,756	$ 77,771
Operating expense	Subsidiaries	$ 21,894	$ 16,354
	Other related parties	1,423	1,421
		$ 23,317	$ 17,775
Other income	Subsidiaries	$ 23,040	$ 16,398

k. Compensation of key management personnel

	For the Year Ended December 31 2021	2020
Short-term employee benefits	$ 29,770	$ 29,065
Post-employment benefits	95	92
	$ 29,865	$ 29,157

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

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

	December 31	
Item	**2021**	**2020**
Machinery and Equipment	$ 180,174	$ 112,006

b. Contingencies

1) Products liability insurance

The Company has entered into a product liability insurance for the products manufactured by the Company and sold globally. The period of insurance agreement is from August 6, 2021 to August 6, 2022. The coverage of insurance policy is from August 6, 2004 to August 6, 2022. The maximum reparation of one single event is US$10,000 thousand.

2) The Company had entered into an exclusive agency contract with Gabjohn for the product distributed in Nigeria. Due to circumstances related to local sales, the Company switched to other agencies to distribute products in Nigeria. Consequently, Gabjohn filed a lawsuit against the Company for breach of exclusive agency contract and demanded $90,000 thousand (NGN500,000 thousand) as compensation. The Company signed an attorney agreement with Tommy & Jason International Intellectual Property Rights Co., Ltd. (collectively as Tommy & Jason), which then engaged a lawyer in the local intellectual Property Office, Adeniji Kazeem & Co., to handle the litigation and regularly reported the related proceedings. The lawsuit is currently awaiting in the High Court of Nigeria. Upon the date of issuance of the financial statements for the year ended December 31, 2021, the outcome of the dispute cannot be predicted with sufficient reliability.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 67,848	27.68 (USD:NTD)	$ 1,877,772
RMB	9,900	4.34 (RMB:NTD)	42,973
EUR	1,526	31.35 (EUR:NTD)	47,826
			$ 1,968,571

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 865,203	27.68 (USD:NTD)	$ 23,945,343
Financial liabilities			
Monetary items			
USD	8,022	27.68 (USD:NTD)	$ 222,028

(Concluded)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 117,941	28.48 (USD:NTD)	$ 3,359,924
RMB	49,479	4.37 (RMB:NTD)	215,988
EUR	889	34.81 (EUR:NTD)	30,938
			$ 3,606,250
Non-monetary items			
Investments accounted for using the equity method			
USD	$ 826,875	28.48 (USD:NTD)	$ 23,591,531
Financial liabilities			
Monetary items			
USD	6,931	28.48 (USD:NTD)	$ 197,412

For the years ended December 31, 2021 and 2020, net foreign exchange losses were $69,410 thousand and $149,590 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Company.

27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (None)

10) Information on investees (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (consolidated financial statements Table 6)

b) The amount and percentage of sales and the balance and percentage of the related payables at the end of the year (consolidated financial statements Table 6)

c) The amount of property transactions and the amount of the resultant gains or losses (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (Table 2)

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (Table 1)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

TABLE 1

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	STARCO Europe A/S	STARCO DML	Finance receivables	Yes	$ 32,898	$ 30,722	$ 28,621	3.00%	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	Forty percent (40%) of the financing company's net worth, $90,347	Sixty percent (60%) of the financing company's net worth, $135,520
1	STARCO Europe A/S	STARCO GS AG	Finance receivables	Yes	51,354	49,593	23,010	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $90,347	Sixty percent (60%) of the financing company's net worth, $135,520
1	STARCO Europe A/S	STARCO SAS	Finance receivables	Yes	13,779	-	-	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $90,347	Sixty percent (60%) of the financing company's net worth, $135,520
1	STARCO Europe A/S	STARCO Beli Manastir d.o.o.	Finance receivables	Yes	24,883	23,511	21,035	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $90,347	Sixty percent (60%) of the financing company's net worth, $135,520
1	STARCO Europe A/S	STARCO Polska Sp.zoo	Finance receivables	Yes	18,809	18,809	-	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $90,347	Sixty percent (60%) of the financing company's net worth, $135,520
2	STARCO Beli Manastir d.o.o.	STARCO GS AG	Finance receivables	Yes	22,805	-	-	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $112,178	Sixty percent (60%) of the financing company's net worth, $168,267
2	STARCO Beli Manastir d.o.o.	Jelshoj Imovina d.o.o.	Finance receivables	Yes	14,401	13,355	5,894	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $112,178	Sixty percent (60%) of the financing company's net worth, $168,267
3	STARCO GB Ltd.	STARCO DML	Finance receivables	Yes	7,862	7,461	3,730	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $68,541	Sixty percent (60%) of the financing company's net worth, $102,811
4	STARCO GmbH	STARCO GS AG	Finance receivables	Yes	3,385	3,135	3,135	3.00%	The need for short-term financing	-	Operating capital	-	-	-	Forty percent (40%) of the financing company's net worth, $40,904	Sixty percent (60%) of the financing company's net worth, $61,355

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

TABLE 2

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party	Maximum Amount Endorsed/Guaranteed During the Year	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantee Limit (Note 3)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
0	The Company	STARCO Europe A/S	a	$ 7,666,830 (Note 2)	$ 2,428,015	$ 2,246,345	$ 1,144,224	$ -	11.72	$ 15,333,660 (Note 3)	Yes	No	No	-
		STARCO GmbH	a	7,666,830 (Note 2)	570,600	553,520	132,264	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO DML	a	7,666,830 (Note 2)	570,600	553,520	-	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO Polska Sp.z.o.o.	a	7,666,830 (Note 2)	570,600	553,520	131,765	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO SAS	a	7,666,830 (Note 2)	570,600	553,520	-	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO GS AG	a	7,666,830 (Note 2)	570,600	553,520	40,933	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO NV	a	7,666,830 (Note 2)	570,600	553,520	-	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO GB Ltd.	a	7,666,830 (Note 2)	570,600	553,520	-	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		STARCO Baltic OÜ	a	7,666,830 (Note 2)	570,600	553,520	6,310	-	2.89	15,333,660 (Note 3)	Yes	No	No	-
		ADI	a	7,666,830 (Note 2)	171,180	166,056	110,704	-	0.87	15,333,660 (Note 3)	Yes	No	No	-
		KA	a	7,666,830 (Note 2)	171,180	166,056	166,056	-	0.87	15,333,660 (Note 3)	Yes	No	No	-
		KV	a	7,666,830 (Note 2)	3,488,398	3,473,338	1,708,633	-	18.12	15,333,660 (Note 3)	Yes	No	No	-
		KT	a	7,666,830 (Note 2)	485,010	304,436	-	-	1.59	15,333,660 (Note 3)	Yes	No	Yes	-
		KI	a	7,666,830 (Note 2)	1,968,570	1,715,912	885,632	-	8.98	15,333,660 (Note 3)	Yes	No	No	-
1	KHK	KS	a	1,067,780 (Note 2)	877,466	868,172	-	-	40.65	1,708,447 (Note 3)	No	No	Yes	-
2	KGCI	KS	a	4,066,691 (Note 2)	3,509,864	3,472,688	-	-	34.16	8,133,383 (Note 3)	No	No	Yes	-
3	STARCO Europe A/S	STARCO GB Ltd.	a	225,867 (Note 2)	78,822	74,742	-	-	33.09	451,733 (Note 3)	No	No	No	-
		STARCO NV	a	225,867 (Note 2)	196,603	188,092	66,177	-	83.28	451,733 (Note 3)	No	No	No	-

(Continued)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party	Maximum Amount Endorsed/Guaranteed During the Year	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantee Limit (Note 3)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
3	STARCO Europe A/S	STARCO GS AG	a	$ 225,867 (Note 2)	$ 12,745	$ 12,144	$ 7,469	$ -	5.38	$ 451,733 (Note 3)	No	No	No	-
		STARCO Beli Manastir d.o.o	a	225,867 (Note 2)	32,106	31,349	12,728	-	13.88	451,733 (Note 3)	No	No	No	-
		STARCO GmbH	a	225,867 (Note 2)	24,575	23,511	19,248	-	10.41	451,733 (Note 3)	No	No	No	-
		STARCO Polska Sp.z.o.o.	a	225,867 (Note 2)	16,384	15,674	9,122	-	6.94	451,733 (Note 3)	No	No	No	-
		STARCO Baltic OÜ	a	225,867 (Note 2)	-	-	-	-	0.00	451,733 (Note 3)	No	No	No	-

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

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

Note 2: Limit on endorsements to a single company is 40% of the Company's net worth.
Limit on endorsements to a single company is 40% of KHK's net worth.
Limit on endorsements to a single company is 40% of KGCI's net worth.
Limit on endorsements to a single company is 100% of STARCO Europe A/S's net worth.

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

Note 4: KGCI and KHK jointly provided endorsement/guarantee for KS of RMB 800 million, but the limit for KHK is RMB 200 million.

Note 5: The Company provided shared endorsement/guarantee for nine subsidiaries including STARCO Europe A/S, STARCO GmbH, STARCO Polska Sp.z.o.o., STARCO SAS, STARCO GS AG, STARCO NV, STARCO GB Ltd, STARCO DML and STARCO Baltic OÜ. The total amount of the shared endorsement/guarantee is US$20,000 thousand.

Note 6: The Company provided shared endorsement/guarantee for two subsidiaries including KV and KI. The total amount of the shared endorsement/guarantee is US$15,000 thousand. The limits on endorsements/guarantees for KV and KI are US$10,000 thousand and US$5,000 thousand, respectively.

(Concluded)

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership %	Fair Value (Note 1)	
The Company	Shares and equity							
	China Development Financial Holding Corporation	-	Financial assets at FVTPL - current	105	$ 1,832	0.00	$ 1,832	-
	Kenjou Ind. Co., Ltd.	The chairman of Kenjou Ind. Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	7,382	322,465	10.86	322,465	-
	Chang Hwa Golf Co., Ltd.	-	Equity instruments at FVTOCI - non-current	30	82	0.08	82	-
	Ou Hua Venture Capital Co., Ltd.	-	Equity instruments at FVTOCI - non-current	41	853	5.15	853	-
	Yu Hua Venture Capital Co., Ltd.	-	Equity instruments at FVTOCI - non-current	10	406	2.50	406	-
	Total Lubricants Taiwan Ltd.	The chairman of Total Lubricants Taiwan Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	81	68,090	6.80	68,090	-
	BOMY (BVI) CO., LTD.	-	Equity instruments at FVTOCI - non-current	2,000	20,084	9.73	20,084	-
KGI	Shares and equity							
	Kenjou Investment Co., Ltd.	The chairman of Kenjou Investment Co., Ltd. and the chairman of the Company are second-degree relatives	Equity instruments at FVTOCI - non-current	1,703	67,654	13.00	67,654	-

Note: Fair value of domestic listed shares is determined based on its closing price on December 31, 2021.

TABLE 4

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Amount	% to Total	
The Company	KA	Subsidiary	Sales	$ 484,513	8.81	In accordance with mutual agreements	Agreed by both parties	-	$ 252,631	15.58	-
	KF	Subsidiary	Sales	552,651	10.04	In accordance with mutual agreements	Agreed by both parties	-	171,197	10.56	-
	KV	Subsidiary	Sales	211,998	3.85	In accordance with mutual agreements	Agreed by both parties	-	50,877	3.14	-
	KI	Subsidiary	Sales	102,271	1.86	In accordance with mutual agreements	Agreed by both parties	-	37,781	2.33	-
	ADI	Indirectly owned subsidiary	Sales	1,296,198	23.56	In accordance with mutual agreements	Agreed by both parties	-	725,712	44.75	-
KC	KA	Subsidiary of ultimate parent company	Sales	267,178	3.51	In accordance with mutual agreements	Agreed by both parties	-	139,124	10.82	-
	ADI	Subsidiary of ultimate parent company	Sales	315,469	4.14	In accordance with mutual agreements	Agreed by both parties	-	168,806	13.13	-
	STARCO NV	Subsidiary of ultimate parent company	Sales	237,731	3.12	In accordance with mutual agreements	Agreed by both parties	-	93,514	7.27	-
	STARCO Polska Sp.z.o.o.	Subsidiary of ultimate parent company	Sales	132,446	1.74	In accordance with mutual agreements	Agreed by both parties	-	35,746	2.78	-
	KS	Subsidiary of ultimate parent company	Sales	217,220	2.85	In accordance with mutual agreements	Agreed by both parties	-	38,836	3.02	-
KV	KA	Subsidiary of ultimate parent company	Sales	2,169,334	37.16	In accordance with mutual agreements	Agreed by both parties	-	1,028,959	68.21	-
	ADI	Subsidiary of ultimate parent company	Sales	705,890	12.09	In accordance with mutual agreements	Agreed by both parties	-	260,077	17.24	-
KT	KS	Subsidiary of ultimate parent company	Sales	973,840	24.75	In accordance with mutual agreements	Agreed by both parties	-	187,753	27.37	-
	ADI	Subsidiary of ultimate parent company	Sales	403,378	10.25	In accordance with mutual agreements	Agreed by both parties	-	90,075	13.13	-
STARCO Beli Manastir d.o.o.	STARCO GmbH	Subsidiary of ultimate parent company	Sales	206,139	5.07	In accordance with mutual agreements	Agreed by both parties	-	18,539	4.20	-
STARCO Polska Sp.z.o.o.	STARCO Baltic OÜ	Subsidiary of ultimate parent company	Sales	133,398	3.28	In accordance with mutual agreements	Agreed by both parties	-	11,798	2.67	-
STARCO Europe A/S.	STARCO Huanmei	Associate	Purchases	215,456	5.30	In accordance with mutual agreements	Agreed by both parties	-	(64,505)	(14.60)	-

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

TABLE 5

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	KA	Subsidiary	$ 252,631	1.39	$ 160,264	-	$ 9,903	-
	ADI	Indirectly owned subsidiary	725,712	2.67	23,285	-	-	-
	KF	Subsidiary	171,197	3.38	-	-	110,026	-
KC	KA	Subsidiary of ultimate parent company	139,124	1.86	52,913	-	-	-
	ADI	Subsidiary of ultimate parent company	168,806	2.14	6,092	-	51,151	-
KV	KA	Subsidiary of ultimate parent company	1,028,959	2.53	495,361	-	50,567	-
	ADI	Subsidiary of ultimate parent company	260,077	3.12	13,200	-	51,316	-
KT	KS	Subsidiary of ultimate parent company	187,753	6.12	-	-	-	-
STARCO Europe A/S	STARCO Polska Sp.z.o.o.	Parent company	111,180	-	93,313	-	18,246	-

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

Note 2: Amounts received as of March 17, 2022.

TABLE 6

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor	Investee	Location	Main Business Activities	Original Investment Amount		As of December 31, 2021			Net Income (Losses) of the Investee (Note 1)	Share of Profits (Losses) of Investee (Note 1)	Note
				December 31, 2021 (Note 1)	December 31, 2020 (Note 1)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
The Company	KA	United States	Trade and investment	US$ 9,000	US$ 9,000	-	100.00	NT$ 1,853,656	NT$ 444,468	NT$ 444,468	Note 3
	KHK	Hong Kong	Trade and investment	HK$ 100 US$ 30,600	HK$ 100 US$ 30,600	-	100.00	NT$ 2,078,132	NT$ (96,256)	NT$ (96,256)	Note 3
	KV	Vietnam	Manufacturing various types of tires	US$ 67,680	US$ 67,680	-	100.00	NT$ 7,377,419	NT$ 503,146	NT$ 627,734	Notes 3 and 4
	KIC	Cayman Islands	Investment	US$ 81,753	US$ 81,753	-	100.00	NT$ 11,636,046	NT$ 97,342	NT$ 97,342	Note 3
	KE	Germany	Marketing planning	EUR 25	EUR 25	-	100.00	NT$ 12,914	NT$ 1,799	NT$ 1,799	Note 3
	KF	Taiwan	Selling various types of tires	NT$ 199,000	NT$ 199,000	19,900	100.00	NT$ 265,525	NT$ 45,721	NT$ 45,721	Note 3
	KI	Indonesia	Manufacturing various types of tires	US$ 52,999	US$ 52,999	-	99.99	NT$ 1,000,091	NT$ (22,183)	NT$ (22,183)	Note 3
KA	ADI	United States	Manufacturing, distribution and selling of wheels and rims	US$ 20,000	US$ 20,000	1	100.00	US$ 70,682	US$ 50,682	Note 1	Note 3
KIC	KGH	Cayman Islands	Investment	US$ 112,050	US$ 112,050	-	100.00	US$ 405,273	US$ (3,091)	Note 1	Note 3
	KGI	Mauritius.	Investment	US$ 1,703	US$ 1,703	-	100.00	US$ 14,743	US$ 6,574	Note 1	Note 3
KGI	STARCO Europe A/S	Denmark	Investment	EUR 6,936	EUR 6,936	-	100.00	US$ 10,567	US$ 4,918	Note 1	Note 3
STARCO Europe A/S	STARCO GB Ltd.	United Kingdom	Distribution and selling of various types of tires and rims	EUR 552	EUR 552	-	100.00	EUR 6,649	EUR 759	Note 1	Note 3
	STARCO GmbH	Germany	Distribution and selling of various types of tires and rims	EUR 511	EUR 511	-	100.00	EUR 3,953	EUR 556	Note 1	Note 3
	STARCO Polska Sp.z.o.o.	Poland	Distribution and selling of various types of tires and rims	EUR 34	EUR 34	-	100.00	EUR 2,489	EUR 171	Note 1	Note 3
	STARCO NV	Belgium	Distribution and selling of various types of tires and rims	EUR 2,810	EUR 2,810	-	100.00	EUR 3,955	EUR 492	Note 1	Note 3
	STARCO GS AG	Switzerland	Distribution and selling of various types of tires and rims	EUR 299	EUR 299	-	100.00	EUR 959	EUR 206	Note 1	Note 3
	STARCO Baltic OÜ	Estonia	Distribution and selling of various types of tires and rims	EUR 3	EUR 3	-	100.00	EUR 849	EUR 512	Note 1	Note 3
	STARCO SAS	France	Distribution and selling of various types of tires and rims	EUR 183	EUR 183	-	100.00	EUR 944	EUR 1,055	Note 1	Note 3
	STARCO Beli Manastir d.o.o.	Croatia	Manufacturing of various types of rims	EUR 9,741	EUR 9,741	-	100.00	EUR 10,092	EUR 371	Note 1	Note 3
	STARCO DML	United Kingdom	Manufacturing, distribution and selling of wheels and rims	EUR 1,030	EUR 1,030	-	100.00	EUR 646	EUR 47	Note 1	Note 3
	STARCO Jelshoj	Croatia	Investment	EUR 3	EUR 3	-	100.00	Note 2	Note 2	Note 1	Note 3
	STARCO IPR GmbH	Switzerland	Investment	EUR 17	EUR 17	-	100.00	EUR -	EUR (252)	Note 1	Note 3

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

Note 2: The carrying value and net income (losses) of the investee were already included in those of STARCO Beli.

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

Note 4: The differences between net income and share of profits or losses are unrealized (realized) profits or losses on transactions with investees.

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
KS	Manufacturing and selling of various types of tires	$ 691,900 (US$ 25,000)	Note 1	$ 691,900 (US$ 25,000)	-	-	$ 691,900 (US$ 25,000)	$ (136,638)	100.0	$ (136,638)	$ 2,605,933	$ 6,423,517	-
KC	Manufacturing and selling of various types of tires	1,937,320 (US$ 70,000)	Notes 1 and 7	1,937,320 (US$ 70,000)	-	-	1,937,320 (US$ 70,000)	127,588	100.0	Note 4	Note 4	-	-
KT	Manufacturing and selling of various types of tires	6,088,720 (US$ 220,000)	Notes 1, 2 and 7	431,746 (US$ 15,600)	-	-	431,746 (US$ 15,600)	(222,127)	100.0	(222,809)	3,697,606	-	-
KGCI	Investment	4,455,836 (US$ 161,000)	Notes 1 and 2	-	-	-	-	(40,010)	100.0	(40,010)	10,173,003	-	-
Shanghai Bomy Foodstuff Co., Ltd.	Manufacturing and selling of various types of foods and drinks	553,520 (US$ 20,000)	Note 1	55,352 (US$ 2,000)	-	-	55,352 (US$ 2,000)	-	10.0	-	20,084	-	-
Ningbo Jingshang Huaxiang Auto Parts Co., Ltd.	Internal and external parts for automobiles	723,257 (US$ 26,133)	Note 1	47,132 (US$ 1,703)	-	-	47,132 (US$ 1,703)	-	2.6	-	-	109,957	-
STARCO Huanmei	Manufacturing of rims	156,743 (EUR 5,000)	Note 1	Note 9	-	-	Note 9	636	33.0	211	94,132	-	Note 9

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 5)
$ 3,163,450 (US$ 114,303) (Note 5)	$ 8,900,139 (US$ 319,703) (EUR 1,660) (Note 5)	Note 6

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

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

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

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

Note 5: The difference between the investment amount of US$205,400 thousand authorized by the Investment Commission and the accumulated outward remittance of US$114,303 thousand for investments in mainland China was due to dividend reinvestment and cash injection.

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

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

Note 8: Foreign currencies were translated into NTD using spot rates as of December 31, 2021 or average exchange rates for the year.

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

TABLE 8

KENDA RUBBER IND. CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yang Chi Jen	91,550,924	10.06
Yang Ying Ming	65,555,015	7.20

KENDA RUBBER IND. CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

KENDA RUBBER IND. CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Cash and cash on hand	$ 291
Cash in banks	
Checking accounts deposits	62
Demand deposits	182,519
Foreign deposits (1)	633,873
	816,454
Cash equivalents (investments with original maturities of 3 months or less)	
Time deposits (2)	55,352
	$ 872,097

Note 1: Including US$18,551 thousand (US$1=NT$27.68), JPY32,740 thousand (JPY1=NT$0.24), GBP864 thousand (GBP1=NT$37.37), EUR1,176 thousand (EUR1=NT$31.35) and RMB9,886 thousand (RMB1=NT$4.34).

Note 2: Including US$2,000 thousand (US$1=NT$27.68).

KENDA RUBBER IND. CO., LTD.

STATEMENT OF INVENTORIES - MANUFACTURING
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount - Cost	Amount - Market Value (Note)
Finished goods	$ 469,946	$ 525,254
Raw materials	347,673	353,178
Work in progress	139,151	223,509
Supplies	52,315	52,209
Merchandise	9,719	12,027
Inventory in transit	120,221	125,146
	1,139,025	$ 1,291,323
Less: Allowance for impairment loss	(34,503)	
	$ 1,104,522	

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

TABLE 3

KENDA RUBBER IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning Balance		Increase	Decrease (Note 1)	Share of Profit or Loss	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others (Note 2)	Ending Balance		Marker Value or Net Assets Value
	%	Amount						%	Amount	
Investments accounted for using the equity method										
Subsidiary										
KIC	100.00	$ 11,745,828	$ -	$ (102,548)	$ 97,342	$ (50,439)	$ (55,500)	100.00	$ 11,634,683	$ 11,636,046
KV	100.00	6,894,307	-	-	627,734	(206,631)	(4,636)	100.00	7,310,774	7,377,419
KHK	100.00	2,253,786	-	(67,991)	(96,256)	(12,428)	(144)	100.00	2,076,967	2,078,132
KA	100.00	1,323,172	-	-	444,468	(46,554)	108,916	100.00	1,830,002	1,853,656
KI	99.99	1,049,708	-	-	(22,183)	(29,540)	72	99.99	998,057	1,000,091
KF	100.00	251,988	-	(32,456)	45,721	-	170	100.00	265,423	265,525
KE	100.00	12,449	-	-	1,799	(1,334)	-	100.00	12,914	12,914
		$ 23,531,238	$ -	$ (202,995)	$ 1,098,625	$ (346,926)	$ 48,878		$ 24,128,820	$ 24,223,783

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

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

STATEMENT 4

KENDA RUBBER IND. CO., LTD.

STATEMENT OF SHORT-TERM BANK BORROWINGS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Creditor Type and Bank	Loan Period	Annual Interest Rates (%)	Amount	Collateral or Pledge
Unsecured loans				
HSBC Bank Taiwan Limited	2022.03.23	0.67	$ 100,000	None
Mizuho Bank Co., Ltd.	2022.01.14	0.68	100,000	None
			$ 200,000	

KENDA RUBBER IND. CO., LTD.

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Creditor Bank	Maturity Date (Note)	Amount	Collateral or Pledge
Unsecured loans			
The Shanghai Commercial & Saving Bank, Ltd.	2023.12.11	$ 300,000	None
CTBC Bank Co., Ltd.	2024.10.04	319,186	None
Mizuho Bank Co., Ltd.	2023.03.19	670,000	None
O-Bank Co., Ltd.	2026.08.01	807,652	None
Taipei Fubon Bank	2024.09.24	956,710	None
Taishin International Bank Co., Ltd.	2023.09.30	1,000,000	None
Bank Sinopac Company Limited	2024.12.17	150,000	None
MEGA International commercial bank Co., Ltd.	2022.09.25	50,000	None
Agriculture Bank of Taiwan	2022.12.25	600,000	None
Bank of Taiwan	2024.08.20	1,500,000	None
Hua Nan Commercial Bank, Ltd.	2026.09.24	1,794,073	None
Chang Hwa commercial Bank Ltd.	2025.09.28	575,000	None
Cathay United Bank	2024.09.17	1,000,000	None
KGI Commercial Bank Co., Ltd.	2023.03.23	1,000,000	None
HSBC Bank Taiwan Limited	2023.03.05	1,100,000	None
Yuanta Commercial Bank Co., Ltd.	2026.09.24	600,000	None
The Export-Import Bank of the Republic of China	2026.05.22	816,560	None
		13,239,181	
Less: Current portion of long-term borrowings		(1,575,466)	
		$ 11,663,715	

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

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Bicycle tires	3,908	$ 655,355
Motorcycle and bias tires	4,593	2,447,186
Tubes	15,533	679,388
Radial tires	1,361	1,263,997
Others	63,405	465,111
		5,511,037
Less: Sales return		(15)
Sales allowance		(8,746)
Sales revenue		5,502,276
Service revenue		496,688
Operating revenue		$ 5,998,964

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount	
Cost of merchandise		
Merchandise at the beginning of the year	$ 9,688	
Purchase	140,295	
Merchandise at the end of the year	(9,445)	
Less: Inventory scraps	(582)	
Others	(10)	
Total merchandise sold		$ 139,946
Cost of goods manufactured		
Raw materials at the beginning of the year	226,401	
Material purchased	2,946,574	
Less: Raw material at the end of the year	(346,965)	
Raw material sold	(250,748)	
Others	(166)	
Raw material consumed		2,575,096
Direct labor		612,075
Manufacturing overhead		816,359
Manufacturing cost		4,003,530
Add: Work in progress at the beginning of the year	111,544	
Inventory overage	761	
Less: Work in process at the end of the year	(119,771)	
Inventory shortage	(762)	
Transfer to manufacturing cost	(16,278)	
Transfer to operating expense	(2,422)	
Others	(13,437)	
		(40,365)
Cost of goods manufactured		3,963,165
Add: Finished goods at the beginning of the year	315,054	
Less: Finished goods at the end of the year	(456,388)	
Inventory scraps	(8,953)	
Transfer to operating expense	(1,435)	
Others	(1,458)	
		(153,180)
Total cost of revenue		3,949,931
Other cost of revenue		
Cost of raw material sold	250,748	
Cost of supplies sold	17,030	
Unallocated fixed manufacturing overhead	7,404	
Inventory shortage (overage)	(30)	
Inventory scraps	9,535	
Others	(3,957)	
Total other cost of revenue		280,730
Service cost		265,780
Cost of revenue		$ 4,496,441

KENDA RUBBER IND. CO., LTD.

STATEMENT OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Depreciation	$ 225,379
Indirect labor	137,622
Fuel expense	100,003
Utilities	114,947
Repairs and maintenance	70,150
Auxiliary materials	46,409
Others (Note)	129,253
	$ 823,763

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

KENDA RUBBER IND. CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Marketing	General and Administrative	Research and Development	Expected Credit Reversed	Total
Salary	$ 184,045	$ 213,281	$ 288,791	$ -	$ 686,118
Advertisement	117,957	2	-	-	117,959
Taxes	84,978	9,200	-	-	94,178
Packing expense	66,977	-	1,850	-	68,827
Depreciation	38,471	6,503	28,982	-	73,956
Import/export expense	38,188	-	-	-	38,188
Shipping expense	60,532	-	-	-	60,532
Insurance	28,013	19,013	24,327	-	71,353
Others (Note)	50,720	49,084	76,432	(127)	176,109
Service costs	(12,746)	(104,676)	(13,632)	-	(131,054)
	$ 657,135	$ 192,407	$ 406,751	$ (127)	$ 1,256,166

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