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HWA FONG RUBBER

A N N U A L
R E P O R T
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HWA FONG RUBBER IND. CO., LTD.

No. 300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township,
Changhua County 515002, Taiwan

WWW.DURO.COM.TW



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1 . Company Spokesperson :

Name : Wu Pin-Yi

Title : Deputy General Manager

Phone : (04)8520121~6

E-mail Address : abby.wu@duro.com.tw

2 . Company Acting Spokesperson :

Name : Lin Wen-Cheng

Title : CLO

Phone : (04) 8520121~6

E-mail Address : vincent@duro.com.tw

3 . Head Office

Address : No.300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township, Changhua County

Phone : (04)8520121~6

Ta-Tsun Factory

Address : No.300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township, Changhua County

Phone : (04)8520121~6

Hua-Tan Factory

Address : No. 20, Sec. 1, Zhongshan Rd., Hua-Tan Township, Changhua County

Phone : (04)7863632 、 7867081

4 . Agency for Transfer of Stock :

Name : CAPITAL SECURITIES CORP. Stock Affairs Agency Department

Address : B2, No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City

Phone : (02)2703-5000

Website : www.capital.com.tw/agency/tc/

5 . Certified Accountant for the Most Recent Financial Report :

Name of the Office : PricewaterhouseCoopers Taiwan

Name of the Accountant : Xu Jian ye, Wu Song yuan Accountants

Address : 40757 12F., No. 402, Shizheng Rd., Xitun Dist., Taichung City

Phone : (04)27049168

Website : www.pwc.tw

6 . The name of the trading place where the overseas securities are listed for trading and the method for querying the information of the overseas securities: None

7 . Company Website : www.duro.com.tw 、 www.durotire.com

I. Report to Shareholders

1. Operation Overview for the year ended Dec.31,2021

Retrospect to 2021, there were political and economic situation turmoil one after another, such as the variant virus of COVID-19 has continued to rage, international financial market has disturbed, Taiwan stock index has repeatedly created new high and double counter sanctions of USA, etc., plus global port congestion and shipping hindrance, and significantly rise of raw materials, car and motorcycles have been substantially decreased to produce caused by short supply of global car chips, environmental protection policy of mainland China has become stricter, and all social, political and economic environment factors challenge management capacity and core competitive capacity of the industry itself.

2021 Operating Results

2021 consolidated net operating revenue of the Company was NT\$ 5,540,899 thousand, compared with the consolidated net operating revenue of the year 2020 of NT\$ 4,882,864 thousand, increased by NT\$ 559,101 thousand; the consolidated net profit after tax was NT\$ 559,101 thousand, and compared with the consolidated net profit after tax of the year 2020 of NT\$ 561,919 thousand, slightly decreased by NT\$ 2,818 thousand.

2021 net revenue of the Company was NT\$ 2,134,493 thousand, compared with the net revenue of the year 2020 of NT\$ 2,096,167 thousand, increased by NT\$ 38,326 thousand; as the situation of global various raw materials rise, the operating costs increased by 5.12%, compared with year 2020, and net operating margin consequently decreased by NT\$ 38,783 thousand, the decrease was 6.58%; 2021 operating expenses slightly increased by 3.73%, compared with the last year, and operating net profit was NT\$ 240,918 thousand, compared with the last year, decreased by NT\$ 39,680 thousand, the decrease was 14.14%; in the aspect of non-operating income and expenses, mainly came from benefits of recognized subsidiaries, associates and joint ventures by using equity method of NT\$ 202,282 thousand, and caused net income of non-operating income and expenses of NT\$213,636 thousand; annual operating results is net income after tax of NT\$ 362,015 thousand.

2021 Production and Sales Situation & Operation Statement of the Company are as follows:

(1) Production and Sales Situation :

Unit : thousand

Year Item	2021 Production volume	2021 Sales Volume	2020 Sales Volume	Sales Volume Increase (Decrease)	%
Bicycle Tires	1,739	1,672	1,077	595	55.25%
Agricultural/ industrial tire	1,491	1,433	1,028	405	39.40%
Motorcycle Tires	2,576	2,505	2,509	-4	-0.16%
Truck/Auto Tires	49	48	46	2	4.35%
Radial Tires	66	77	331	-254	-76.74%
Other Rubber Products	0	524	380	144	37.89%

(2) Operation Statement:

Unit : Thousands of NTD

Year Financial Indicator	2021 Amount	2020 Amount	Increase (Decrease) amount	%
Operating revenue	2,134,493	2,096,167	38,326	1.83%
Operating costs	1,583,703	1,506,594	77,109	5.12%
Operating margin - net income	561,222	589,390	(28,168)	-4.78%
Operating expenses	320,304	308,792	11,512	3.73%
Operating net profit	240,918	280,598	(39,680)	-14.14%
Non-operating income and expenses	213,636	180,535	33,101	18.33%
Net income (loss) before tax	454,554	461,133	(6,579)	-1.43%
Net income (loss)	362,015	371,601	(9,586)	-2.58%

(3) Analysis of financial income, expenditure and profitability:

1. Financial income and expenditure: The Company's cash balance at the beginning of the year is NTD 1,208,181 thousand, the net cash inflow from operating activities for the whole year is NTD 898,056 thousand, the net cash outflow from investment activities is NTD 590,730 thousand, the net cash inflow from financing activities is NTD 165,215 thousand, the impact of exchange rate changes on cash and cash equivalents outflow was NTD 119,686 thousand, the current period cash and cash equivalents increased by NTD 352,855 thousand, and the cash balance at the end of the period was NTD 1,561,036 thousand.

2. Profitability Analysis

Items	Year ended Dec.31,2021	Year ended Dec.31,2020
Return on assets (%)	7. 27	7. 76
Return on equity (%)	12. 43	12. 91
Ratio of pre-tax net profit to paid-in capital (%)	27. 21	22. 44
Net profit rate (%)	10. 09	11. 51
Earnings per share (NTD)	1. 30	1. 33

(4) Research & Development

The Company's research and development policies include:

- (1) Continually Co-R&D with international OE factories.
- (2) To innovate products as the core of R&D strategies.
- (3) Develop and enhance the fundamental study to feasible application.
- (4) Manufacturing processes improvement along with new products development.
- (5) Develop products with high competitive edge.

The Company's R&D team strives to create the greatest benefits in the most economical way, and to use raw materials that comply with environmental regulations to reduce the impact on the environment and contribute to the sustainable protection of the earth's resources.

In terms of product development, the R&D team continuously innovates and researches new products that meet the requirements of international regulations, and accelerates the speed of research and development to promptly launch new and competitive niche products that meet market needs.

1. R&D expenditures and achievements in the last two years:

Unit : Thousands of NTD

Year ended	R&D expenditure	Percentage of Net Revenue	Outcome
Dec.31, 2021	38,838	1.82%	New product: 1. Green tires material development. 2. Strong traction tires development for high-wet land. 3. B-grade Low rolling resistance energy efficient tires development. 4. Energy efficient tires developments for scoda and motorbikes. Improvement of material cost: 1. Continuous improvement of rubber formula. 2. Continuous development of new replacement materials. 3. Continuous improvement cases. Process improvement: 1. Reduce the loss rate of intermediate products. 2. Improve the material loss rate. 3. Continue to reduce energy consumption rate. 4. Improve equipment accuracy and engage in labor-saving improvement.
Dec.31, 2020	34,923	1.66%	New product: 1. Development of new LRR electric, energy-saving, environmentally friendly scooter and motorcycle tires. 2. Expanded development of new bicycle tire products. 3. Development of new products for UTV & ATV multi-purpose tires. 4. Mud Terrain (M/T specification expansion) Improvement of material cost: 1. Continuous development of new replacement materials: 10 items completed. 2. Continuous improvement of rubber formula: 10 projects completed. 3. Continuous improvement cases: 9 cases have been completed. Process improvement: 1. Reduce the loss rate of intermediate products. 2. Improve the material loss rate. 3. Continue to reduce energy consumption rate. 4. Improve equipment accuracy and engage in labor-saving improvement.

2. R&D Plan for the year ended Dec.31,2022

New Product:

1. Green tires material development.
2. Low rolling resistance, strong traction and low noise tires development.
3. Multifunctional, all-terrain and low rolling resistance energy efficient tires development.
4. Environmental and energy efficient tires developments for scooter and motorbikes.

Material Cost Improvement:

1. Continuous improvement of rubber formula.
2. Continuous development of replacement of new raw materials
3. Enhance manufacturing precision, accurately use materials and reduce material wastes.

Process Improvement:

1. Increase manufacturing precision in each processes and eliminate material wastes in all processes.
2. Find out root causes of problems and continually reduce finish-goods defect rate and rework rate.
3. Continue to reduce energy consumption rate.
4. Promote equipment function to reduce the use of labors.

2. Summary of the Business Operation Plan for the Year Ended Dec.31,2022

(1) Business Operation Policy

1. Achieve the group's profit target.
2. Adjust the product Portfolio to increase gross profit.
3. Integrate overseas resources and share mutual benefit.
4. Growing Sales on each factory.
5. Improve per capita productivity and reduce scrap.
6. Group procurement integration, reduce costs.

(2) Expected Sales Volume and its Basis

Unit : Thousands of Tires

Main products	Estimated sales	Goal setting instructions
Bicycle tires	53, 626	Based on the evaluation of The Company's internal operation meeting
Motorcycle tires	62, 755	
Agro-industrial tires	4, 748	
Truck tires	60	
Radial tires	63	
Total	121, 252	

(3) Important production and marketing policies

According to the "Customer Value Proposition" and "Product Quality Code", The Company's important production and sales policies at this stage are as follows:

1. Adjust the production based on the environmental protection factors, and actively improve the manufacturing time through the cooperative operation of industry, government, academics , upstream and downstream alliances, to improve production process, the working environment, and product performance.
2. Actively develop differentiated, high value-added niche products.
3. Grasp the low-price and stable source of raw materials to reduce procurement costs through group procurement.
4. Improve technology, propel R&D, and continue to save energy and reduce scraps.
5. According to the price competition trend and the international market of raw materials, we will adjust the selling price accordingly, expand the market, and increase the market share.

6. Make every effort to develop global cross-border e-commerce, build and master the digital ecosystem on major international e-commerce platforms. Connect with international economic and trade networks, grasp the trend of market industry, explore global business opportunities, and expand DURO's sales all over the world. Actively participate in global professional exhibitions and public welfare activities, operate online audio and video, develop social media to promote brands and products, and connect with overseas subsidiaries to develop globally localized online communities and member marketing to deepen the DURO brand.
7. Actively seek cooperation and investment to expand the scope and scale of operations.

(4) Influence of competition in the external environment and the legal environment:

1. Because of the double-anti-policy trade sanctions (anti-dumping and countervailing duties) imposed by the United States on the tires of cars and light trucks in Southeast Asian countries, the Company has paused the production of such products in Taiwan to export to the United States for sale. Currently, we are actively looking for vendors to support production to continue to be sold in the United States. The economic conditions are becoming severe due to high price competition in the global tire market, weakening auto market sales and lack of shipping containers globally.
2. Due to Covid-19 pandemic, people change the way of life and bikes become the high sale products. The main reasons are people's fear not to use public transportation and people's convenience for short-distance transportation convenience. In addition, biking is also kind of sport while it's not best choice to go to public facilities to do sports during pandemic period.
3. China's environmental protection policy has become stricter, and the requirements of various environmental protection laws and regulations of the factory have been improved and the review has been strengthened. In order to meet the standards, enterprises need to improve the process and embark equipment upgrades, which affect the product circulation and lead to increasing the cost.

(5) The overall environment impact to business operation:

Look ahead to 2022, the problem of COVID-19 rage around the world seemed to have a sign of slowdown, many countries have initiated unblock and measures of opening border control, the purpose is hopeful to decrease the impact on domestic economy of various countries, however, current geopolitics problem has been increasingly serious. Crisis caused by Ukrainian-Russian War has made global political, economic and financial situations more fluctuate and unpredictable, plus the problems, like port congestion, shipping hindrance and rising freight without a trend of decrease, etc., they not only cause rise of all costs, but also will generate serious influence for all large economies, and therefore, all industries need to be prepared this year for encountering more difficult and treacherous international market environment and challenge.

For European market aspect, facing current situation of all costs rise, in connection with sales strategies of European market, except fully increasing prices, we should further increase high gross profit and high added value products in sales and promotion of repair market, and promote new products completed development in 2021 on relevant markets for increasing customers' purchase options, and rise competitiveness of market expansion.

For American aspect, as America taxes Taiwan, Thailand, South Korea and Vietnam on anti-dumping duties of sedans and light trucks, it causes that the Company stop exporting this category of products which produced in Taiwan and sold in America, and we are positively looking for outsourcing manufacturers to help produce for the benefit of counting to sell this category of products in America at present. The Company positively implement internal improvement, reduce wastes, and avoid increasing deadweight costs, R&D unit strives to develop tires with new patterns and specifications, and thereby hoping to rise the Company's overall competitiveness.

Encountering the variation of international political and economic situation, the Company still has actively invested in equipment and talents, etc., except the original market, also has striven to expand the market of ASEAN countries by means of capacity utilization rate increasing, development of tires with high-added value, and constant input of research and development, etc., and stayed the Company's international competitiveness, made every effort to break through the overall economic dilemma in 2022, and lived up to shareholders' support and expectation.

II . Company Profile

(1) Date of establishment: May 27,1959

(2) Head Offices

Address : No.300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township, Changhua County

Phone : (04)8520121~6

Ta-Tsun Factory

Address : No.300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township, Changhua County

Phone : (04)8520121~6

Hua-Tan Factory

Address : No. 20, Sec. 1, Zhongshan Rd., Hua-Tan Township, Changhua County

Phone : (04)7863632、7867081

(3) Company History

1945 : The Company's predecessor partnership "Hwa Fong Rubber Factory" was founded in Yuanlin Town in Sep.1945 by Mr. Zhang Hu and several friends. The capital was JPY 350,000 at the time. It was specialized in inner tubes for bicycles and trucks.

1946 : Registered on Jan.1 .

1953 : Purchased 1,587 tsubo of land in Yuanlin in August.

The construction of the factory began in October

1954 : Moved to Yuanlin Factory and began to produce bicycles and truck tires in March.

1959 : Reorganized and established as "HWA FONG INDUSTRIAL CO., LTD.", Mr. Zhang Hu was elected as the first chairman, with a capital of NTD 1 million

1968 : The capital increased to NTD 4 million, and after capital increase was amounted to NTD 5 million in February

1970 : The Company changed its name to "Hwa Fong Rubber Ind. Co., Ltd." and increased its capital by NTD 3 million, after which the capital was amounted to NTD 8 million after the capital increase in September.

1972 : Purchased the land at No. 300, Section 2, Zhongshan Road, Ta-Tsun Town to. build a new factory in April. The capital was increased by NTD 5 million, and the capital after the capital increase, the capital was NTD 13 million in November.

1973 : The capital was increased by NTD 7 million, and the capital after the capital increase was NTD 20 million in November.

1974 : The Company moved to No. 300, Section 2, Zhongshan Road, Ta-Tsun town (The Company's current address) in April.

The capital increased to NT\$20 million, and the capital after the capital increase was NT\$40 million in October.

1975 : Mr. Zhang Qing-Yuan was elected as the chairman of the Company in January.

1976 : The capital increased to NTD 25 million. After the capital increase, the capital amount was NTD 65 million in August.

1977 : The head office building was completed in February.

1978 : The capital was increased by NTD 15 million, and the capital after the capital increase was NTD 80 million in January.

Purchased Taipei office in February.

The Company's production of industrial vehicles and motorcycle inner and outer tires also obtained the CNS certification.

In August, it was awarded as an excellent exporter by the government in March.

1979 : The Company signed a technical cooperation contract with Sumitomo Rubber Industries, Ltd. of Japan, and signed a cooperation contract for the sale of motorcycle inner and outer tires with the world famous brand (DUNLOP) company in January
The capital increased by NTD 16 million, and the capital after the capital increase was

- NT 96 million in April.
- 1980 : The Company was rated as an excellent manufacturer of quality control by the Ministry of Economic Affairs in April.
Products such as agricultural inner and outer tires and light-duty truck inner tires were certified by the CNS in August.
Purchased the Hua-Tan factory site with an area of 8,297 tsubo.
- 1981 : Ta-Tsun Factory Welfare District Building was completed in September
The capital was increased by NTD 100 million, and the capital after the capital increase was NTD 196 million in November.
- 1982 : Signed the second phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1983 : The Company won the Minister of Energy Conservation Award.
The capital increased to NTD 3.92 million and the capital after the capital increase was NTD 199.92 million in July
- 1984 : All inner tubes production was relocated to the Hua-Tan factory in August.
- 1985 : Signed the contract for the third phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1987 : Obtained the approval of the Ministry of Economic Affairs for overseas investment and established HWA FONG Rubber (Thailand) Co., Ltd.
- 1988 : Established Ping-He Factory, which was specialized in manufacturing various special-purpose rubber products.
Chairman Zhang was elected as the chairman of the 19th Taiwan Rubber Industry Association in April.
Signed the fourth phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1989 : It was certified by Japan's JIS mark in May.
Hwa Fong Rubber (Thailand) officially started its production in June.
The Company won the 25th "Quality Control Group Award" of the Quality Control Society of the Republic of China (Taiwan) in July.
The capital was increased to NT\$500 million, and it was publicly issued in October.
- 1991 : Chairman Zhang of the Company was re-elected as chairman of the 20th Taiwan Rubber Industry Association in May.
The Company signed the fifth phase of technical cooperation contract with Sumitomo Industries, Ltd. of Japan. Established a polymer chemistry analysis lab in May.
The capital was increased to NTD 650 million in October.
Over-employed disabled employees and won the award from the Taiwan Provincial Government.
- 1992 : Approved by the Ministry of Economic Affairs for overseas investment, established Hwa Fong Rubber (USA) Co., Ltd. and Hwa Fong Rubber (Hong Kong) Co., Ltd.
It was awarded the Golden Trade Award for Foreign-owned Brands by the Minister of Economy in June.
The capital was increased to NTD 728 million in October
- 1993 : Won the European E mark certification in January.
The Company was approved by the Ministry of Economic Affairs for overseas investment and established Hwa Fong Rubber (China) Co., Ltd in April.
- 1994 : The Company was approved and registered by the Bureau of Commodity Inspection and Quarantine of the Ministry of Economic Affairs ISO 9001 in January.
The Company won the Ji-Jun Memorial Award of San-Yang System in January.
The capital was increased to NTD 851.76 million in April.
The Company was awarded the first-class manufacturer with excellent quality control by the Ministry of Economic Affairs in April.
The Company was awarded the Taiwan Excellence Certificate by the Foreign Trade Development Association of the Republic of China in April.
The Company signed the sixth phase of technical cooperation contract with Sumitomo Industries, Ltd. of Japan in July.

- 1995 : In May, the capital was increased to NTD 958.23 million .
The Company was again awarded the Taiwan Excellence Certificate by the Foreign Trade Development Association of the Republic of China in September.
In October, the capital was increased to NTD1,054,053,000. The Company won the "Bronze Tower Award" in the production unity category of the 8th National Unity Circle Activity Competition in October.
- 1996 : It was selected as a "Private Institution with Excellent Working Conditions" by. the Labor Committee in May.
In October, the capital was increased to NTD 1,180,539,360.
The Company won the "Silver Tower Award" in the production unity category of the 9th National Unity Circle Activity Competition in October.
The Ministry of Economic Affairs approved the establishment of Hwa Fong Rubber (Singapore) Holdings Co., Ltd. for overseas investment in December.
It was awarded the "Excellent Manufacturer of Environmental Protection in Changhua County" awarded by the Changhua County Environmental Protection Bureau in December.
- 1997 : In April, cash capital was increased by NTD 200,000,000 and the amount of capital was increased to NTD 1,380,539,360
Mr. Yan Ming-Shan was elected as the chairman of the Company in May.
In September, the capital was increased to NTD 1,518,593,290
The Company signed the seventh phase of technical cooperation contract with Sumitomo Industries, Ltd. of Japan in October.
The Company won the "Silver Tower Award" for the production and non-production solidarity groups of the 10th National Unity Circle Activity Competition in October.
- 1998 : The Company obtained the QS9000 approval from ENTELA of the United States in January.
The stocks were officially listed on the OTC in June.
In September, the capital increased to NTD 1,700,824,480.
It won the "Silver Tower Award" in the production unity category of the 11th National Unity Circle Activity Competition in October.
Invested in Hwa Fong (Viking) Holding (Stock) Company.
- 1999 : Obtained ISO-14001 certification in September.
In October, the capital was increased to NTD 2,440,989,380.
- 2000 : The stock was officially listed in May.
In September, the capital increased to NTD2,285,908,110.
Hwa Fong Rubber (U.S.) Co., Ltd. added a rim factory for formal production in October
- 2001 : In October, the capital was increased to NTD 2,377,344,430.
- 2002 : In October, the capital was increased to NTD 2,413,004,590.
- 2003 : The Company invested in Hwa Fong Rubber (Suzhou) Co., Ltd in March.
The Company was approved by the Ministry of Economic Affairs for overseas investment and established Hwa Fong Rubber (Suzhou) Co., Ltd in April.
In April, The Company's truck and bus tires passed CNS certification.
Mr. Zhang Ying-Zhou was elected as the chairman of the board and Mr. Lai Yu-Yang was appointed as the general manager in June.,
In October, the capital was increased to NTD 2,593,979,930.
In November, the paid-in capital increased to NTD 2,599,103,890.
Hwa Fong Rubber (Thailand) Public Co., Ltd. was listed on the stock exchange in December.
- 2004 : In January, the paid-in capital was increased to NTD 2,653,979,450.
In February, radial layer passenger car tires and trailer tires were introduced into mass production.
In April, the paid-in capital increased to NTD 2,762,325,270.
In April, it invested in Huazhong (Viking) Holding Company and Huayou (Viking) Holding Company.

- In July, the paid-in capital increased to NTD 2,804,556,560.
The radial layer of passenger car tires obtained CNS certification in September.
The amount of paid-in capital was increased to NTD 2,806,044,160.
The capital increase was NTD 2,997,130,680.
In October, the paid-in capital increased to NTD 3,141,346,320.
- 2005 : In January, the paid-in capital was increased to NTD 3,144,483,560.
It was awarded the "2005 Excellent Member Factory" by the Taiwan Rubber Industry Association in May.
In September, the capital increased to NTD 3,191,650,810.
- 2006 : The radial layer of passenger car tires passed the China Compulsory Certification (CCC) in April.
The radial layer of tires for buses and trucks passed the product verification registration in April.
The radial layer of small truck tires obtained CNS certification in June.
In June, Hwa Fong Rubber (Thailand) Public Co., Ltd. increased its capital by THD 2,713,343.
- 2007 : Hwa Fong Rubber (Suzhou) Co., Ltd. Officially started to sell radial layer tires in April.
It was awarded the "96 Annual Gold Show Award Volunteer Unit Second Prize" by the Labor Committee in October.
- 2008 : The opening ceremony of Hwa Fong Rubber (Suzhou) Co., Ltd. was in June.
In September, the paid-in capital was increased to NTD 3,223,567,310.
- 2009 : In January, tires for cars, commercial vehicles, and trucks passed the European E-mark noise certification.
In January, tires for locomotives, cars, commercial vehicles, and trucks obtained Brazil INMETRO certification.
Mr. Chen Heng-Yi was elected as the chairman of the board, and Mr. Lai Ming-Yang was appointed as the general manager in June.
- 2010 : Hwa Fong Rubber (Thailand) Public (Stock) Co., Ltd. was listed on the Taiwan Depositary Receipts in February.
- 2011 : Mr. Chen Heng-Yi was elected as the chairman of the board and Mr. Lai Ming-Yang was appointed as the general manager in September.
- 2012 : Motorcycle tires passed the product verification registration verification in July.
Mr. Luo Qian-Ming was elected as the chairman of the board in July,
In October, the shareholders' meeting issued 1,000,000 ordinary shares through a private placement of cash capital increase.
In December, the capital was increased to NTD 3,423,567,310.
- 2013 : In April, the capital was increased to NTD 3,923,567,310.
Ms. Su Ming-Fen was elected as the chairman and Mr. Chen Tai was appointed as the general manager in April.
The shareholders' meeting made up for the accumulated loss by handling capital reductions in June.
Mr. Huang Yong-Yi was appointed as the general manager; Chen Tai, the general manager, was transferred to the general manager of Greater China in July.
In October, the capital was reduced to NTD 3,068,014,840.
In October, the capital was increased to NTD 3,368,014,840.
- 2014 : Ms. Su Ming-Fen was elected as the chairman of the board, and Mr. Huang Yong-Yi was re-appointed as the general manager in May.
In July, Hwa Fong Rubber (China) Co., Ltd. was approved by the Ministry of Economic Affairs to increase its capital by USD 100,000,000, with a cumulative registered capital of USD 320,000,000.
The shareholders' meeting moved to 8F.-13, No.152, Songjiang Rd., Zhongshan Dist., Taipei City of The Company's location in October,.

- In November, Hwa Fong Rubber (China) Co., Ltd. moved all production to No. 1 Xingye Road, Changshu Economic Development Zone (the current site of Hwa Fong Rubber (Suzhou) Co., Ltd.).
- 2015 : In January, Mr. Shen Kuo-Jung was elected as the vice chairman.
 In March, the board of directors approved the cancellation of 10969,000 common shares of treasury shares.
 In April, the Treasury stocks were cancelled and the capital was reduced to NTD 3,258,324,840.
 In October, Hwa Fong Rubber (Suzhou) Co., Ltd. was approved by the Ministry of Economic Affairs to increase its capital by USD 100,000,000. with a cumulative registered capital of USD 460,000,000.
- 2016 : The shareholders' meeting moved to No.300, Sec. 2, Chung-Shan Rd., Ta-Tsun Township, Changhua County in March.
 Mr. Chen Jing-Tang, special assistant to the chairman of the board, was newly appointed as The Company's chief executive officer.
 In April, the Japanese consultant Mr. Ao Masahiro was appointed as the technical director of the Company in April.
 Ms. Su Ming-Fen was elected as the chairman, Mr. Shen Kuo-Jung was elected as the vice chairman, and Mr. Huang Yong-Yi was re-elected as the general manager in June
 In September, the paid-in capital was increased to NTD 3,323,491,340.
 In September, the subsidiary China Hwa Fong Enterprise Co., Ltd. merged with China Hwa Fong Biotechnology Co., Ltd. and Feng Run Technology Co., Ltd. and changed its name to Hwa Fong Distribution Co., Ltd.
- 2017 : The Company passed ISO-9001: 2015 and ISO/TS 16949 quality certification.
 DURO passenger car tire DP-5100 won the 2018 Taiwan Excellence Award.
- 2018 : Mr. Liao Chen Hsuan-Yu was elected chairman of the board. Yan Ming-Shan serves as the general manager in January.
 In April, Mr. Shen Kuo-Jung was elected chairman and Mr. Chiu Shih-Chien was elected vice chairman; The Company's DURO motorcycle tire DM-1220 and ATV tire DI-2037 won the 2018 Reddot Design Award.
 Mr. Wang Jiaw-Chyi became the general manager in August.
 The Company passed ISO-14001:2015 environmental management system certification in September.
 In November, DURO motorcycle tire DM-1220, ATV tire DI-2037 and ATV tire DL-6600 won the 2019 Taiwan Excellence Award.
- 2019 : Mr. Shen Kuo-Jung was elected as chairman and Mr. Chiu Shih-Chien was elected as vice chairman in June.
- 2020 : The interim meeting of shareholders in December passed the resolution to make up for the accumulated losses through capital reduction of NTD 5,300,000,000.
- 2021 : In January, the capital was reduced to NTD 2,793,491,340.

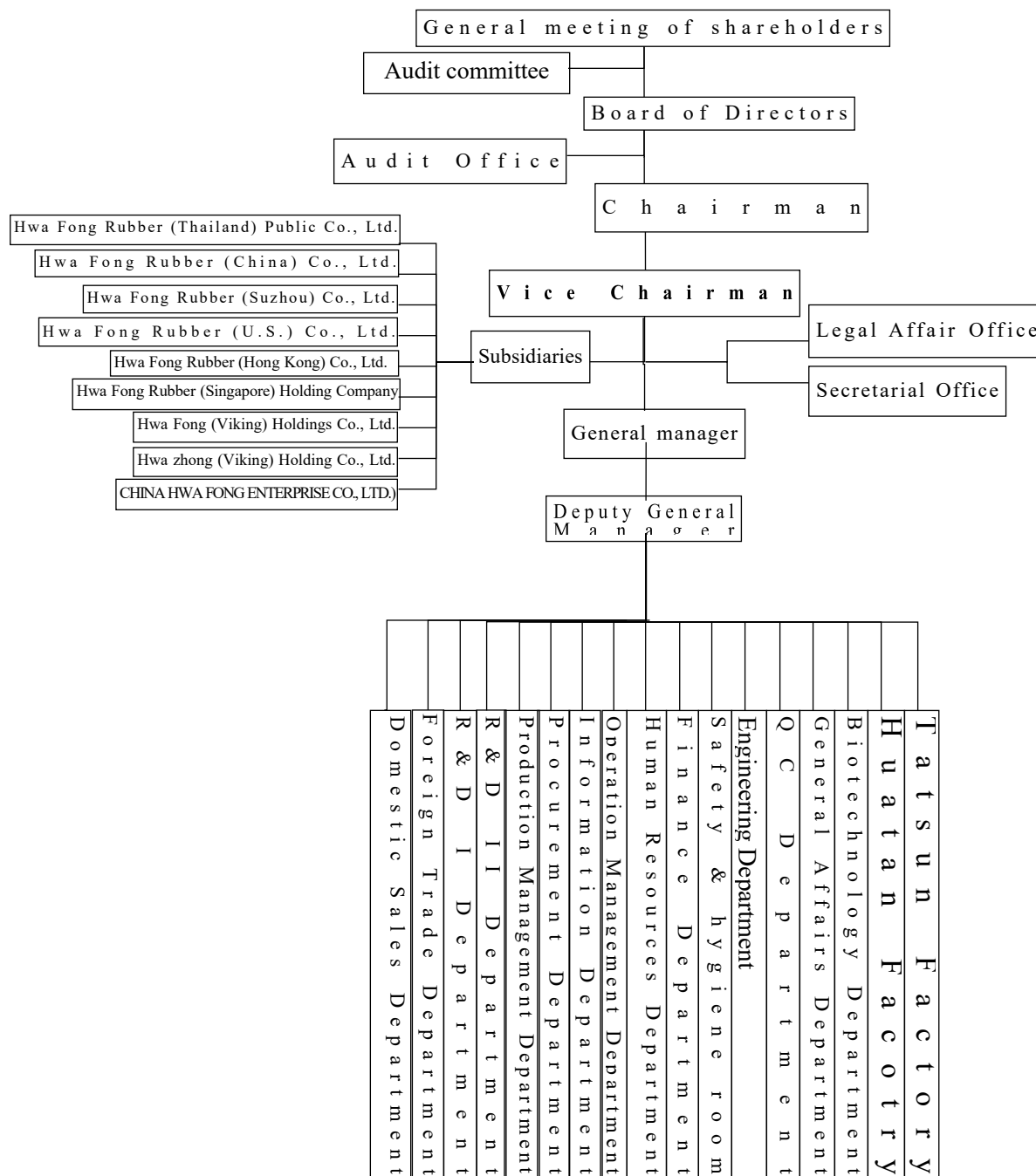
III : Corporate Governance Report

1. Company Organization

(1) Organizational Structure

Hwa Fong Rubber Ind. Co., Ltd

Organizational Chart



(2) The function of each main department

- (1) Audit Office: Responsible for formulating The Company's audit system and assisting the general manager in checking the operation of each unit and the implementation of company policies.

- (2) Legal Affairs Office: Responsible for company contract review, external legal disputes and internal legal consultation, etc.
- (3) Secretarial Office: Conduct Schedule planning for Executives and approval for documents tracking and control. .
- (4) Operation Management Department: Responsible for stock affairs, board affairs, business plans, OEM affairs , marketing planning and related affairs of overseas factories.
- (5) Domestic sales department: Matters concerning the promotion and sales of tires or rubber products sold domestically.
- (6) Foreign trade sales department: Matters concerning the promotion and sales of tires or rubber products sold in foreign countries.
- (7) Production Management Department: Planning and management of production and sales planning, transportation and sales arrangements, and finished product inventory.
- (8) Finance Department: perform finance, taxation, accounting, cost calculation, financial analysis operations and working capital management.
- (9) Quality Control Department: The implementation of the Company-wide quality assurance system, quality improvement education and training, including improvement activities.
- (10) Human Resources Department: responsible for human resources, education ,training planning and management.
- (11) General Affairs Department: company-wide environmental management, vehicle control, restaurant management and other general affairs.
- (12) R&D Department I: The mixing of raw materials and the development of new formula and technologies.
- (13) R&D Department II: Responsible for new product R&D and design control, new material technology application development.
- (14) TaTsun factory: Matters concerning the manufacture of cover tires.
- (15) Department of Biotechnology: the formulation, review and issuance of production technology-related standards; assist in the maintenance of tire quality and the effective reduction of defective rates.
- (16) Engineering Department: R&D matters concerning the planning, maintenance, improvement and automation of production equipment.
- (17) Huatan factory: rubber material manufacturing, raw material warehouse management matters.
- (18) Information Department: Responsible for information software and hardware maintenance, network management, planning and implementation of new system introduction.
- (19) Safety & hygiene Office: Responsible for the safety and health of employees, related plan, supervision and implementation.
- (20) Purchasing Department: matters related to the procurement of raw materials and materials.

2. Information on Directors, Supervisors, General Managers, Deputy General Managers, Associates, Supervisors of Various Departments and Branches

(1) Directors and Supervisors

1. Information of Directors and Supervisors

Apr.16,2022

Job title (Note 1)	Nationality or place of registration	Name	Gender Age	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)			Job title	Name	relationship	
Chairman	Republic of China	Representative of Feng Tsuan Co., Ltd.: Shen Kuo-Jung	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male 71-80	Jun.21.2019	3 years	May 14,2014	797,583	0.24	670,392	0.24	-	-	-	-	MBA from Pacific Western University, USA, MBA, University of Sydney, Australia, Honorary Doctorate from IAU University, Honorary Doctorate of Management, Chaoyang University of Science and Technology	Chairman of Hota Industrial Co., Ltd., Chairman of KAO FONG Industrial Co., Ltd. Chairman of Inalways Corporation. Director of KAO FONG Machinery Industry (Kunshan) Company, Director of KAO FONG Machinery Industry (Huai'an) Company, Chairman of H&D Venture Capital Investment Corporation, Chairman of BMB Venture Capital Investment Corporation, Director of Wuxi Heda Precision Gear, Director of Howin Precision Co., Ltd., Chairman of Optihealth Medical Supplies Co.,LTD..	-	-	-	
Vice Chairman	Republic of China	Representative of Feng Tsuan Co., Ltd.: Chiu Shih-Chien	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male 51-60	Jun.21.2019	3 years	Dec.22,2017 (Jan.19,2018 to Apr.26,2018 (suspend)	-	-	-	-	-	-	-	-	Master of Statistics, National Cheng Kung University	Vice Chairman of Inalways Corporation.. Consultant of Jian Sin Industrial Co., Ltd. Director of Optihealth Medical Supplies Co.,LTD..	-	-	-	
Director	Republic of China	Representative of Feng Tsuan Co., Ltd.: Lin Wen-Cheng	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male 51-60	Jun.21.2019	3 years	Apr.27,2018	-	-	-	-	-	-	-	-	Private Soochow University Law Department Judge of Taichung District Court, Taiwan Prosecutor of the Procuratorate of Fujian Kinmen District Court Lawyer	Chief Legal Officer of Hwa Fong Rubber Industry Co., Ltd.	-	-	-	
Director	Republic of China	Representative of Feng Tsuan Co., Ltd.: Wu Pin-Yi	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Female 31-40	Jun.21.2019	3 years	Dec.22,2017	-	-	-	-	-	-	-	-	Department of Law, National Chung Hsing University	Deputy General Manager of Huwa Fong Rubber Industry Co., Ltd. Director of Hwa Fong Rubber (Thailand) Public Co., Ltd. Director of Jian Sin Industrial Co., Ltd. Director of Inalways Corporation.	-	-	-	

Job title (Note 1)	Nationality or place of registration	Name	Gender Age	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)			Job title	name	relationship	
Director	Republic of China	Representative of Feng Tsuan Co., Ltd.: Liao Chen Hsuan-Yu	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male 31-40	Jun.21.2019	3 years	Jan.4,2018 (Jun.17,2016 - Jan.3,2018 suspend)	-	-	121,876	0.04	-	-	-	-	Master of Information Management, National Taiwan University Bachelor of Economics, University of British Columbia,	Director of VeeTIME Corp. Chairman of Tokugawa International Development Co., Ltd. Chairman of Alibaba International Ltd Company	-	-	-	
Director	Japan	Representative of Sumitomo Rubber Industries Co., Ltd.: Sakashita Shingo	-	Jun.21.2019	3 years	Jun.21,2019	33,822,234	10.18	28,428,574	10.18	-	-	-	-	-	-	-	-	-	
			Male 51-60	Jan.1,2020 (Jan.1,2020 Reappointment)	3 years	Jan.1,2020	-	-	-	-	-	-	-	-	B.A in International Retarations, Ritsumeikan University Master of Business Administration, UNIVERSITY OF WESTMINSTER	General Manager (Business Administration), International Business Development & Administration Department, Sumitomo Rubber Industries, Ltd.	-	-	-	
Director	Republic of China	Representative of Sheng Ta Investment Co., Ltd.: Yan Ming-Shan	-	Jun.21.2019	3 years	Sep.14,2011	604,100	0.18	507,764	0.18	-	-	-	-	-	-	-	-	-	
			Male 81-90	Jun.21.2019	3 years	May 2,2018	5,105,100	1.54	4,290,985	1.54	2,389,871	0.86	-	-	EMBA , National Changhua University of Education	Director of Hwa Fong Rubber Industry Co., Ltd. Director of Hwa Fong Rubber (Thailand) Public Co., Ltd.	-	-	-	
Director	Republic of China	Representative of Teng Feng Investment Development Co., Ltd.: Yan, Ruei-Sian	-	Jun.21.2019	3 years	Jun.16,2009 (Sep.14,2011- Jun.16,2016 suspend)	4,016,483	1.21	3,460,024	1.24	-	-	-	-	-	-	-	-	-	
			Male 41-50	Jun.21.2019	3 years	Aug.12,2014 (May.27,2015- Jun.16,2016 suspend - Mar.26,2018- Apr.3,2018 suspend)	1,875,689	0.56	1,576,571	0.56	-	-	-	-	Department of Business Administration, Da-Yeh University National Changhua University of Education International Business Management Master (IMBA)	General Manager of SHING TAI HARDWARE CO., LTD. Director of ZU LON INDUSTRIAL CO., LTD. General Manager of MI-JI CONSTRUCTION CO., LTD. General Manager of XIANG-RUI CONSTRUCTION CO., LTD General Manager of XU-FU CORPORATE COMMUNITIES CO., LTD	-	-	-	
Independent director	Republic of China	Tsai Hong-Wen	Male 41-50	Jun.21.2019	3 years	Jun.17,2016	-	-	-	-	-	-	-	-	PhD, Department of Chemical Engineering, National Taiwan University Master of Law Interdisciplinary Integration, National Chengchi University	Associate Professor, Patent Institute, National Taiwan University of Science and Technology	-	-	-	

Job title (Note 1)	Nationality or place of registration	Name	Gender Age	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)			Job title	Name	Relationship	
Independent director	Republic of China	Yang Wen-Kuang	Male 51-60	Jun.21.2019	3 years	Jun.21,2019	-	-	-	-	-	-	-	-	PhD, National Yunlin University of Science and Technology/Business Management Department Vice President Chaoyang University of Technology	Independent Director of KUNG LONG BATTERIES INDUSTRIAL CO., LTD. Managing Director of TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION Vice President Chaoyang University of Technology	-	-	-	
Independent director	Republic of China	Huang Chu-Chia	Male 51-60	Jun.21.2019	3 years	Jun.21,2019	-	-	10,000	0.04	-	-	-	-	Takming University of Science and Technology BaiYang CPA Firm Accountant Director of the Chinese Association of Auditing Finance and Taxation Professionals Director of Taipei City Tax Agents Association	BaiYang CPA Firm Accountant Director of Juilli Enterprise Co., Ltd.	-	-	-	

Note 1: Legal person shareholders should list the names of legal person shareholders and their representatives separately (if they are representatives of legal person shareholders, the names of legal person shareholders should be indicated), and the following table 1 should be filled in.

Note 2: Fill in the time when the person first served as a director or supervisor of the Company. If there is matter regarding suspension, it should be noted.

Note 3: If the person has working experience in the auditing certified public accountant firm or an affiliated company during the above mentioned period, the title and the position should be stated.

Note 4: If the chairman of the Company and the general manager or the person with equivalent positions (the top manager) are the same person, each other's spouse or relatives, the information regarding the reason, rationality, necessity and corresponding measures should be stated. (such as increasing the number of independent directors, and there should be more than half of the directors not serving as employees or managers, etc.)

2. Table 1: Major shareholders of legal person shareholders

Apr.16,2022

Legal person shareholder name	The main shareholder of the legal person shareholder
Feng Tsuan Co., Ltd.	1. He Tsuan Co., Ltd. 97.83% 2. Su Ming-Fen 2.17%
Sheng Ta Investment Co., Ltd.	1. Yan Xie Xin-Mei 70% 2. Yan Jun-Ling 10% 3. Yan Sheng-Feng 10% 4. Yan Da-Jun 10%
Sumitomo Rubber Industries Co., Ltd.	1. Sumitomo Electric Industries, Ltd. 28.85% 2. The Master Trust Bank of Japan 9.26% 3. National Mutual Insurance Federation of Agricultural Cooperatives 2.79% 4. Custody Bank of Japan, Ltd.(Trust account) 2.56% 5. Northern trust CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST 2.32% 6. Sumitomo Mitsui Banking Corporation 1.98% 7. Sumitomo Corporation 1.83% 8. Northern trust CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS 1.64% 9. SMBC Nikko Securities Inc. 1.58% 10.STATE STREET BANK AND TRUST COMPANY 505103 1.44%
Teng Feng Investment Development Co., Ltd.	1. Yan Ruei-Sian 41.67% 2. Yan Jun-Kai 41.67% 3. Yan Lin Xiu-Xia 16.66%

Note 1: If the director or supervisor is a representative of a legal person shareholder, the name of the legal person shareholder should be filled in.

Note 2: Fill in the name of the main shareholder of the legal person shareholder (its shareholding ratio accounts for the top ten) and its shareholding ratio.

Note 3: If a legal person shareholder is not a company organizer, the name of the shareholder and shareholding ratio that should be disclosed, which are the name of the investor or donor and the ratio of capital contribution or donation.

3. Table 2: Table 1 Main shareholders s whose main shareholders are legal persons

Apr.16,2022

The name of the legal person shareholder	The main shareholder of the legal person shareholder
He Tsuan Co., Ltd.	1. Jiann Fong Capital Co., Ltd. 70.00% 2. Qian Tsuan Co., Ltd. 30.00%
Sumitomo Electric Industries, Ltd.	1. The Master Trust Bank Japan, Ltd.(Trust Account) 10.77% 2. Custody Bank of Japan, Ltd.(Trust Account) 7.32% 3. Nippon Life Insurance Company 3.17% 4. NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST 2.07% 5. SUMITOMO LIFE INSURANCE COMPANY 1.99% 6. Custody Bank of Japan, Ltd.(Trust Account 4) 1.86% 7. The Master Trust Bank of Japan, Ltd. (Trust Account J) 1.61% 8. STATE STREET BANK WEST CLIENT - TREATY 505234 1.44% 9. NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS 1.36% 10.Custody Bank of Japan, Ltd.(Trust Account 5) 1.36%
Sumitomo Mitsui Banking Corporation	1. The Master Trust Bank Japan, Ltd.(Trust Account) 14.00% 2. Custody Bank of Japan, Ltd. (Trust Account) 5.57% 3. NATSCUMCO 1.97% 4. Custody Bank of Japan, Ltd. (Trust Account 7) 1.73% 5. SSBTC CLIENT OMNIBUS ACCOUNT 1.73% 6. STATE STREET BANK WEST CLIENT - TREATY 505234 1.71% 7. JPMorgan Securities Japan Co., Ltd. 1.51% 8. Barclays Securities Japan Limited 1.35% 9. JP MORGAN CHASE BANK 385781 1.22% 10.THE BANK OF NEW YORK MELLON 140044 1.00%
SMBC Nikko Securities Inc.	Sumitomo Mitsui Financial Group 100%

The name of the legal person shareholder	The main shareholder of the legal person shareholder
Sumitomo Corporation	1. The Master Trust Bank of Japan,Ltd. (Trust Account) 14.95%
	2. BNYM AS AGT/CLTS NON TREATY JASDEC 5.45%
	3. Custody Bank of Japan, Ltd. (Trust Account) 4.96%
	4. Sumitomo Life Insurance Company 2.47%
	5. Northern trust CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST 1.50%
	6. STATE STREET BANK WEST CLIENT - TREATY 505234 1.45%
	7. Mitsui Sumitomo Insurance Company, Limited 1.36%
	8. Custody Bank of Japan, Ltd. (Trust Account 7) 1.32%
	9. Nippon Life Insurance Company 1.19%
	10.Custody Bank of Japan, Ltd. (Trust Account 4) 1.16%

Note 1: If the director or supervisor is a representative of a legal person shareholder, the name of the legal person shareholder should be filled in.

Note 2: Fill in the name of the main shareholder of the legal person shareholder (its shareholding ratio accounts for the top ten) and its shareholding ratio.

Note 3: If a legal person shareholder is not a company organizer, the name of the shareholder and shareholding ratio that should be disclosed, which are the name of the investor or donor and the ratio of capital contribution or donation.

4. Information on Directors and Supervisors

April 16, 2022

Qualifications Name	Professional qualifications and experience (Note1)	Condition for independency (Note2)	Number of independent directors concurrently serving as other public offering companies
Feng Tsuan Co., Ltd. Representative Director: Shen Kuo-Jung	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as chairman of the Company, chairman of Hota industrial MFG co.,LTD, chairman of Kao Fong Machinery Co., Ltd and chairman of Inalways Corporation - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Feng Tsuan Co., Ltd. Representative Director: Chiu Shih-Chien	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as vice chairman of the Company,vice chairman of Inalways Corporation and consultant of Jian Sin Industrial Co., Ltd. - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	- With work experience required for business, legal, financial, accounting or corporate business ° - Professional and technical personnel with judges, prosecutors, lawyers, accountants or other professional and technical personnel who have qualified the national examinations and certificates required for The Company's business. - Currently work as director of the Company - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan -Yu	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as director of the Company and director of Vee Time Corp. - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	- With work experience required for business, legal, financial, accounting or corporate business ° - Professional and technical personnel with judges, prosecutors, lawyers, accountants or other professional and technical personnel who have qualified the national examinations and certificates required for The Company's business. - Currently work as vice chairman of the Company,director of Inalways Corporation and director of Jian Sin Industrial Co., Ltd. - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Sumitomo Rubber Industries Co., Ltd. Representative Director: Sakashita Shingo	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as director of the Company . - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as director of the Company and director of Hwa Fong Rubber Ind. Co., Ltd - No matters related to Article 30 of the Company Act.	(Not applicable)	None
Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	- With work experience required for business, legal, financial, accounting or corporate business ° - Currently work as director of the Company . - No matters related to Article 30 of the Company Act.	(Not applicable)	None

Qualifications Name	Professional qualifications and experience (Note1)	Condition for independency (Note2)	Number of independent directors concurrently serving as other public offering companies
Independent Director: Tsai Hong-Wen	• Act. With experience of Lecturer or above in public and private colleges and universities with relevant departments of business, legal affairs, finance, accounting or corporate business. • Currently work as independent director of the Company and Associate Professor, Institute of Patents, National Taiwan University of Science and Technology. • No matters related to Article 30 of the Company	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	None
Independent Director: Yang Wen-Kuang	• With experience of Lecturer or above in public and private colleges and universities with relevant departments of business, legal affairs, finance, accounting or corporate business. • Currently work as director of the Company, Independent director of Kung Lobg Batteries Industrial Co., Ltd. And vice president of Chaoyang University of Science and Technology.. • No matters related to Article 30 of the Company Act.	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	1
Independent Director: Huang Chu-Chia	• With work experience required for business, legal, financial, accounting or corporate business ° • Professional and technical personnel with judges, prosecutors, lawyers, accountants or other professional and technical personnel who have qualified the national examinations and certificates required for The Company's business. • Currently work as independent director of the Company and director of Jui Li Enterprise Co., Ltd. • No matters related to Article 30 of the Company Act.	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	None

5. The diversity and independency of Board of Directors :

(1) He diversity of Board of Directors :

The composition of the board of directors of the Company should consider diversity. Apart from directors who also serve as managers of the Company should not exceed one-third of the number of directors, an appropriate diversity policy should be formulated according to its own operation, operation type and development demands. It should include but not be limited to the following two major aspects of the standard:

1. Basic conditions and values: gender, age, nationality and culture, etc. Among them, the ratio of female directors shall reach one-third of the board seats.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.

The members of the board of directors shall generally be equipped with the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the board of directors as a whole should have the following abilities:

1. Operational judgment ability.
2. Accounting and financial analysis ability.
3. Operation and management ability.
4. Risk handling capability.
5. Industrial knowledge.
6. the international market view.
7. Leadership.
8. decision-making ability.

3. The policy of diversity and independency of Board of Directors is executed as below:

Name	Job title	Gender	Age	Independent director tenure			part-time employee	Operation and management	leadership & decision-making	industrial knowledge	financial accounting	law	international market view	Risk management
				Less than 3 years	3 to 9 years	Above 9 years								
Shen Kuo-Jung	Chairman	Male	71~80				✓	✓	✓	✓			✓	✓
Chiu Shih-Chien	Vice Chairman	Male	51~60				✓	✓	✓	✓			✓	✓
Lin Wen-Cheng	Director	Male	51~60						✓			✓	✓	✓
Liao Chen Hsuan-Yu	Director	Male	31~40					✓	✓				✓	✓
Wu Pin-Yi	Director	Female	31~40				✓	✓	✓	✓		✓	✓	✓
Sakashita Shingo	Director	Male	51~60					✓	✓	✓			✓	✓
Yan Ming-Shan	Director	Male	81~90					✓	✓	✓			✓	✓
Yan Ruei-Sian	Director	Male	41~50						✓	✓			✓	✓
Tsai Hong-Wen	Independent Director	Male	41~50		✓				✓	✓			✓	✓
Yang Wen-Kuang	Independent Director	Male	51~60	✓				✓	✓	✓			✓	✓
Huang Chu-Chia	Independent Director	Male	51~60	✓					✓	✓	✓		✓	✓

(2)The independency of Board of directors :

The selection procedures of all directors of the Company is open and fair, and complies with The Companyd articles of association, director election regulations, code of practice on corporate governance, and the Securities and Exchange Act. There are 11 members of the board of directors of the Company, with 8 directors (73%) and 3 independent directors (27%). There are no directors listed in Article 26-3, Item 3 and Item 4 of the Securities and Exchange Act. affair and relationship.

Note 1: Professional qualifications and experience: State the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and also state if they have matters related to Article 30 of the Company Law.

Note 2 Independent directors should state accordance of independency: I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies;I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company. The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.

(2) Information on the general manager, deputy general managers, associate managers, heads of departments and branches:

Apr.16,2022

Job title (Note 1)	Nationality	Name	gender	Election date	Shares held		Spouse and minor children shares held		Holding shares in the name of another person		Major experience (education) (Note 2)	Currently concurrently holding positions in other companies	with spouse or executives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Share holdi ng ratio	Number of shares	Share holdi ng ratio	Numbe r of shares	Share holdi ng ratio			job title	name	Relatio nship	
General manager	Republic of China	Wang Jiaw-Chyi	male	Aug.13, 2018	-	-	-	-	-	-	The City University of New York	Director of Inalways Corporation	-	-	-	
Deputy General Manager	Republic of China	Jiang Ting-Ji	male	Jun.15,2 018	-	-	-	-	-	-	War College NDU.ROC.	-	-	-	-	
Deputy General Manager	Republic of China	Wu Pin-Yi	female	Jun.15,2 018	-	-	-	-	-	-	Department of Law National Chung Hsing University	Director of Hwa Fong Rubber (Thailand) Public Co., Ltd. Director of Jian Sin Industrial Co., Ltd. Director of Inalways Corporation	-	-	-	
Deputy General Manager	Republic of China	Luo Pei-Yuan	male	Aug.13, 2019	-	-	-	-	-	-	Soochow University	-	-	-	-	

Note 1: It should include the general manager, deputy general managers, associates, heads of departments and branches, and all positions equivalent to general manager, deputy general managers or associates, regardless of job title.

Note 2: The experience related to the current position, if the person has worked in the auditing certification accounting firm or its affiliated company during the period, the title and the position should also be stated.

Note 3: When the general manager or a person with equivalent positions (the top manager) and the chairman of the board are the same person, each other's spouse or relatives of the first degree of kinship, the reason, rationality, necessity and corresponding measures (such as for increasing the number of independent directors, and there should be more than half of the directors not concurrently serving as employees or managers.) should be disclosed.

(3) If the chairman of the board and the general manager or the person with equivalent positions (the top manager) are the same person, each other's spouse or relatives of first degree of kinship, the reasons, rationality, necessity and corresponding measures shall be explained: No such matter.

3. Remuneration paid to directors (including independent directors), supervisors, general managers and deputy general managers in the most recent year

(1) Remuneration paid to directors (including independent directors), supervisors, general managers and deputy general managers in the most recent year:

1. Remuneration of general directors and independent directors:

		Dec.31,2021										Unit : Thousands of NTD										
Job title	Name	Directors' remuneration								The proportion of the four items A, B, C and D in the net profit after tax (Note 11)		Related remuneration received by Part-time employees								A, B, C, D, E, F, and G as a percentage of the total net profit after tax (Note 10)		Receiving remuneration from a subsidiary company or parent company (Note 11)
		Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Business execution expenses (D) (Note 4)				Salaries, bonuses and special expenses, etc. (E) (Note 5)		Retirement pension		Employee compensation (G) (Note 6)						
		In this Company	All companies in the financial report (Note 7) company	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In This Company		All companies in the financial report (Note 7)		In this Company	All companies in the financial report (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Feng Tsuan Co., Ltd. Representative Director: Shen Kuo-Jung	6,456	6,586	-	-	-	-	60	141	1.79	1.94	-	-	-	-	1,155	-	1,155	-	2.11	2.25	N/A
Vice chairman	Feng Tsuan Co., Ltd. Representative Director: Chiu Shih-Chien	6,028	6,272	-	-	-	-	50	131	1.68	1.77	-	-	-	-	1,139	-	1,139	-	1.99	2.08	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	-	244	-	-	-	-	50	131	0.01	0.01	2,688	2,688	97	97	35	-	35	-	0.87	0.95	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan-Yu	-	-	-	-	-	-	40	40	0.01	0.01	-	-	-	-	-	-	-	-	0.01	0.01	N/A
director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	-	244	-	-	-	-	60	141	0.02	0.11	1,441	1,441	87	87	-	-	-	-	0.02	0.11	N/A
director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	-	-	-	-	-	-	100	1,000	0.28	0.28	-	-	-	-	-	-	-	-	0.28	0.28	N/A
director	Sumitomo Rubber Industries Co., Ltd. Director representative : Sakashita Shingo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
Independent Director	Tsai Hong-Wen	-	-	-	-	-	-	60	60	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	N/A
Independent Director	Yang Wen-Kuang	-	-	-	-	-	-	50	50	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	N/A
Independent Director	Huang Chu-Chia	-	-	-	-	-	-	50	50	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	N/A
director	Feng Tsuan Co., Ltd.	-	-	-	-	6,033	6,033	-	-	1.67	1.67	-	-	-	-	-	-	-	-	1.67	1.67	N/A
director	Sheng Ta Investment Co., Ltd.	-	-	-	-	1,005	1,005	-	-	0.28	0.28	-	-	-	-	-	-	-	-	0.28	0.28	N/A
director	Teng Feng Investment	-	-	-	-	1,005	1,005	-	-	0.28	0.28	-	-	-	-	-	-	-	-	0.28	0.28	N/A
director	Sumitomo Rubber Industries Co., Ltd.	-	-	-	-	1,005	1,005	-	-	0.28	0.28	-	-	-	-	-	-	-	-	0.28	0.28	N/A
1. Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: The remuneration of the independent directors of the Company is determined in accordance with their participation in The Company's operations and their contribution to The Company's operations and the usual level of the industry. The monthly fixed remuneration and the transportation allowance for attending meetings are paid to them. No other remuneration is paid, and they are not allowed to participate in the distribution of the remuneration of the directors of the Company.																						
2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: no such matter.																						

Remuneration Scale

Class interval of remuneration to each director of the Company	Director's name			
	The total amount of the first four remunerations (A+B+C+D)		The total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	In this Company (Note 8)	All companies in the financial report (Note 9) H	In this Company (Note 8)	All companies in the financial report (Note 9) I
Less than NTD 1 Million	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Yan Ming-Shan, Wu Pin-Yi, Tsai Hong-Wen, Yang Wen-Kuang, Huang Chu-Chia,	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Yan Ming-Shan, Wu Pin-Yi, Tsai Hong-Wen, Yang Wen-Kuang, Huang Chu-Chia,	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Tsai Hong-Wen, Yang Wen-Kuang, Huang Chu-Chia,	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Tsai Hong-Wen, Yang Wen-Kuang, Huang Chu-Chia,
NTD 1 Million (inclusive) ~ NTD 2 Million (not included)	Yan Ruei-Sian, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd.	Yan Ruei-Sian, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd.	Yan Ming-Shan, Yan Ruei-Sian, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd.	Yan Ming-Shan, Yan Ruei-Sian, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd.
NTD 2 Million (inclusive) ~ NTD 3.5 Million (not included)			Wu Pin-Yi	Wu Pin-Yi
NTD 3.5 Million (inclusive) ~ NTD 5 Million (not included)				
NTD 5 Million (inclusive) ~ NTD 10 Million (not included)	Shen Kuo-Jung, Chiu Shih-Chien, Feng Tsuan Co., Ltd.	Shen Kuo-Jung, Chiu Shih-Chien, Feng Tsuan Co., Ltd.	Shen Kuo-Jung, Chiu Shih-Chien, Feng Tsuan Co., Ltd.	Shen Kuo-Jung, Chiu Shih-Chien, Feng Tsuan Co., Ltd.
NTD 10 Million (inclusive) ~ NTD 15 Million (not included)				
NTD 15 Million (inclusive) ~ NTD 30 Million (not included)				
NTD 30 Million (inclusive) ~ NTD 50 Million (not included)				
NTD 50 Million (inclusive) ~ NTD 100 Million (not included)				
More than NTD 100 Million				
Total				

Note 1: The names of directors should be listed separately (if corporate shareholders, the names of legal person shareholders and their representatives should separately be listed from), and the general directors and independent directors should be listed separately to disclose the payment amounts in a summary manner. If the director concurrently serves as the general manager or deputy general manager, he should fill in this form and the following table (3-1) or the following table (3-2-1), (3-2-2).

Note 2: Refers to the remuneration of directors in the most recent year (including directors' salary, post bonus, severance payment, other bonuses, other incentives, etc.).

Note 3: It is the amount of directors' remuneration approved by the board of directors in the most recent year.

Note 4: Refers to the director's relevant business execution expenses in the most recent year (including traffic allowance, special expenses, other allowances, dormitories, company vehicles, etc.). When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver, but it will not be included in the remuneration.

Note 5: Refers to the salary received by directors concurrently serving other positions (including concurrent general manager, deputy general manager, other managers and employees) in the most recent year, including salary, post bonus, severance payment, various bonuses, incentives, carriage fees, special expenses, allowances, dormitories, car distribution, etc. are provided. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including obtaining employee stock options, restricting employee rights for new shares, and participating in cash capital increase subscription for shares, should also be included in the remuneration.

Note 6: Refers to those who have received employee remuneration (including stocks and cash) for directors concurrently serving other positions (including concurrently serving as general manager, deputy general manager, other managers and employees) in the most recent year, and the amount of employee remuneration approved by the board of directors in the most recent year shall be disclosed. If it is not possible to estimate the amount, the proposed amount distributed for this year shall be calculated based on the actual amount distributed last year, and the attached table 1-3 shall be filled in.

Note 7: The total amount of remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated report should be disclosed.

Note 8: The Company pays the total amount of remuneration to each director, and reveals the name of the director in the attribution level.

Note 9: The total amount of remuneration paid to each director of the Company by all companies (including this company) in the consolidated report should be disclosed, and the names of the directors should be disclosed in the attribution level.

Note 10: Net profit after tax refers to the net profit after tax in the most recent year; if the International Financial Reporting Standard has been adopted, net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 11: a. This column should clearly indicate the amount of relevant remuneration received by the directors of the Company from the subsidiary company or the parent company (if none, please fill in none).
b. If the directors of the Company receive relevant remuneration from the out-of-subsidiary reinvestment business or the parent company, the remuneration received by The Company's directors from the out-of-subsidiary reinvestment business or the parent company shall be incorporated into column J of the Remuneration Scale table, and change the column name to "parent company and all reinvested businesses".

- c. Remuneration refers to the remuneration, remuneration (including remuneration of employees, directors and supervisors) and business execution expenses received by the directors of the Company as directors, supervisors or managers of non-subsidiary investment enterprises or parent company remuneration.
- * The content of the remuneration disclosed in this table is different from the concept of “income” of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

2. Remuneration of the general manager and deputy general managers

Dec.31,2021

Unit : Thousands of NTD

job title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses, and so on (C) (Note 3)		Employee compensation amount (D) (Note 4)				The proportion of the four items A, B, C and D in the net profit after tax (%) (Note 8)		Remuneration received from a subsidiary company or parent company (Note 9)
		In The Company	All the companies in the financial report (Note 5)	In The Company	All the companies in the financial report (Note 5)	In The Company	All the companies in the financial report (Note 5)	The Company		All the companies in the financial report (Note 5)		The Company	All the companies in the financial report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General manager	Wang Jiaw-Chyi	7, 045	7, 045	338	338	2, 854	2, 985	1, 616	-	1, 616	-	3. 27	3. 31	None
Deputy General manager	Jiang Ting-Ji													
Deputy General manager	Wu Pin-Yi													
Deputy General manager	Luo Pei-Yuan													

* Regardless of job title, all positions equivalent to general manager or deputy general manager (e.g. : president, chief executive officer, director...and so on) should be disclosed.

Remuneration Scale

Scale of remuneration paid to each general manager and deputy general manager of the Company	Names of general manager and deputy general managers	
	The Company (Note 6)	All the companies in the financial report (Note 7) E
Less than NTD 1 Million		
NTD 1 Million (inclusive) ~ NTD 2 Million (not included)	Jiang Ting-Ji, Luo Pei-Yuan	Jiang Ting-Ji, Luo Pei-Yuan
NTD 2 Million (inclusive) ~ NTD 3.5 Million (not included)	Wu Pin-Yi	Wu Pin-Yi
NTD 3.5 Million (inclusive) ~ NTD 5 Million (not included)	Wang Jiaw-Chyi	Wang Jiaw-Chyi
NTD 5 Million (inclusive) ~ NTD 10 Million (not included)		
NTD 10 Million (inclusive) ~ NTD 15 Million (not included)		
NTD 15 Million (inclusive) ~ NTD 30 Million (not included)		
NTD 30 Million (inclusive) ~ NTD 50 Million (not included)		
NTD 50 Million (inclusive) ~ NTD 100 Million (not included)		
More than NTD 100 Million		
Total		

Note 1: The names of the general manager and deputy general managers should be listed separately, and the payment amounts should be disclosed in a summary. If the director is also the general manager or deputy general manager, please fill in this form and the above form (1-1), or (1-2-1) and (1-2-2).

Note 2: It is to fill in the most recent annual salaries, job bonuses, and severance pay.
of general manager and deputy general manager.

Note 3: The amount of various bonuses, incentives, carriage fees, special expenses, allowances, dormitories, company vehicles\, and other remunerations provided by the general manager and deputy general managers in the most recent year. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price, rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver is not included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Based Payment", including obtaining employee stock options, restricting employee rights for new shares, and participating in cash capital increase subscription for shares, should also be included in the remuneration.

Note 4: Fill in the amount of employee remuneration (including stocks and cash) approved and distributed by the board of directors to the general manager and deputy general managers in the most recent year. If it cannot be estimated, the proposed amount distributed for this year will be calculated based on the actual amount distributed last year. Fill out Attachment 1-3. Net profit after tax refers to the net profit after tax in the most recent year; if the International Financial Reporting Standards have been adopted, net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 5: The total amount of remuneration paid by all companies (including the Company) to the general manager and deputy general managers of the Company in the consolidated report should be disclosed.

Note 6: The total amount of remuneration paid to each general manager and deputy general manager by this company, and the names of the general manager and deputy general managers in the Remuneration Scale.

Note 7: The total amount of remuneration paid to each general manager and deputy general manager of the Company by all companies (including this company) in the consolidated report shall be disclosed, and the names of the general manager and deputy general managers shall be disclosed in the Remuneration Scale

Note 8: Net profit after tax refers to the net profit after tax in the most recent year; if the International Financial Reporting Standard has been adopted, net profit after tax refers to the net profit after tax of the individual or Individual Financial Report in the most recent year.

- Note 9: a. This column should clearly indicate the amount of remuneration received by the general manager and deputy general managers of the Company from the reinvested business outside of its subsidiaries or the parent company (if none, fill in none).
- b. If the general manager and deputy general managers of the Company receive relevant remuneration from the the reinvested business outside of its subsidiaries or the parent company, remuneration of the general manager and deputy general managers of the Company received from the subsidiary company or the parent company Should be incorporated into column E of the remuneration scale, and change the name of the column to "parent company and all reinvested businesses".
- c. Remuneration refers to the reward, remuneration (including the remuneration of employees, directors and supervisors) and business execution expenses received by the general manager and deputy general managers of the Company as directors, supervisors or managers of reinvested businesses outside of subsidiaries and other related remuneration.
- * The content of the remuneration disclosed in this table is different from the concept of “income” of the income tax law, so the purpose of this table is for information disclosure and is not used for taxation.

3. The remuneration of the top five executives with the highest remuneration in listed companies (individual disclosure of names and remuneration methods): (Note 1))

Dec.31,2021												Unit : Thousands of NTD		
job title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and Special expenses, etc. (C) (Note 3)		Employee remuneration amount (D) (Note 4)				The proportion of the four items A, B, C and D in the net profit after tax (%) (Note 6)		remuneration received from the reinvested business or parent company other than the subsidiary (Note 7)
		In The Company	All the compani es in the financial report (Note 5)	In The Company	All the compani es in the financial report (Note 5)	In The Company	All the companies in the financial report (Note 5)	In The Company		All the companies in the financial report (Note 5)		In The Company	All the companies in the financial report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Shen Kuo-Jung	6, 436	6, 876	–	–	60	141	1, 153	–	1, 153	–	2. 11	2. 26	None
Vice Chairman	Chiu Shih-Chien	6, 028	6, 276	–	–	50	131	1, 139	–	1, 139	–	1. 99	2. 08	None
General manager	Wang Jiaw-Chyi	3, 081	3, 081	108	108	1, 353	1, 353	739	–	739	–	1. 46	1. 46	None
Deputy General Manager	Wu Pin-Yi	1, 664	1, 664	97	97	954	954	375	–	375	–	0. 85	0. 85	None
Deputy General Manager	Jiang Ting-Ji	1, 196	1, 196	71	71	348	348	254	–	254	–	0. 52	0. 52	None

Note 1: The 'top five' remuneration, see Note 1:the so-called (the top five highest remuneration of executives), means The Company's manager in charge, related to the manager of that standard. According to former Treasury Securities and Futures Committee's regulations of Mar.27, 2003, Taiwan-Financial-Securities-III No. 0920001301 with the definition of the scope of application of "managers". As for the calculation and the principle of determining "the top five with the highest remuneration", it is based on the sum of the salaries, retirement pensions, bonuses and special expenses received by the Company managers from all companies in the consolidated financial report, as well as the total amount of employee remuneration (that is, A+B+C+D (the total amount of four items)), and the five highest remunerations will be recognized after sorting. If the director was concurrently serving the above-mentioned positions, the name of whom should be filled in this table and the above table (1-1).

Note 2: The salary, duty allowance and severance pay of the top five executives with the highest remuneration in the most recent year are to be listed.

Note 3: The amount of bonuses, incentives, traffic allowance, special expenses, other allowances, dormitories, car allocation, and other remunerations of the five highest paid supervisors in the most recent year are to be filled in. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share based payment", including obtaining employee stock subscription authorization certificates, restricting employees' rights of new shares, and participating in cash capital increase shares subscription, shall be included in the remuneration.

Note 4: The amount of remuneration (including stocks and cash) for the top five top executives approved by the board of directors in the most recent year are to be filled in. If the amount can not be accurately estimated, the proposed amount distributed for this year will be calculated based on the actual amount distributed last year, and Attachment 1-3 should be also be filled in.

Note 5: The total amount of remuneration paid to the top five top executives of the Company for all companies (including the Company) in the consolidated report should be disclosed.

Note 6: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 7: a. This column should clearly indicate the amount of The Company's top five remuneration received by executives who received related remuneration from the non-subsidiary reinvested business or the parent company (if none, fill in "none").

b. Remuneration refers to the reward and remuneration (including remuneration for employees, directors and supervisors) received by The Company's top five executives with the highest remuneration as directors, supervisors or managers of subsidiaries or parent companies. And related remuneration such as business execution costs.

4. The name of the manager who allocates employee remuneration and the distribution:

Dec.31,2021 Unit : Thousands of NTD

	Job title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	Proportion of total amount to net profit after tax (%)
Manager	General manager	Wang Jiaw-Chyi	-	2, 138	2, 138	0. 59
	Deputy General Manager	Jiang Ting-Ji				
	Deputy General Manager	Wu Pin-Yi				
	Deputy General Manager	Luo Pei-Yuan				
	Financial manager	Lee Yuan-Chi				

Note 1: Individual names and titles should be disclosed, but the profit distribution can be disclosed in a summary.

Note 2: Fill in the amount of employee remuneration (including stocks and cash) approved by the board of directors that are distributed to managers in the most recent year, if it cannot be estimated

The proposed amount distributed for this year is calculated based on the proportion of the actual amount last year. Net profit after tax refers to the net profit after tax in the most recent year;

For those who have adopted the International Financial Reporting Standards, the net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 3: The scope of application of managers is as follows:

- (1) General manager and equivalent
- (2) Deputy general manager and equivalent
- (3) Associate and equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Others who have the right to manage affairs and sign for the Company

Note 4: If the directors, general managers and deputy general managers receive employee remuneration (including stocks and cash), in addition to filling in Attached Table 1-2, this form should also be filled out.

(2) Analysis of the total remuneration paid to the directors, supervisors, general managers and deputy general managers of the Company in the most recent two years by the Company and all companies in the consolidated financial statements as a percentage of the net profit after tax of the individual or individual financial reports and explanation of the remuneration policy, The relationship between standards and combinations, procedures for setting remuneration, and business performance and future risks:

1. Analysis of the proportion of the total remuneration paid to the directors, supervisors, general managers and deputy general managers of the Company as a percentage of the after-tax net profit of individual or individual financial reports:

Unit: Thousands of NTD

Year Ended	This company		All the companies in the consolidated financial report	
	The total remuneration paid to the directors, supervisors, general managers and deputy general managers of the Company	Percentage of after-tax net profit of individual or individual financial report	The total remuneration paid to the directors, supervisors, general managers and deputy general managers of the Company	Percentage of after-tax net profit of individual or individual financial report
Year ended Dec.31,2020	17, 696	4. 76%	29, 539	7. 95%
Year ended Dec.31,2021	31, 328	8. 65%	43, 067	11. 90%

2. Remuneration policies, standards and combinations, procedures for determining remuneration, and their relationship with business performance and future risks:

- (1) The traffic allowance of the directors and supervisors shall be paid according to the number of meetings attended, and the remuneration of the directors and supervisors shall be distributed according to the rate stipulated in The Company's articles of association.
- (2) The remuneration paid to the general manager and deputy general managers is divided into salary, bonus and employee remuneration. Salary and bonus are handled in accordance with The Company's Salary Payment Regulations.

4. Corporate governance operation

(1) Information on the operation of the board of directors

(1) The board of directors has met 6 times in the most recent year (A), and the attendance of directors and supervisors is as follows:

Job title	Name (Note 1)	Actual number of attendance B	Number of delegates attended	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Feng Tsuan Co., Ltd. Representative of the Chairman: Shen Kuo-Jung	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Vice Chairman	Feng Tsuan Co., Ltd. Deputy Director Representative: Chiu Shih-Chien	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	5	1	83%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan-Yu	5	1	83%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Sumitomo Rubber Industries Co., Ltd. Representative Director: Shingo Sakashita	6	0	100%	Inaugurated at Jun. 21, 2019 shareholders meeting
Director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Independent director	Tsai Hong-Wen	6	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Independent director	Yang Wen-Kuang	6	0	100%	Inaugurated at Jun. 21, 2019 shareholders meeting
Independent director	Huang Chu-Chia	6	0	100%	Inaugurated at Jun. 21, 2019 shareholders meeting

Other matters to be recorded:

I. If the operation of the board of directors is in any of the following circumstances, the date, period, proposal content, all independent directors' opinions and The Company's handling of independent directors' opinions shall be stated:

(I). Items listed in Article 14-3 of the Securities Exchange Act:

- On March 18, 2021, the 14th meeting of the 25th session of the Board of Directors discussed "The Company's 2021 Endorsement of Guarantee Quotas for Subsidiaries", which was approved by the chairman after consultation with all the attending directors without objection, and independent directors had no other opinions.
- On March 18, 2021, the 14th meeting of the 25th session of the Board of Directors discussed the "Proposal for Amending the Company's Internal Control System", which was approved by the chairman after consultation with all the attending directors without objection, and independent directors had no other opinions.
- On May 6, 2021, the 15th meeting of the 25th session of the Board of Directors discussed the "Proposal to cancel the endorsement guarantee quota for subsidiaries". After consultation by the chairman, all the directors present had no objection and passed the proposal, and the independent directors had no other opinions.
- On May 6, 2021, the 15th meeting of the 25th session of the Board of Directors discussed the "Revision of The Company's Acquisition or Disposal of Assets Handling Procedures", which was approved by the chairman after consulting all attending directors without objection, and independent directors had no other opinions.
- On June 28, 2021, the 16th meeting of the 25th session of the Board of Directors discussed the "Proposed Capital Loan to The Company's Subsidiary", which was approved by the chairman after consulting all the attending directors without objection, and the independent directors had no other opinions.
- On August 12, 2021, the 17th meeting of the 25th session of the Board of Directors discussed the "Proposal for Amending the Company's Internal Control System", which was approved by the chairman after consulting all the attending directors without objection, and independent directors had no other opinions.
- On November 11, 2021, the 18th meeting of the 25th session of the Board of Directors discussed the "Proposed Capital Loan to the Company's Subsidiary", which was approved by the chairman after consulting all the attending directors without objection, and independent directors had no other opinions.
- On November 11, 2021, the 18th meeting of the 25th session of the board of directors discussed "The Company's subscription of Jianxin Technology Industry Co., Ltd.'s private common stock investment case". After consultation by the chairman, all the attending directors had no objection and passed the proposal, and the independent directors had no other opinions.
- On November 11, 2021, the 18th meeting of the 25th session of the Board of Directors discussed the "Revision of The Company's Internal Control System", which was approved by the chairman after consultation with all the attending directors without objection, and independent directors had no other opinions.

(II). In addition to the previous matters, if there were other decisions of board meeting that have been opposed or reserved by independent directors and have records or written statements: none.

II. If there exists any of the director's withdrawal on the proposal out of interest the name of the director, the content of the proposal, the reason for the avoidance of interests and the voting results shall be stated.: none

III. The objective to strengthening the functions of the board of directors in the current year and the most recent year (such as setting up an audit committee, engaging in information transparency, etc.) and evaluation of the implementation:

- The Company has established independent directors, audit committees and remuneration committees in accordance with regulations.
- Information is disclosed, online reporting exists and corporate governance information is disclosed.

Note 1: If the directors and supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed.

Note 2: (1) If a director or supervisor has resigned before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is based on the number of meetings of the board of directors during the term of office and the actual attendance.

(2) Before the end of the year, if any director or supervisor is re-elected or changed, both the new and old directors and supervisors should be listed, and the remarks column should indicate whether the director or supervisor is the old, new or re-elected and the re-election date. The actual attendance rate (%) is calculated based on the number of meetings of the board of directors and the actual number of attendances during the term of office.

(2) The implementation of the board of director's evaluation:

The evaluation results of the board of directors in 2021 were all excellent, and were submitted to the board of directors of the Company on March 17, 2021 as a reference for continuously strengthening the functions of the board of directors.

Evaluation cycle		At least once a year
Evaluation Duration		Jan.1 To Dec.31,2021
Evaluation scope		The scope of The Company's board of directors evaluation includes the performance evaluation of the overall board of directors, individual directors and functional committees.
Evaluation method		Internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, appointment of external professional institutions, experts or other appropriate methods for performance evaluation.
Evaluation content	Measurement items for board performance evaluation	1. The degree of participation in The Company's operations. 2. Improve the quality of board decision-making. 3. The composition and structure of the board of directors. 4. The selection and continuing education of directors. 5. Internal control.
	Self-evaluation of the performance evaluation of directors	1. Master The Company's goals and tasks. 2. Awareness of directors' responsibilities. 3. The degree of participation in The Company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal control.
	Functional committee performance evaluation measurement items	1. The degree of participation in The Company's operations. 2. Recognition of functional committee responsibilities. 3. Improve the decision-making quality of functional committees. 4. The composition of the functional committee and the selection of its members. 5. Internal control.

Note 1: This is for filling in the conducting cycle of evaluation for the board of directors, e.g. : once a year.

Note 2: This is for filling in the coverage period of the board of directors evaluation, e.g. : to evaluate the performance of the board of directors from Jan.1 to Dec.31,2019.

Note 3: The scope of evaluation includes the performance evaluation of the board of directors, individual directors and functional committees.

Note 4: Evaluation methods include internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, appointment of external professional institutions, experts or other appropriate methods for performance evaluation.

Note 5: The evaluation content shall include at least the following items according to the evaluation scope:

- (1) The performance evaluation of the board of directors: including at least the degree of participation in The Company's operations, the quality of the board's decision-making, the composition and structure of the board of directors, and the director's selection and continuing education, internal control, etc.
- (2) Performance evaluation of individual director members: at least including the command of The Company's goals and tasks, the awareness of directors' responsibilities, and their participation in The Company's operations. Degree, internal relationship management and communication, director's professional and continuing education, internal control, etc.
- (3) Functional committee performance evaluation: the degree of participation in The Company's operations, the recognition of the responsibilities of the functional committee, the decision-making quality of the functional committee, the composition of the functional committee and the selection of members, internal control, etc.

(2) The operation of the audit committee:

(a) There are 3 members of the audit committee of the Company.

(b) The term of office of the current members is: Jun.21,2019 to Jun.20,2022

(c) The audit committee met 4 times in the most recent year (A). The attendance of independent directors is as follows:

Job title	Name	Actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent director (convener)	Tsai Hong-Wen	4	0	100%	Jun. 21, 2019 inaugurated
Independent director	Yang Wen-Kuang	4	0	100%	Jun. 21, 2019 inaugurated
Independent director	Huang Chu-Chia	4	0	100%	Jun. 21, 2019 inaugurated

Other matters to be recorded:

1. In case of any of the following circumstances, the date and duration of the audit committee, the content of the proposals, the result of the resolutions of the audit committee and the handling and decision of the opinions of the audit committee by the Company shall be stated.

(1) The matters listed in article 14-5 of the Securities and Exchange Act

Date of Audit committee	Content of proposal	The handling of audit committee	The Company's handling of the opinions of the Audit Committee
March .18th, 2021 (8th meeting, 1th Session)	(1) The Company's 2020 annual business report, individual financial report and consolidated financial report. (2) The Company's 2020 internal control statement and the effectiveness of the internal control system. (3) The Company endorsed the guarantee quota for subsidiaries in 2021 . (4) Revision of The Company's internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of March 18, 2021.
May 6th, 2021 (9th meeting, 1th Session)	(1) The proposal to cancel the endorsement guarantee quota for the subsidiary. (2) Amendment of The Company's "Acquisition or Disposal of Assets Processing Procedures".	All members present agreed to pass.	Approved by all the directors present on the date of May 6, 2021.
August 12th, 2021 (10th meeting, 1th Session)	(1) The Company's consolidated financial report for the second quarter of 2021. (2) Revision of The Company's internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of August 12, 2021.
November 11th, 2021 (11th meeting, 1th Session)	(1) Prepare the proposed capital loan to a subsidiary of the Company. (2) The Company subscribed for the investment in private common stock of Jian Sin Industrial Co., Ltd. (3) Revision of The Company's internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of November 11, 2021.

(2) Except for the above mentioned matters, other matters that has not been approved by the audit committee, but has been approved by more than two-thirds of all the directors: None.

2. For the implementation of the withdrawal of the independent directors on the proposal of interest, the name of the independent director, the content of the proposal, the reason for the withdrawal of the independent director for the interest and the voting situation should be stated: none

3. The communication between the independent director and the internal audit head and the accountant (including the major issues, methods and results of the communication regarding The Company's financial and business operation status).

Independent director can review the Company business, financial situation and consult, track the execution of internal control and internal audit at any time, and may request the board of directors or managers to report, and at any time by phone, E-mail, fax or in person to come to the Company, advice and communicate with the director of internal audit and certification accountants; The audit director of the Company regularly reports to the independent directors, and regularly submits audit reports to the board of directors, so that the unit in charge of corporate governance can fully understand the risk assessment and control status of the Company.

Note:

(1) If any independent director resigns before the end of the year, the resignation date shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of audit committee meetings and actual attendance during his/her term of office.

(2) Before the end of the year, if any independent director is re-elected, both the new and the old independent directors shall be filled in, and the former, new or re-elected independent director and the date of re-election shall be indicated in the remarks column. Actual attendance rate (%) is calculated on the basis of the number of meetings of the audit committee during his/her tenure and his/her actual attendance.

(3) The operation of corporate governance and the difference from the Corporate Governance Best Practice Principles for listed companies and the reasons

Evaluation items	Practical Operation			Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	Explanation	
1. Has the Company formulated and disclosed its corporate governance best practice in accordance with the Corporate Governance Best Practice Principles for Listed Companies?	V		The Company has been set up its corporate governance best-practice principles, relevant information is available on the Company website (https://www.duro.com.tw/tw/investor/corporate-governance/).	—
2. Company's Equity Structure and Shareholders' Equity (1) Does the Company have internal procedures in place to deal with shareholder-related suggestions, doubts, disputes and litigation and follow the procedures? (2) Does the Company keep a list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders? (3) Has the Company established and implemented the risk control and firewall mechanism with related enterprises? (4) Does the Company have in place internal regulations to prohibit its insiders from trading securities using information undisclosed in the market?	V V V V		(1) As for the proposals of the shareholders' meeting, the participating shareholders have the appropriate time to speak and discuss. The Company will accept and improve the feasible proposals, but the controversial proposals will be decided by voting in accordance with the rules of procedure. At present, all the proposals are in good operation. (2) The Company may keep a list of the major shareholders of the Company and their ultimate controllers, and disclose in accordance with the law. (3) The assets and financial accounting of the affiliated enterprises are operated independently. The Company shall regularly monitor the subsidiaries and affiliated enterprises in accordance with the subsidiary supervision system, so as to avoid the risks caused by the defects of the affiliated enterprises. (4) The Company has set up internal regulations for prohibiting its insiders from trading securities using information undisclosed in the market.	—
3. Composition and duties of the board of directors (1) Whether the board of directors propose diversity in its membership (2) In addition to the remuneration committee and audit committee, does the Company voluntarily set up other kinds of functional committees? (3) Has the Company formulated performance evaluation system and evaluation methods of the board of directors, conducted performance evaluation annually and regularly, and reported the results of performance evaluation to the board of directors for reference in the salary and remuneration of individual directors and nomination for renewal of board members? (4) Does the Company regularly evaluate the independence of the certification accountant?	V V V	V	(1) The directors of the Company have expertise in different fields, which will be helpful to the development and operation of the Company. (2) The Company has no other functional committees except the Remuneration Committee and Audit Committee set up in accordance with the law. (3) The Company has set up the performance evaluation system and evaluation methods of the Board of Directors, and regularly evaluates and reports to the Board of Directors in accordance with the provisions. Relevant information is available on the Company website (https://www.duro.com.tw/tw/investor/corporate-governance/). (4) The Company regularly inspects the competence of the certification accountant and evaluates the independence of the certification accountant.	Additional functional committees shall be established as necessary, on the basis of the future operation status and the scale of the Company.
4. Whether the listed company assign the appropriate number of personnel, and specify the head of corporate governance who is responsible for corporate governance related business (including but not limited to providing the required information for directors and supervisors, in assisting them to follow the law, to carry out business which is related to the meeting of the board of directors and shareholders, and record the proceedings the meetings board of directors and the shareholders...etc.)?	V		The Company has a corporate governance supervisor and special personnel responsible for corporate governance-related affairs, including providing the information required by directors to execute business, handling matters related to meetings of the board of directors and shareholders' meetings in accordance with the law, handling company registration and change registration, and making meeting minutes of board of directors and shareholders' meetings etc. affairs.	—

Evaluation items	Practical Operation			Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	Explanation	
5. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special stakeholder section on the Company website, and properly respond to important CSR issues of concern to stakeholders?	V		The Company provides sufficient information to the current financial institutions, creditors. For the staff, the Company also has smooth communication channels with, and in accordance with the provisions, disclosing information of relevant assets acquisition, disposal, endorsement guarantee...etc. on the Taiwan Stock Exchange website. So that interested parties have sufficient information to make a judgment in order to safeguard their interests. Stakeholder section has been also been set up on the Company website to properly respond to stakeholders' concerns on important CSR issues.	—
6. Does the Company appoint a professional stock affair agency to handle its Board of Shareholders?	V		The Company appoints a professional stock affair agency to handle the shareholders' affairs.	—
7. Information Disclosure (1) Whether the Company has set up a website to disclose information on its financial business and corporate governance? (2) Whether the Company has adopted other ways of information disclosure (such as setting up an English website, designating special personnel to be responsible for the collection and disclosure of company information, implementing the spokesman system, showing the Company website during the legal person meeting, etc.)? (3) Does the Company announce and report its annual financial report within two months after the end of the fiscal year, announce and report the financial report of the first, second and third quarters and the business operation of each month in advance of the period in accordance with the provisions?	V V	 V	(1)The Company reports financial business and corporate governance information to the Market Observation Post System in accordance with the law. And synchronize the information on The Company's website. (2) The Company has designated a special person to be responsible for the collection and disclosure of company information, and implement the spokesman system. (3) The Company's financial reports from the first quarter to the third quarter of each year and the operating of each month are announced and declared in advance of the time limit in accordance with the provision.	—
8, Does the Company have provided other ways for understanding The Company's business operation and corporate governance (including but not limited to, employees' rights and interests, concern for employees, relations between the Company and its investors and suppliers, the rights of interested parties, information regarding the advanced studies for directors and supervisors, risk management policy and the execution standard of risk measure, the execution of customer policy, liability insurance the Company has provided for its directors and supervisors...etc.)?	V		(1) The board of directors of the Company holds at least two meetings every quarter, and the attendance of directors and supervisors is good (high attendance to attendance ratio). The Company's internal control system, risk management and management regulations are approved by the board of directors. (2) The directors and supervisors of the Company will participate in advanced studies from times, depending on the operational needs of the Company. (3) The Company has purchased liability insurance for its directors and supervisors.	—
9. Please state the improvement outcome for the latest annual corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange, and prioritize those issues which have not yet been improved and provides measures for improvement. (no need to list if the Company is not included in the evaluation): The Company will improve and optimize the corporate governance policy according to the improvement items proposed in the results of the corporate governance evaluation.				

(4) If the Company has a remuneration committee, it shall disclose its composition, responsibilities and operation:

1. The members of the Remuneration Committee

Title (Note1)	Qualification		Professional qualifications and experience,(Note 1)	Condition for independency,(Note 2)	The number of companies that are also served by the members of the remuneration committee of other public offering companies
	Name				
Independent Director	Tasi Hung-Wen		•With experience of Lecturer or above in public and private colleges and universities with relevant departments of business, legal affairs, finance, accounting or corporate business. •Currently work as independent director of the Company and Associate Professor, Institute of Patents, National Taiwan University of Science and Technology. •No matters related to Article 30 of the Company Law	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	0
Independent Director	Yang Wen-Kuang		•With experience of Lecturer or above in public and private colleges and universities with relevant departments of business, legal affairs, finance, accounting or corporate business. •Currently work as director of the Company, Independent director of Kung Lobg Batteries Industrial Co., Ltd. And vice president of Chaoyang University of Science and Technology.. •No matters related to Article 30 of the Company Law	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I, spouse, relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	1
Independent Director	Huang Chu-Chia		•With work experience required for business, legal, financial, accounting or corporate business ° •Professional and technical personnel with judges, prosecutors, lawyers, accountants or other professional and technical personnel who have qualified the national examinations and certificates required for The Company’s business. •Currently work as independent director of the Company and director of Jui Li Enterprise Co., Ltd. •No matters related to Article 30 of the Company Law	• I, my spouse, relatives within the second degree do not serve as directors, supervisors or employees of the Company or its affiliated companies. • I own 100,000 shares which accounts for 0.04% of total stocks. My spouse and relatives within the second degree (or in the name of others) do not hold shares of the Company. • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company. • The Company or its affiliates have not provided business, legal, financial, accounting and other services for the Company or its affiliates in the past 2 years and have not received any compensation.	0

Note 1: please state as director, independent director or other.

Note 2: if a member has met the following criteria in the two years prior to and during his/her tenure, please mark "v" in the box below each criteria.

- (1) A person who is not employed by the Company or its affiliated enterprise.
- (2) Directors or supervisors who are not directors or supervisors of the Company or its affiliated enterprises (except for those who are independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or the laws of the respective countries).
- (3) Natural person shareholders who hold more than 1% of the total issued shares of the Company or hold the top 10 highest shares in the name of others other than themselves, their spouse, minor children or others.
- (4) Not the manager listed in (1) or The spouse, the relative within second degree of kinship or lineal relative by blood within the third degree of kinship of the person listed in (2) or (3).
- (5) Not directly holding more than 5% of the total shares issued, holding the top five highest, or is the director of legal person shareholders, supervisor or a person hired by the Company who appoints representative as the directors or supervisors in accordance with item 1 or 2 of article 27 of the Corporate Law (Except if the independent directors serving concurrently in the Company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (6) Not a director, supervisor or a employee of other companies who holds more than half of the directors' seats or voting shares in this company (Except if as the independent directors serving concurrently in the Company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (7) Not as the director, supervisor or a employee of other companies or organizations, concurrently serving as or as the spouse of directors, general manager or equivalent position (Except if as the independent directors serving concurrently in the Company and its parent company, subsidiary or subsidiaries of

- the same parent company in accordance with this law or the law of the country).
- (8) Not as a director, supervisor, manager or shareholder holding more than 5% of the total issued shares of other companies which engages in financial and business dealing with the Company (except if of a specific company or institution holding more than 20% but not more than 50% of the total issued shares of the Company or except as the independent directors serving concurrently in the Company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (9) Not as professionals, proprietors, partners, directors, supervisors, managers and spouses of individual proprietors, partnerships, companies or organizations who provide audit services for the Company or affiliated enterprises or provide business, legal, finance, accounting or other related services for which the aggregate amount of compensation in the last two years is not more than NT \$500,000. (Members of the Remuneration Committee, Public Takeovers Review Committee, or Mergers and Acquisitions Special Committee exercising authority in accordance with the Securities and Exchange Act or the Mergers and Acquisitions Act shall not be subject to this provision.)
- (10) Not concerning any of the provisions of section 30 of the Corporate law.

2. Duty

- (1) To establish and regularly review policies, systems, standards and structures for performance evaluation and compensation of directors, supervisors and managers.
- (2) Evaluate and set the remuneration of directors, supervisors and managers on a regular basis.

3. The operation of the Remuneration Committee:

- (1) The Company have 3 members of the Remuneration Committee.
- (2) The term of office of the current member is from June 21, 2019 to June 21, 2022.
- (3) The Remuneration Committee has met 3 times in the last year (A), the attendance was as follows:

Title	Name	Actual (B)	Number of Delegated Attendance	Actual Attendance Rate (%) (B/A) (Note)	Note
Convener	Tasi Hung-Wen	3	0	100%	June.21, 2019 Reelected
Member	Yang Wen-Kuang	3	0	100%	June.21, 2019 Reelected
Member	Huang Chu-Chia	3	0	100%	June.21, 2019 inaugurated
Other Matters to be recorded: 1. If the board does not accept or fix the suggestion of remuneration committee, it should state the date of the meeting of board of directors, duration, proposal content, the handling of the board of directors and its decision toward the suggestion of the remuneration committee (such the remuneration consented by the board of directors is superior to that suggested by the remuneration committee, then the reason for the difference should be stated) : No such case. 2. The date, duration, content of the proposal, the opinions of all members and shall be stated in the record or written statement if there is any objection or reservation made by the members of the remuneration committee: No such case.					

Note :

- (1) Actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during his/her tenure and his/her actual attendance.
- (2) Before the end of the year, if there is a reelection of the remuneration committee, the new, former and the re-elected member of the remuneration committee members shall be specified in the remarks column as the former, new or re-elected member and the date of re-election. Actual attendance rate (%) is based on the number of meetings of the Remuneration Committee and the number of actual attendance.

(5)The implementation of sustainable development and the differences and reasons from the code of practice for sustainable development of listed OTC companies:

Evaluation items	Operation			The differences and reasons from the code of practice for sustainable development of listed OTC companies:
	Yes	No	Explanation	
1.Does the Company set up a governance structure for sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle the senior management, and the board of directors reports the supervision condition?		V	The Company has formulated a code of practice for sustainable development, and continues to practice and promote sustainable development. It is still planning to set up a complete governance structure for sustainable development and full-time (part-time) units.	—
2.Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of operation management, and formulate relevant risk management policies or strategies?		V	For all operational activities that may have impacts on the environment, society and corporate governance, the Company conducts relevant risk assessments and draw up strategies with sustainable development and social responsibility as the main considerations.	—
3. Environmental Issues (1)Does the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		The Company has established the environmental management manual and environmental management system.	—
(2)Whether the Company is committed to improving the utilization of resources and using recycled materials with low impact on the environment?	V		The Company is committed to reducing water resource consumption by setting up a cooling water recovery system to recycle the non-contact cooling water in for cooling and then reuse, and committed to evaluate and improve the water consumption in the process; Set up waste water treatment personnel to reduce the discharge of water pollution.	—
(3)Does the Company assess the current and future potential risks and opportunities in the regard of climate change and take measures to address climate-related issues?	V		The Company has set up an "energy conservation promotion committee" to continuously promote energy conservation measures and tree-planting.	—

Evaluation items	Operation			The differences and reasons from the code of practice for sustainable development of listed OTC companies:
	Yes	No	Explanation	
(4)Has the Company recorded its greenhouse gas emissions, water consumption and total waste weight for the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	V		The Company has been keeping record and control of its water consumption, and implement energy conservation policies.	—
4. Social Issues (1) Does the Company establish management policies and procedures in accordance with relevant laws and regulations and International Bill of Human Rights conventions?	V		The Company allocates pension funds in accordance with the provisions of the labor law and regulations, and sets up the Labor Retirement Reserve Supervision Committee to ensure the rights and interests of employees. The Company also has set up the staff welfare committee , which is established to handle all welfare matters through the operation of the staff welfare committee elected by the staff; The Company also holds regular labor coordination meetings to safeguard the rights and interests of employees.	—
(2) Does the Company establish and implement reasonable employee welfare policies (including remuneration, leave and other benefits) and properly reflect business performance or results in employee remuneration?	V		The Company has set up reasonable salary and leave system in accordance with the labor law according to the position of employees, and stipulate that the Company will give the employee performance bonus when the target of The Company's business operation is achieved.	—
(3)Does the Company provide a safe and healthy working environment and provide regular safety and health education to employees?	V		The Company places great importance on the safety and health of the employees, regularly conducts safety and health education for the employees, conducts fire drills, operational environmental hazard control assessment, and provides appropriate and sufficient tools of protectiveness to employees.	—
(4) Does the Company have an effective career development training program for employees?	V		The Company provides effective career development training programs for employees.	—
(5) Does the Company comply with relevant regulations and international standards, as well as consumer protection policies and complaint procedures regarding customer health and safety, customer privacy, marketing and labeling of products and services?	V		The Company's products and services are marketed and marked in accordance with relevant regulations and international standards.	—

Evaluation items	Operation			The differences and reasons from the code of practice for sustainable development of listed OTC companies:
	Yes	No	Explanation	
(6)Does the Company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental issues, occupational safety and health or labor rights, and the situation of its implementation?	V		All suppliers of the Company shall comply with the honesty policy of the Company. If there is any violation and significant impact on the environment and society, the contract may be terminated or rescinded at any time.	—
5.Does the Company refer to the internationally accepted reporting standards or guidelines to formulate reports that disclose non-financial information of the Company, such as sustainability reports? Has the previous disclosure report obtained the assurance or assurance opinion of the third-party verification unit?		V	The Company currently has a plan to prepare a sustainability report for the new year, and is formulating relevant information and content.	—
6.If a company has its own sustainable development code in accordance with the "Code of Practice for Sustainable Development of Listed OTC Companies", please state the differences between its operation and the established code: The Company has established a sustainable development code, and actively promotes and implements relevant policies and guidelines such as sustainable development.				

7. Other important information for understanding the operation of corporate social responsibility:

1. The environmental protection

(1) Greenhouse gas emission and reduction

The Company values the responsibility of the enterprise to the ecological environment with all efforts made to continuously improve the process, in order to gradually achieve emission reduction and energy consumption for the prevention and control of pollution (emission reduction) and conservation of natural resources (resource recycling). The Company's management is aware of the importance of the control of energy consumption of the process products, and actively greens the land in the plant and plants trees to compensate and its CO2 emissions.

(2) Air pollution prevention and control

In the prevention and control of air pollution, in addition to the construction of complete prevention and control equipment, the relevant air pollution prevention and control are strictly controlled in accordance with the regulations, and meet the emission standard of the regulations.

(3) Water pollution control

A. The Company has set up a cooling water recovery system for recycling and cooling the non-contact cooling water in the process, and actively evaluate and reduce the water consumption in the process.

B. Special personnel is responsible for wastewater treatment to reduce the discharge of water pollution.

(4) Waste management and resource recycling

Set up waste management and personnel for planning, prioritizing waste reduction and resource reuse ,and to reduce the impact on the environment.

2. Community involvement

Over the years, the Company has been committed to local cultural activities and deeply involve in the local community by sponsoring the local community development, community primary and secondary education, activities for the elderly and charity:

(1) Donate guiding tools for transportation safety to all primary and middle school of the Dacun Township. (2) Sponsoring festivals and events

(3)Sponsoring Community associations and school celebrations and other activities. (4) Sponsoring local firefighting units for their equipments.

In a word, getting well along with local community in a mutually beneficial manner.

3. Safety and health

(1) Safety and health management

The Company has set up the safety and health office to plan and implement the safety and health and environmental protection policies of the whole plant, and regularly convene the safety and health committee to report the issues for improvement.

(2) General safety management, training and audit

The Company implements safety and health management operations such as: Process safety and health management, firefighting training and fire drill, machinery and equipment inspection, work safety license enforcement of rules and rules for the management of the contractor and subcontractor, information regarding the harm in the operation environment, TPM system inspection, rewards and punishments system over zero incidents, safety and health inspection . In terms of education and training, annual education and training plans are formulated every year to carry out relevant safety and health education and training and emergency drills for on-the-job employees as required by laws and regulations, and to carry out on-the-job training for special workers to ensure that employees comply with the requirements of the new laws and regulations.

(3)Promotion of the health of employees

Employees are The Company's biggest asset, as a result, protection of the personal safety of employees at work, in addition to provide sufficient personal protective equipment in accordance with difference of their position, For the health of employees, health examination are implemented on all employees according to the law (For the personnel of the special operations, the Company implements special health check, to be fully aware of employee's health condition.)

4.Social Repesonibility :

The Company places great importance on the social welfare, social services, consumer rights and interests, in addition to providing the villages and towns nearby with job opportunities, hiring the disabled persons, the Company also has been long providing high quality products to ensure customer service customers, providing its staff with a environment of growth and to promote shareholders rights to share at the same time.

(6) The status of performing honest operation and its difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons: :

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons: ∴
	Yes	No	Explanation	
1. Formulate the policy and scheme of ethical operation	V			
(1) Has the Company formulated a policy of ethical operation approved by the board of directors, and clearly stated the policy and practice of ethical operation in the rules and regulations in external documents, with the the board of directors and senior management committing to actively implement the policy?	V		(1)The Company has set up its Ethical Corporate Management Best Practice Principles. The Company has always operated in accordance with the law and the principle of integrity, and adhered to the business philosophy of sustainable operation and customer first.	
(2) Has the Company established a risk assessment mechanism for dishonest conduct, regularly analyzed and evaluated the activities within the scope of business with a higher risk of dishonest conduct, on the basis of which, formulated a plan to prevent dishonest conduct, which shall at least cover the preventive measures for the conduct in paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for Listed Companies?	V		(2) The Company has a "work rule" which regulates the ethical and ethical principles to be observed by its staff, and which clearly and specifically prohibits dishonest conduct and the receiving improper benefits.	
(3) Does the Company have a set of procedures, guidelines, and disciplinary and complaint systems in the Dishonesty Prevention Plan, and is it implemented and regularly reviewed?	V		(3) The Company has "work rules", and it conducts regular training for new employees, and delivers information of business ethics at the Company monthly meeting from time to time.	It will be handled according to actual needs and in accordance with relevant laws and regulations as appropriate.

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons: :
	Yes	No	Explanation	
2. Implementation of ethical business operation				
(1) Has the Company assessed the integrity record of parties it deals with and has included in the contracts with its dealing parties principles on integrity conduct?	V		(1) The Company has a "Credit Management Policy" to prevent dishonest transactions.	—
(2) Does the Company set up a special unit under the board of directors to promote ethical operation, and regularly (at least once a year) report to the board of directors with its policy of ethical operation and the plan to prevent dishonest behavior and supervise the implementation of it?		V	(2) The Company authorizes the Chairman of the Board to appoint an audit office member or personnel from relevant units to form a special unit to supervise and implement the operation procedure according to the business and management needs.	
(3) Has the Company formulated a policy to prevent the conflict of interests, and provided appropriate channels for feedbacks, and implemented it?	V		(3) The Company has set open communication channels in the Company, encourage employees to participate in company affairs, and respond to the supervisors at all levels.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical operation, and the internal audit unit set up relevant audit plans based on the assessment results of the risks of dishonest conduct, and check the compliance of the plan to prevent dishonest conduct, or entrust an accountant to carry out the audit?	V		(4) The Company has established an effective accounting system and internal control system, and has internal auditors regularly check compliance with the above-mentioned systems, and prepare audit reports to be submitted to the Board of Directors.	
(5) Does the Company regularly conduct internal and external training on ethical management?		V	(5) The Company has set up the Ethical Corporate Management Best Practice Principles. The Company attaches great importance to ethical operation. In order to implement the basic principles of ethical management, all employees are required to comply with the relevant government laws and regulations and codes of ethical conduct when carrying out the business of the Company.	

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons: :
	Yes	No	Explanation	
3. The operation of The Company's reporting system (1) Has the Company established a specific reporting and reward system, established a convenient reporting channel, and designated an appropriate person in charge of handling the report? (2) Has the Company set the standard operating procedures for the investigation of reporting, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism? (3) Has the Company taken measures to protect the informant from improper treatment toward a person due to his/her reporting?		V	Maintain open communication channels within the Company, encourage employees to participate in company affairs, and respond to all levels of supervisors.	—
4. Enforcing information disclosure (1) Has the Company disclosed on its website and on Market Observation Post System the content and effectiveness of its ethical practices?	V		The Company's website presents information about its integrity practice.	—
5. If the Company has its own code of ethical conduct in accordance with Ethical Corporate Management Best Practice Principles for Listed Companies, please state the differences between its operation and the code: The Company has set up the Ethical Corporate Management Best Practice Principles. In the future, we will revise the relevant measures in accordance with the current situation and cooperation laws and regulations, and strengthen the implementation of the concept of ethical operation.				
6. Other important information that will be of help to understand The Company's ethical operation (such as The Company's review and revision of its ethical operation code) : The code of conduct for corporate integrity established by the Company will be amended in accordance with the current situation, laws and regulations, and implement measures such as enhancing the transparency of information and strengthening the functions of the board of directors will be taken to continue the operation of corporate governance.				

- (7) If there is a set of corporate governance principles and relevant regulations, the query channel should be revealed: for The Company's corporate governance principles and relevant regulations, please find on the Company website (<https://www.duro.com.tw/tw/investor/corporate-governance/>)
- (8) Other information that is important enough to further the understanding of the operation of corporate governance may be disclosed here: none.

(9) the implementation of internal control system

1. Statement of internal control system

Hwa Fong Rubber Ind. Co., Ltd.
Statement of internal control system

Date : March, 17 2022

As for the year ended on Dec 31, 2021 based on the results of our self-assessment of our internal control system, we hereby declare as follows:

1. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has established such a system. The objective of such a system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
2. Internal control system has its Inherent limitations, no matter how comprehensive and perfect the design, effective internal control system can only guarantee the achievement of the above-mentioned three objectives; Moreover, due to the change of the environment, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism, and the company will take corrective action if any deficiencies of the system are identified.
3. The Company judges whether the design and implementation of the internal control system is effective or not according to the items on the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). The items of the internal control system adopted in the "The Regulations" is a process of management control. The internal control system is thus divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision. (Each component includes a number of items. For the detailed information, consult "The Regulations")
4. The Company has used the above internal control system items in evaluating the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the above-mentioned evaluation, the Company considers that the internal control system (including supervision and management of subsidiaries) of the Company established in Note 2 as of December 31, 2021 Including understanding the effectiveness of operations and the extent of efficiency objectives achieved, reporting is reliable, timely, transparent and in accordance with relevant regulations and relevant laws and regulations in compliance with the relevant internal control system design and the implementation is also effective, which can reasonably ensure that the above objectives are achieved.
6. This Statement will be the main content of the Company's annual report and the disclosed statement and will be made public. Any false or concealment of the above information will be subject to the legal liability of articles 20, 32, 171 and 174 of the Securities and Exchange law.
7. This statement has been approved by the board of directors of the company on March 17 2022 and the 11 directors present unanimously agree on the contents of this statement and the company hereby so declare.

Hwa Fong Rubber Ind. Co., Ltd

Chairman of the Board :

The General Manager :



Note 1: if there are major deficiencies in the design and implementation of the internal control system of a public offering company during the year, an explanatory paragraph shall be added after item 4 of the statement of the internal control system to list and explain the major deficiencies found through self-assessment, as well as the improvement plans and measures for improvement taken by the Company before the date of balance sheet.

Note 2: the date of declaration is "the end of the fiscal year"..

2. If an accountant is commissioned to review the internal control system, the audit report of the accountant shall be disclosed: not applicable.

(10) In the most recent year and up to the date of the annual report, has the Company and its internal personnel been punished according to law, or the Company punishes its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on the shareholders' rights and interests or securities prices, the content of the punishment, the main deficiency and the followed-up improvement: No such case.

(11) Important resolutions of the shareholders' meeting and the board of directors for the most recent year and up to the publication date of the annual report:

(1) Important resolutions of the shareholders' meeting:

The date of the meeting	Decisions made	The resolution results	execution
2021. 07. 22 (Note 1)	1. Amendments to the Rules of Procedure for the Shareholders' Meeting 2. Amendments to the Articles of Association 3. Amendment to Acquire or Dispose of Assets	This case was approved by voting	Revised

Note 1: In response to the letter from the competent authority, the shareholders meeting of listed (counter) and emerging companies in 2021, originally scheduled for May 24 to June 30, was postponed to July to August 2021. The shareholders' ordinary meeting originally scheduled to be held on June 17, 2021 was postponed to July 22, 2021.

(2) Important resolutions of the board of directors:

The meeting name	The meeting date	Important decisions
The board of directors	Jan.18, 2021	1. The debt-to-equity swap of Hwa Fong (Hong Kong) Ltd., a subsidiary of the Company, to Hwa Fong (Singapore) Ltd. 2. The Company applies to financial institutions for financing credits 3. The amendment of the "Performance Evaluation Method of the Board of Directors" of the Company 4. Discussing Annual bonus for managers of the Company in 2020 5. The case of Board of Directors of the Company setting the base date of capital reduction, the base date of capital reduction for share exchange and the operational plan of capital reduction for share exchange and other relevant matters
The board of directors	March 18 .2021	1. Business Operation Report, Individual Financial Report and Consolidated Financial Report of the Company in 2020 2. The Company's Loss make-up proposal in 2020 3. The Company's internal control statement and internal control system effectiveness case in 2020 4. The Company applies to financial institutions for financing credits 5. The Company Guarantee Endorsement Limit for the Subsidiaries in 2001 6. Revise the internal control system of the Company 7. Amending the Articles of Association of the Company 8. A case of amending the "Rules of Procedure of the Shareholders' Meeting" of the Company 9. The amendment of the "Rules of Procedure of the Board of Directors" of the Company 10. The amendment of the "Rules of Organization of Audit Committee" of the Company 11. The amendment of the organizational rules of the remuneration committee of the Company 12. To plan to convene the annual meeting of shareholders of the Company in 2021
The board of directors	May.06, 2021	1. The Company's application to a financial institution for a credit line for financing 2. Proposed cancellation of endorsement guarantee quota for subsidiaries 3. Appointment of The Company's corporate governance director 4. The Company intends to change the stock agency 5. Amendment to The Company's "Acquisition or Disposal of Assets Handling Procedures" 6. Addition of the reasons for the meeting of the 2021 Annual General Meeting of Shareholders of the Company
The board of directors	June.28, 2021	1. Proposed capital loan for a subsidiary of the Company 2. Proposed to re-determine the date and place of the 2021 annual general meeting of shareholders of the company
The board of directors	August .12, 2021	1. The Company's application to a financial institution for a credit line for financing 2. The Company's consolidated financial report for the second quarter of the 2021 3. The Company's first half of the 2021 earnings distribution plan 4. Revision of The Company's internal control system 5. Deliberate the 2021 annual salary adjustment proposal of The Company's managers
The board of directors	Nov.11, 2021	1. The Company's consolidated financial report for the third quarter of 2021 2. Proposed capital loan to a subsidiary of the company 3. The Company's application to a financial institution for a credit line for financing 4. The Company's subscription for private equity investment of Jian Sin Industrial Co., Ltd. 5. Formulate The Company's annual operating budget for 2022 6. Revision of The Company's internal control system 7. The Company's 2022 annual internal audit work audit plan 8. The company regularly evaluates the independence of certified accountants 9. Review the monthly salary and remuneration proposal of The Company's new managers

The meeting name	The meeting date	Important decisions
The board of directors	March 17 .2022	1. The Company's 2021 annual business report, individual financial report and consolidated financial report 2. The Company's Proposal for the Distribution of Earnings in the Second Half of the Republic of China in 2021 3. The Company's 2021 Annual Director's Remuneration and Staff Remuneration Distribution Plan 4. The Company's 2021 year-end bonus distribution case for managers 5. The Company's internal control statement for 2021 and the effectiveness of the internal control system 6. The Company's application to a financial institution for a credit line for financing 7. The company endorsed the guarantee quota for subsidiaries in 2022 8. Amendment to The Company's "Articles of Association" 9. Amendment to The Company's "Acquisition or Disposal of Assets Handling Procedures" 10. Amendment of The Company's "Fund loan and endorsement guarantee processing procedures" case 11. Proposal to amend The Company's "Director Election Measures" 12. Amendment to The Company's "Code of Practice on Corporate Social Responsibility" 13. Amendment to The Company's "Code of Practice on Corporate Governance" 14. Re-election of the 26th Board of Directors and Independent Directors of the Company 15. Nomination of candidates for the 26th session of directors and independent directors of the Company 16. Proposed removal of non-compete restrictions on newly appointed directors and their representatives 17. To plan the holding of The Company's 2022 annual general meeting of shareholders and the comprehensive re-election of The Company's directors (including independent directors).

(12) In the most recent year and up to the publication date of the annual report, where the directors or supervisors have different opinions on the important resolutions passed by the board of directors and have recorded or made a written statement, the main content is: no such case.

(13) In the most recent year and as of the publication date of the annual report, the resignation and dismissal of the chairman of the board of directors, general manager, director of accounting, director of finance, director of internal audit, director of corporate governance and director of research and development of the Company: no such case.

5. Information on public expenses on accountants

(1) Information of public expense

Unit of Amount: thousands of \$NTD

Office name	Certified public accountants The name	Inspection period	The audit fee	Non-audit fee	Combined	Note
PwC Taiwan	Xu Jian-Ye/Wu Song-Yuan	Financial Statements for the First Quarter to the end of year 2021	3,150	671	3,821	–

*Non-audit public expenses service content: mainly include the public expenses of financial statements, income tax settlement and declaration of profit-making enterprises, and the public expenses of checking visas, the public expenses of concurrent business operators, the public expenses of checking visa reports, the public expenses of transfer pricing reports, and the miscellaneous expenses during the verification period.

Note: If the company changes accountants or accounting firms this year, please list the audit period separately, explain the reason for the change in the remarks column, and disclose the audit and non-audit public fees paid in sequence. Non-audit public fees and should be annotated to explain its service content.

- (1) If a change of accounting firm is made and the amount of audit fees paid in the year of the change is less than that in the year before the change, the amount of audit fees and the reason before and after the change shall be disclosed: No such case.
- (2) If the audit fee has been reduced by more than 10 percent compared with the previous year, the amount, proportion and reason of the reduction of the audit fee shall be disclosed: No such case.

6. Change of accountant information: None.

7. The chairman of the board of directors, general manager, or manager in charge of financial or accounting affairs of the Company, who has worked in the firm of the certification accountant or its affiliated enterprises within the last one year: No such case.

8. Changes in equity transfer and equity pledge of directors, supervisors, managers and shareholders holding more than 10% of their shares in the most recent year and up to the date of publication of the annual report

(1) Changes in Shareholding

The title	The name	Year 2021 (Note1)		The year up to the date of publication	
		Holding shares Increased (decreased) number	The pledged shares Increased (decreased) number	Hold a number of shares Increase (decrease) the number	The pledged shares Increase (decrease) the number
Chairman of the board of directors Vice chairman of the board of directors Director	Feng Tsuan Co., Ltd	(1,685,571)	(670,265)	-	-
	Representative of the chairman: Shen Kuo-Jung	(127,191)	-	-	-
	Deputy Chairman	-	-	-	-
	Representative of the director: Lin Wen-Cheng	-	-	-	-
	Representative of the director: Wu Pin-Yi	-	-	-	-
	Director representative: Liao Chen Hsuan-Yu	(23,124)	-	-	-
Director	Sumitomo Rubber Industries Co. Ltd	(5,393,660)	-	-	-
	Representative of the director: Shingo Sakashita	-	-	-	-
Director	Sheng Ta Investment Co., Ltd	(96,336)	-	-	-
	Representative of the director: Yan Ming-Shan	(814,115)	-	-	-
Director	Teng Feng Investment and Development Co. Ltd	(656,459)	-	180,000	-
	Representative of the director: Yan Ruei-Sian	(299,118)	-	-	-
The independent director	Tsai Hong-Wen	-	-	-	-
The independent director	Yang Wen-Kuang	-	-	-	-
The independent director	Huang Chu-Chia	(18,339)	-	-	-
Major shareholder	Sumitomo Rubber Industries Co. Ltd	(5,393,660)	-	-	-
The general manager	Wang Jiaw-Chyi.	-	-	-	-
Deputy general manager	Wu Pin-Yi	-	-	-	-
Deputy general manager	Jiang Ting-Ji	-	-	-	-
Deputy general manager	Luo Pei-Yuan	(4,000)	-	-	-

Note1: The increase (decrease) in the number of shares held includes the number of shares reduced by the capital reduction of 2021 for making up for the loss.

(2) The case where the parties concerning equity transfer or stock pledge are related :No such case.

9.Information on the relationship among the top ten shareholders in terms of shareholding ratio

Apr. 16, 2022

Name (Note 1)	Holding shares		Held shares of spouse and minor children		Holding shares in the name of others		The names or names of the top ten shareholders who are related to each other in accordance with the International Accounting Standards no. 6, or who are spouse or relatives within the second degree of kinship.(Note 3)		note
	Number of shares	holding ratio	Number of shares	holding ratio	Number of shares	Shareholding ratio	The name of the (or name)	Relationship	
Sumitomo Rubber Industries Co. Ltd Representative: Satoru Yamamoto	28,428,574	10.18%	-	-	-	-	-	-	-
Capital Securities Corporation. Trustee of Capital Securities (Hong Kong) Co., Ltd. Client Qunyi Securities Custody Co., Ltd. Investment Account	12,813,316	4.59%	-	-	-	-	-	-	-
Yu Guo Enterprise Co., Ltd Representative: Zhang Shu-Man	10,159,268	3.64%							
Inalways Corporation. Representative: Shen Kuo-Jung	9,454,628	3.38%							
Feng Zuan Co., Ltd Representative: Shen Kuo-Jung	8,884,210	3.18%	-	-	-	-	-	-	-
Guo Zhi-Fen	7,694,825	2.75%	271,431	0.10%	-	-	-	-	-
Jin Her Enterprise Co., Ltd Person in charge: Tsai Yong-Yu	6,703,928	2.40%	-	-	-	-	-	-	-
Yan Lin Xiu-Xia	6,592,944	2.36%	-	-	-	-	-	-	-
Yan Sheng-Feng	5,988,575	2.14%	-	-	-	-	-	-	-
Yan Da-Jun	5,926,166	2.12%	-	-	-	-	-	-	-
Han Yuan Xin Ran Enterprise Co., Ltd Representative: Wu Pin-Yi	5,738,627	2.05%	-	-	-	-	-	-	-

Note 1: all the top ten shareholders shall be listed, and the names of the legal person shareholders and the names of the representatives shall be listed respectively if they belong to the legal person shareholders.

Note 2: the calculation of shareholding ratio refers to the calculation of shareholding ratio in the name of oneself, spouse, minor child or in the name of another person.

Note 3: For the shareholders listed above, including legal persons and natural persons, their relationship with each other shall be disclosed.

10. The number of shares held by the Company, its directors, supervisors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested business, and the combined shareholding ratio calculated:

Reinvested business	Investment of the Company	Investment from Directly controlled business	Investment in total
	Holding ratio	Holding ratio	
Hwa Fong Rubber (China) Co., Ltd.	19.85	80.15	100%
Hwa Fong Rubber (Suzhou) Co., Ltd.	7.31	92.69	100%

IV. Fundraising Status

A. capital and share formation

I. capital stock

1. Source of capital stock

unit: NT \$; stocks

Year month	Offering price	Checked and ratified capital		Paid-up capital		note		
		Number of shares	The amount of	Number of shares	The amount of	Sources of Capital	Using property other than cash to offset share proceeds	other
May 1959	100	10000	1000000	10000	1000000	By Hwa Fong rubber factory's reorganization established	-	
Feb. 1968	100	50000	5000000	50000	5000000	Seasoned offering equity of 4,000,000	-	
September, 1970	100	80000	8000000	80000	8000000	Seasoned offering equity of 3,000,000	-	
November, 1972	100	130000	13000000	130000	13000000	Seasoned offering equity of 5,000,000	-	
November, 1973	100	200000	20000000	200000	20000000	Seasoned offering equity of 7,000,000	-	
October, 1974	100	400000	40000000	400000	40000000	Seasoned offering equity of 20,000,000	-	
August, 1976	100	650000	65000000	650000	65000000	Capital reserve 18,436,000 Cumulative surplus is 6,564,000	-	
Jan, 1978	100	800000	80000000	800000	80000000	Seasoned offering equity of 15,000,000	-	
April, 1979	100	960000	96000000	960000	96000000	Seasoned offering equity of 16 million	-	
November 1981	100	1960000	196000000	1960000	196000000	Accumulated surplus of 50,000,000 Capital reserve 50,000,000	-	
July 1983	10	19992000	199920000	19992000	199920000	Cumulative surplus of 3,920,000	-	
May, 1989	10	50000000	500000000	50000000	500000000	Cumulative surplus 300,080,000	-	Note: (1)
August, 1991	10	65000000	650000000	65000000	650000000	Accumulated surplus 150,000,000	-	Note (2)
August, 1992	10	72800000	728000000	72800000	728000000	Cumulative surplus of 78,000,000	-	Note (3)
Feb, 1994	10	109000000	1090000000	85176000	851760000	Cumulative surplus: 123,760,000	-	Note (4)
April, 1995	10	109000000	1090000000	95823000	958,230,000	Cumulative surplus: 106,470,000	-	Note (5)
August, 1995	10	109000000	1090000000	105405300	1054053000	Cumulative surplus 95,823,000	-	Note (6)
August, 1996	10	118053936	1180539360	118053936	1180539360	Cumulative surplus 126,486,360	-	Note (7)
March, 1997	15	138053936	1380539360	138053936	1380539360	Seasoned offering equity is 200,000,000	-	Note (8)
August, 1997	10	190000000	1900000000	In 151859329,	1518593290	Cumulative surplus 82,832,360 Capital reserves 55,221,570	-	Note (9)
August, 1998	10	190000000	1900000000	170082448	1700824480	Cumulative surplus 182,231,190	-	Note (10)
Sep, 1999	10	245000000	2450000000	204098938	2040989380	Cumulative surplus: 272,131,900 Capital reserves 68,033,000	-	Note (11)
August, 2000	10	245000000	2450000000	228590811	2285908110	Cumulative surplus 183,689,050 Capital reserve 61,229,680	-	Note (12)
August 2001	10	245000000	2450000000	237734443	2377344430	Cumulative surplus 22,859,080 Capital reserves 68,577,240	-	Note (13)
August 2002	10	245000000	2450000000	241300459	2413004590	Cumulative	-	Note (14)

						surplus 35,660,160		
August 2003	10	350000000	3500000000	259397993	2593979930	Cumulative surplus 180,975,340	-	Note (15)
Sep 2003	12.1	350000000	3500000000	259910389	2599103890	Convertible corporate bonds for new shares 5,123,960	-	Note (16)
December 2003	12.1	350000000	3500000000	265397945	2653979450	Convertible corporate bonds for new shares 54,875,560	-	Note (17)
March 2004	12.1	350000000	3500000000	276232527	2762325270	Convertible corporate bonds for new shares 108,345,820	-	Note (18)
June 2004	12.1	350000000	3500000000	280455656	2804556560	Convertible corporate bonds to issue new shares 42,231,290	-	Note (19)
August 2004	12.1	350000000	3500000000	280604416	2806044160	Convertible corporate bonds for new shares 1,487,600	-	Note (20)
August 2004	10	350000000	3500000000	299713068	2997130680	Cumulative surplus 191,086,520	-	Note (20)
September 2004	10.2	350000000	3500000000	314134632	3141346320	Convertible corporate bonds for new shares 144,215,640	-	Note (21)
December 2004	10.2	350000000	3500000000	314448356	3144483560	Convertible corporate bonds for new shares 3,137,240	-	Note (22)
August 2005	10	450000000	4500000000	319165081	3191650810	Capital reserves 477,167,250	-	Note (23)
August 2008	10	450000000	4500000000	322356731	3223567310	Cumulative surplus 31,916,500	-	Note (24)
December 2012	5	450000000	4500000000	342356731	3423567310	Seasoned equity offering (private placement)	-	Note (25)
April 2013	5.2	450000000	4500000000	392356731	3923567310	Seasoned equity offering (private placement)	-	Note (26)
October 2013	-	450000000	4500000000	306801484	3068014840	Capital Reduction	-	Note (27)
October 2013	14.35	450000000	4500000000	336801484	3368014840	Seasoned equity offering (private placement)	-	Note (28)
March 2015	-	450000000	4500000000	325832484	3258324840	Capital reduction of Treasury Stock Retired	-	Note (29)
Sep 2016	-	450000000	4500000000	332349134	3323491340	Cumulative surplus 65,166,500	-	Note (30)
Jan, 2021		450000000	4500000000	279349134	2793491340	Capital Reduction	-	Note (31)

Note (1) on May 05, 1989 Taiwan Finance (I) No. 00988 was approved and approved for public issuance.

Note (2) Approval No. 02035 of Taiwan Finance (I) on July 27, 1991.

Note (3) Taiwan Caizhen (I) No. 01735 was approved on July 22, 1992.

Note (4) Approved by TaiCaiCen (I) No. 49512 on January 14, 1994.

Note (5) Approval No. 54065 of Taiwan Finance (I) on January 11, 1995.

Note (6) Approval No. 38013 of Taiwan Finance (I) on June 28, 1995.

Note (7) Approval No. 40318 of Taiwan Finance (I) on June 28, 1996.

Note (8) Approval No. 75972 of Taiwan Finance (I) on January 8, 1997.

Note (9) Approval No. 52428 of Taiwan Finance (I) on July 02, 1998.

Note (10) Approval No. 58722 of Taiwan Finance (I) dated July 09, 1998.

Note (11) Approved by Taiwan Finance (I) No. 64907 on July 15, 1999.

Note (12) Approved by Taiwan Finance (I) No. 59168 on July 11, 2000.

Note (13) Approval No. 144198 of Taiwan Finance (I) on July 11, 2001.

Note (14) Approval No. 0910138404 of Taiwan Finance (I) on July 11, 2002.

Note (15) Approved by Authorized Commercial No. 09201268430 on 10 September 2003.

Note (16) Approved by Authorized Commercial No. 09201317360 on November 18, 2003.

Note (17) Approved by Authorized Commercial No. 09301010010 on January 19, 2004.

Note (18) Approved by Authorized Commercial No. 09301067680 on 22 April 2004.

Note (19) Approved by Authorized Commercial No. 09301131200 on July 21, 2004.

Note (20) Approved by Authorized Commercial No. 09301182370 on 29 September 2004.

Note (21) Approved by Authorized Commercial No. 09301197080 on 15 October 2004.

Note (22) Approved by Authorized Commercial No. 09401016200 on 28 January 2005.

Note (23) Approved by Authorized Commercial No. 09401181850 on 16 September 2005.

Note (24) Approved by Authorized Commercial No. 09701234400 on 16 September 2008.

Note (25) Approved by Authorized Commercial No. 10201000170 on January 3, 2013.

Note (26) Approved by Authorized Commercial 10201077730 on May 3, 2013.

Note (27) Approved by Authorized Commercial No. 10201231500 on November 13, 2013.

Note (28) Approved by Authorized Commercial No. 10201231500 on November 13, 2013.

Note (29) Approved by Authorized Commercial No. 10401066990 on 13 April, 2015.

Note (30) Approved by Authorized Commercial No. 10501229120 on 29 September 2016.
 Note (31) Approved by Authorized Commercial No. 11001020810 on February 26, 2021.

2. Types of shares

Unit: Share

Stock Types	Checked and ratified equity			note
	Listed outstanding shares (Note 1)	Unissued shares	Total (shares)	
Common stock	279,349,134	720,650,866	1,000,000,000	Listed company stock

Note 1: 72,647,674 of these shares were private shares that were not publicly issued.

3. Information related to the General Declaration System: Not applicable

(2) Shareholder structure

April 16th, 2022

Shareholder structure The number	Government agencies	Financial institutions	Other legal persons	Personal	Foreign institutions and foreigners	Combined
The number of	0	0	193	20,990	48	21,231
Held number of shares	0	0	67,626,382	165,464,832	46,257,920	279,349,134
Holding ratio	0.00%	0.00%	24.21%	59.23%	16.56%	100.00%

(3) Share decentralization (Face Value per share:10\$ NTD)

Table of Shareholders' Meeting of Hwa Fong Rubber Ind. Co., Ltd.

April 16th, 2022

Ownership levels	The number of shareholders	Held number of shares	Holding ratio
1-999	14,985	1,058,982	0.38%
1000 ~ 5000	4,057	9,324,708	3.34%
5001 ~ 10000	928	7,462,715	2.67%
10001 ~ 15000	289	3,694,437	1.32%
15001 ~ 20000	231	4,293,267	1.54%
20001 ~ 30000	181	4,680,030	1.68%
30001 ~ 40000	103	3,640,037	1.30%
40001 ~ 50000	76	3,441,456	1.23%
50001 ~ 100000	149	10,460,297	3.74%
100001 ~ 200000	91	12,240,461	4.38%
200001 ~ 400000	57	15,613,876	5.59%
400001 ~ 600000	19	9,302,275	3.33%
600001 ~ 800000	14	9,626,459	3.45%
800001 ~ 1000000	7	6,146,058	2.20%
1000001 ~ 9999999999	44	178,364,076	63.85%
Combined	21,231	279,349,134	100.00%

(4)List of Major Shareholders

Hwa Fong Rubber Ind. Co., Ltd. the top 10 highest stock-holding shareholders

April 16th, 2022

Major Shareholder Name	Number of shares held	Holding ratio
Sumitomo Rubber Industries Co. Ltd	28,428,574	10.18%
Capital Securities Corporation. Trustee of Capital Securities (Hong Kong) Co., Ltd. Client Qunyi Securities Custody Co., Ltd. Investment Account	12,813,316	4.59%
Yu Guo Enterprise Co., Ltd	10,159,268	3.64%
Inalways Corporation.	9,454,628	3.38%
Feng Tsuan Co., Ltd	8,884,210	3.18%
Guo Zhi-Fen	7,694,825	2.75%
Yan Lin Xiu-Xia	6,592,944	2.36%
Yan Da-Jun	5,988,575	2.14%
Yan Sheng-Feng	5,926,166	2.12%
Han Yuan Xin Ran Enterprise Co., Ltd	5,738,627	2.05%
Total number of shares :279,349,134	101,681,133	36.40%

(5) Market price, net value, earnings, dividends and relevant data of each share for the latest two years

Year			2020	2021	March 31st, 2022
Items					
Share price (note 1)	The Highest		15.90	25.90	16.90
	The lowest		9.81	11.30	14.90
	Average		13.05	19.52	15.94
Net worth per share (note 2)	Before the distribution		9.07	10.90	11.39
	After the distribution		-	10.40	-
EPS	Weighted average number of shares		332,349,134	279,349,134	279,349,134
	Earnings per share (Note 3)	Before the adjustment	1.33	1.30	0.36
		After the adjustment	-	-	-
A share Dividends.	Cash dividends.		-	1.00	-
	Stocks with no compensation	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends (note 4)		-	-	-
Return on investment analysis	PE ratio (Note 5)		9.38	12.91	-
	Ratio of dividend/price to dividend ratio (note 6)		-	16.78	-
	Cash dividend yield (note 7)		-	0.06	-

Note 1: list the highest and lowest market price of each year, and calculate the average market price of each year according to the transaction value and volume of each year.

Note 2: please take the number of shares issued at the end of the year as the standard and fill in according to the distribution resolution of the shareholders' meeting of the next year.

Note 3: earnings per share before and after adjustment should be shown in case of retroactive adjustment due to issuance of bonus shares, etc.

Note 4: if the conditions of issuance of equity securities stipulate that the accrued dividends of the current year shall be paid in a surplus year, the accrued dividends of the current year shall be disclosed separately.

Note 5: PE ratio = current year average closing price per share/earnings per share.

Note 6: Ratio of dividend/price to dividend ratio = current year average closing price per share/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the current year

(6) The Company's dividend policies and implementation

a. Article 21-1 of the Articles of Association of the Company stipulates:

The Company's earnings distribution or loss recovery was conducted in the end of each half of fiscal year. The Company's earnings distribution proposal or loss appropriation proposal of the first half of the fiscal year, shall be submitted with the operation report and financial statements to the audit committee, and reported to the board of directors for approval after audited. Due to the variation of the industrial environment where the Company lies in, the enterprise is in the phase of steady growth, and considered The Company's future fund needs and long-term financial plan, if there are earnings, tax contribution and loss recovery shall be made first, and then appropriated 10% as legal reserve, however, except when legal reserve achieved The Company's paid-in capital; besides, as The Company's operational needs and the regulations, designated special reserve, if there were earnings, consolidated beginning of period undistributed earnings, 20-90% of earnings can be appropriated by the resolution of the board of directors as earnings distribution of the current year. The cash dividends inside shall not be lower than 10% of total number of earnings distribution. When earnings mentioned in the preceding paragraph were distributed as dividends or designated legal reserve or capital reserve, all or a part may be paid in cash, and it shall be conducted after approved by the special resolution of the board of directors, and reported to a shareholders' meeting, when the distribution was made in the form of issuing new shares, shall be reported to a shareholders' meeting, and conducted after approved. The above dividend policy was approved by the shareholders' meeting on July 22, 2021.

b. Dividend distribution situation proposed at this shareholders' meeting:

The Company's semi-annual earnings distribution proposal for the 2021 was determined by the Board of Directors as follows:

	2021 2nd half	2021 1st half
Determined date of BOD	3/17/2022	8/12/2021
Statutory surplus reserve	\$ 14,547	\$ 21,456
Special surplus reserve	\$ 78,921	\$ 70,030
Cash dividend	\$ 139,675	\$ 139,675
Dividend per share (NTD)	\$ 0.5	\$ 0.5

(7) the impact of the proposed issuance of bonus shares at the shareholders' meeting on The Company's operating performance and earnings per share:

The Company has no public financial forecast for the year 2021 and thus not applicable.

(8) Remuneration of employees, directors and supervisors

1. Percentage or scope of remuneration for employees, directors and supervisors as set out in the Articles of Association:

Article 21 of the Articles of Association stipulates:

The Company shall allocate no less than 2% of the remuneration of its employees and no more than 5% of the remuneration of its directors and supervisors based on the current year's profit situation. However, if the Company still has accumulated loss, it shall make up for it.

Employees may be remunerated in stock or cash, and the recipients of stock or cash may include the employees of the affiliated company who meet certain conditions.

The profit situation of the current year as mentioned in paragraph 1 refers to the pre-tax profit of the current year before deducting the remuneration paid to employees and directors and supervisors.

The remuneration of employees and the allocation of remuneration to directors and supervisors shall be decided by the board of directors with the attendance of more than

two-thirds of the directors and the consent of more than half of the directors present and shall be reported to the shareholders' meeting.

2. Rewards approved by the Board of Directors:

(1) Date of board resolution: March 17, 2022

(2) Types and amount of payment

A. Remuneration of NTD\$13,573,000 for employees and NTD\$9,049,000 for directors.

B. There is no difference between the above resolutions and the amount of costs recognized in the year 2021.

3. Distribution of remuneration to employees and remuneration to directors and supervisors in 2020

A. Remuneration of NTD\$0,000 for employees and NTD\$0,000 for directors and supervisors.

B. There is no difference between the above resolutions and the amount of costs recognized in the year 2021.

(9) The Company buys back The Company's shares: No such case.

II. Handling of corporate bonds

(1) Handling of corporate bonds: None.

(2) Information on conversion of corporate bonds: None.

(3) Exchange of corporate bonds: None.

(4) General reporting methods for raising and issuing ordinary corporate bonds: None.

(5) Corporate bonds with warrants: None.

III. Handling of Special Shares, Overseas Depositary Receipts, Employee Share Option Certificates and the Acquisition or Assignment of New Shares of Other Company: None.

IV. Implementation of Plan For Fund Use: None.

V. Operation Overview

I. Business Operation Content

(1) Business scope

1. Business Contents: The main business contents of the Company are the production and marketing of all kinds of bicycle tires, motorcycle tires, radiated layer tires, bicycle tires, agricultural and industrial tires, beach tires, truck tires and other rubber products.
2. The Company's current commodities and services and their proportion

Unit: Thousands Of NTDS

Product project	Year 2021	
	Operating income	Operating Ratio (%)
Bicycle	1,605,072	28.97%
The locomotive	2,480,759	44.77%
Agricultural and industrial	1,065,900	19.24%
Truck	137,455	2.48%
Radiation layer tire	181,141	3.27%
other	70,572	1.27%
A combined	5,540,899	100%

- (1) The Company's current products and services: the company sells mainly cover tires, accounting for about 99% of its revenue, of which motorcycle tires and bicycle tires are the bulk of its sales, accounting for about 73.7% of its revenue. Radial tire products are sold by proportion of 3.27%. In response to the strong market demand for bicycle tires, the source of supply and product content have been adjusted, resulting in an increase in the proportion of bicycle tire revenue. However, the United States has adopted dual anti-counter measures on tire products such as passenger cars, SUVs and light trucks, which continue to affect the sales of radial tires.
- (2) To meet the needs of human life and social progress, the Company has diversified and complete rubber tire products, including many functions of bicycle tires, high-speed locomotive tires, car tires and truck tires, etc. Recently, the Company has launched energy-saving and environmental protection radiated tire, MT cross-country tire, E-bike electric tire, foldable bicycle tire, inner-tube-free bicycle tire, hot melt tire of locomotive, beach bicycle tire, small racing bicycle tire and so on. Our products are constantly innovating and changing to obtain the maximum benefits of the Company.

(3) Main production sites:

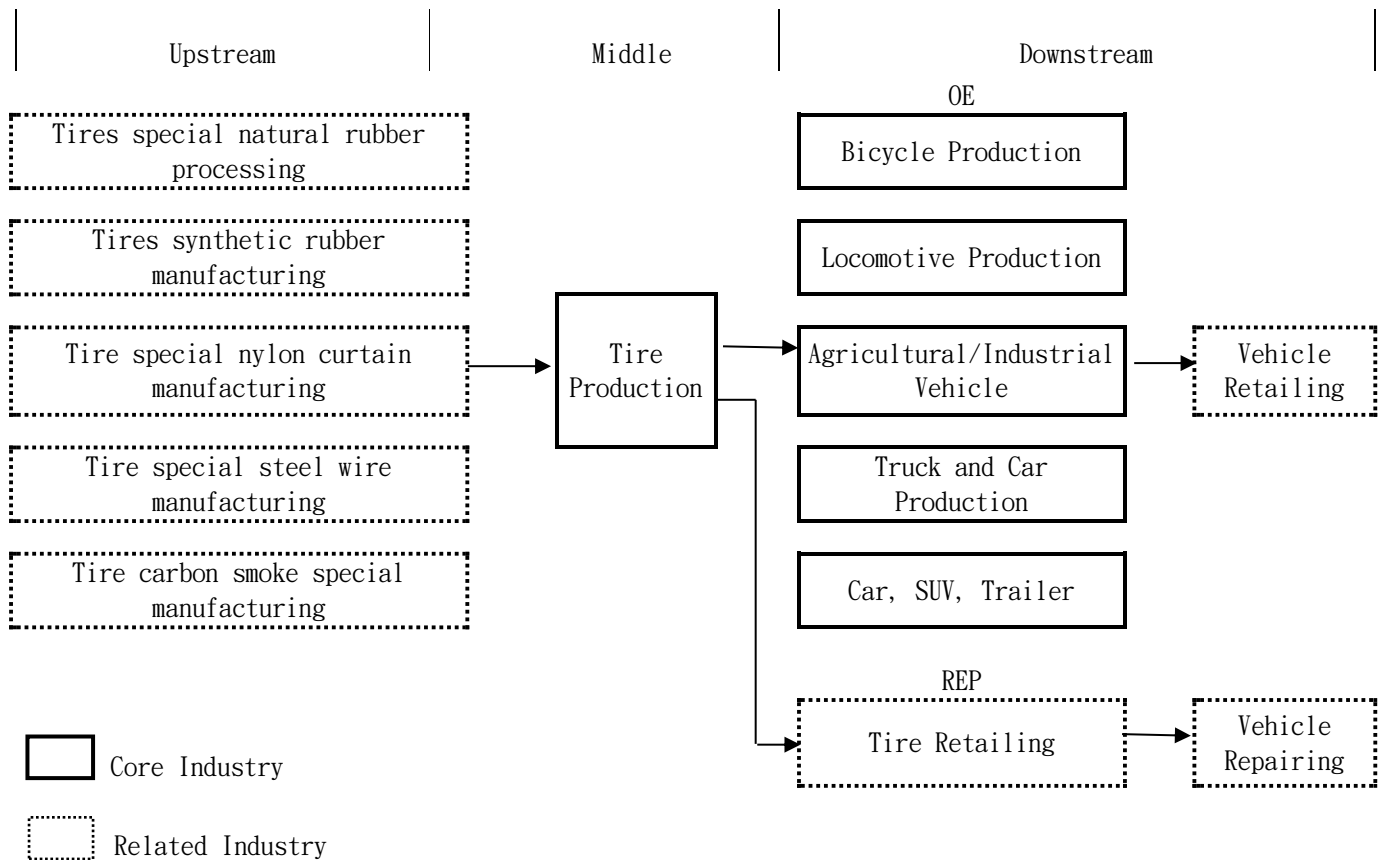
Factory	Set up Date	Products
Taiwan factory	In 1945,	Dacun factory: locomotive tire, radiating layer tire, bicycle tire, agricultural and industrial tire, truck tire. Huatan factory: glue (semi - finished products).
Hwa Fong (Thailand) Factory	In 1987,	Locomotive inner and cover tire, bicycle inner and cover tire, agricultural industry inner and cover tire.
Hwa Fong (China) Factory	In 1993,	Locomotive inner and cover tire, bicycle inner and cover tire, agricultural and industrial cover tire, truck and bus inner tire
Hwa Fong (Suzhou) Factory	In 2003,	Radiated layer tire

(2) Industry overview

1. At present, the tire market demand is more than 2 billion (estimated for various tire products), and the global repair market accounts for the largest demand. Although China is viewed as the world's largest automobile market, it should be the most prosperous tire industry area, but the Sino-US trade war has started and the light vehicle testing regulations have become stricter. While the world will be affected by the COVID-19 pandemic in 2020~2021, demand has dropped by more than 15% compared to period before the pandemic, and car sales have even declined by nearly 28%. Even production has been stopped. The export-oriented Taiwan tire industry has also been hit. As the decreased of impact of pandemic in Quarter 3 in 2020, the demand of tires gradually went up and the

demand of tires increase gradually while the governments of each nations has offered discounts to stimulate the auto market, and the demand for tires has increased, which the outlook of tire industry is still positive in the future.

2. Connectivity of upstream, middle and downstream industries



3. Product development trends and competition

Rubber tires can be generally divided into bicycle tires, locomotive tires, agricultural and industrial tires, truck tires and radial layer tires. Among them, the world's largest producer of bicycle tires, electric bicycle tires, folding car tires and motorcycle tires is mainland China, followed by India, Japan, Taiwan, Thailand and other Asian countries. In terms of demand, the demand for bicycles in mainland China accounts for more than 50% of the global demand. Affected by the global epidemic, in order to avoid contact with metro transportation, consumers' demand for bicycles has increased significantly. In Europe and the United States, the shutdown policy has been lifted, and there has also been a rush of competition for middle class vehicles, and the demand for bicycle tires has increased. Under the influence of the epidemic, the sales volume of the global locomotive industry has also decreased by about 7 million. The capacity of some OECs has also decreased in the general economic recession, and the consumption of the locomotive market has shrunk. However, driven by the wave of electrification, the global electric locomotive industry still maintains a growth rate of more than 20%. In terms of car tires (radiation layer), although benefits from Vietnam, India and other emerging countries, the rise of the auto market output recovered in 2020, but in 2020~2021 the epidemic let all countries and the car market is not immune. However, Taiwan's car market rose against the trend, and even hit a 15-year high. In last year Taiwan's car sales reached 457,435, growth 4%; The international four-wheel market continues to decline, Taiwan's accession to the WTO and the impact of the trade war between China and the United States, export-oriented Taiwan tire market competition is more intense, and the United States anti-dumping and countervailing duties are relatively weak, under the influence of the domestic tire industry in order to open up market space, need to develop more high value-added products; In terms of price, tire related raw material prices continue

to rise and under huge freight costs pressure, in the post-epidemic era, the global climate is still uncertain, tire manufacturers are bound to raise its price.

(3) Technology and research and development overview

With the formation of international division of labor in rubber industry, Taiwan's rubber industry has experienced a wave of high value and is transforming into a high value-added industry. Raw material manufacturers should cooperate with downstream rubber manufacturers to develop new products and applications in order to maintain the international competitiveness of Taiwan's rubber industry.

(4) Short, medium and long term development plan

Short-term plans

- (1) Strengthen operation management and cost control, improve the production efficiency of each plant, so as to achieve the profit target of the Group.
- (2) To ensure that the manufacturing capacity, product development, product quality, delivery service and cost competitiveness can all meet customer needs, so as to reduce customer complaints.
- (3) Improve the technical level of automatic production, strengthen the integration of production processes, improve the working environment, so as to improve the product quality yield rate and reduce the loss of resources.
- (4) International marketing planning, increase the advertising exposure of Duro, Quick, Columbia, Tenma and other brands, and establish strategic alliances with well-known foreign manufacturers to promote brand awareness.
- (5) The Company will invest Hwa Fong (Thailand) and open more production lines to meet the market demand of the ASEAN market.
- (6) Develop UHP, AT/LTR, MT products in meeting market demand.
- (7) Continuously develop products that meet the fuel efficiency improvement standards.
- (8) Strengthen talent cultivation and reserve to prevent talent fault and maintain enterprise competitiveness.
- (9) Cooperate with international resources and strengthen technology development.
- (10) Reduce the cost of capital acquisition.

Medium - and long-term plan: actively expand production capacity, seek cooperative partners and expand overseas investment to expand the operation territory, increase profits, and establish an international business model of the group.

1. Marketing strategy

- (1) Strategic alliance with foreign well-known brand manufacturers, customer relationship management in the form of customer-made factories, and profit creation by increasing turnover with high growth rate and share.
- (2) maintain brand awareness: tire users have high requirements for tire safety and high dependence on the brand, so maintaining brand awareness and consumer stickiness is the biggest goal of the industry.
- (3) Distribution and construction of marketing channels: the Company plans to combine the relevant industries, service mutual strategic alliance distribution of marketing channels, to enhance new performance.
- (4) E-commerce platform: give full play to the maximum benefits of international e-commerce marketing channels, connect the Group's shipment and supply network, so as to expand and increase the breadth and depth of export territory and achieve high for the Group.

2. Management strategy

- (1) Establish a transnational operation and management system to establish the basis for the internationalization of the Group's operation.
- (2) Conclude strategic alliances with parties to expand The Company's operating territory and scale.

3. Financial strategy

Cultivate and recruit transnational financial management talents.

4. Production strategy

- (1) Adopt international division of labor. Low-level products are exported to the locations where labor is abundant and labor costs are relatively low, and per capita productivity is improved to create maximum profits.
- (2) Actively recruit talents to strengthen product research and development and design capabilities, with more advanced production technology, design a wider and differentiated rubber products, so that the enterprise can be sustainable operation.

II. Overview of market, production and marketing

(1) Market analysis

1. Sales regions of major products

Unit: Thousands of \$NTD

Year/Region	The year in 2021		The year in 2020	
	The sales amount	Percentage (%)	The sales amount	Percentage (%)
Taiwan	810,269	14.62%	763,410	15.63%
Chinese mainland	160,140	2.89%	104,128	2.13%
The United States	513,858	9.27%	800,971	16.40%
Thailand	750,254	13.54%	760,149	15.57%
Other Regions	3,306,378	59.67%	2,454,206	50.26%
Combined	5,540,899	100%	4,882,864	100%

2. Market share

The main products of the Company are of five categories: locomotive tires, radiated tire, bicycle tires, agricultural and industrial tires and truck tires. The turnover of the Company ranks 4th in Taiwan market, 3rd in Thailand market and 69th in the global market.

3. The future supply and demand of the market and its growth:

- (1) Locomotive tires: Asia Pacific is the world's largest locomotive sales region, accounting for about 42% of the global market, while Africa is the world's smallest sales region. In response to the changes in the post-epidemic era, the Company will shift its main operation to the two-wheel segment, which accounts for the largest demand. In recent years, due to the impact of the boom of the car factory and the increase of the raising utilization rate of the mass transportation system, it is estimated that the domestic demand for locomotives will decrease slightly. In addition, the repair market is also due to the government subsidies for the replacement of old locomotives policy in recent years, resulting in a decline in the demand of after-sale service for tires. Overall, the demand will moderate; On the supply end, due to the large demand for new cars, high requirements for quality and new development technology, there are limited manufacturers capable of supply. In the future, the Company will develop large-size tires to improve revenue growth. And the Thai subsidiary has gradually achieved results because of its immersion in the market and has gained popularity of the ASEAN market. It is estimated that the sales volume of the two rounds of products will continue to grow with the vast emerging ASEAN market. On the other hand, the Chinese mainland market is affected by the shutdown of Hwa Fong (China).
- (2) Agricultural and industrial tyres: due to the small proportion of domestic sales, it is estimated that the supply and demand in the domestic market will be flat. In the exporting aspect, as competitors have spared no effort to tap the same higher price product markets, to create new markets new demand. On the supply end, depending on the supply capacity of the factory, but compared to foreign competitors, our products are of relatively low cost, will be more easily accepted by the market, on the whole there are room for growth.
- (3) Bicycle tires: in the domestic market supply and demand, due to the rise of environmental protection, lightweight and comfortable consciousness, the use of bicycles and emphasize green electric bicycle contemporary transportation tools, so that the market demand continues to grow, only the low-end market was hurt by the popularity of U-Bike and hurt. In 2022, the focus of The Company's domestic sales will be to strengthen the cooperation with its own brand manufacturers, and strive for electric bikes orders, so as to enhance the future market competitiveness, and the revenue is expected to show a gradual growth. Export aspect, the outbreak era international demand, and toward the high price of Taiwan bicycle products development, won the European and American customers, therefore, the Company in Taiwan, our factory will expand to increase the high price of bicycle tire sales proportion. As for the Thai subsidiary, there is room for growing up, continue to actively cooperate with world famous brand OEM, Give full play to our skilled production technology and attract OEM opportunities from other brands to increase sales.
- (4) Truck tires, radiated layers of car/light truck tires: due to the government's subsidy measures for replacement of old trucks, stimulate the domestic new truck sales to rise; In tire after-sale repair market, because the truck shall be replacing tires every 2 ~ 3 years and of domestic traffic rules, after-sales repair market more grows. The United States will soon place restrictions on tire of Taiwan and other Asian countries, implementing countervailing and anti-dumping duties of trade –related sanctions, the Company has adjusted the market sales plan, and will suspend sales of tires to the US, To ease the damage caused by the US tariff measures on imported tires from Taiwan, and to strengthen the global sales strategy in regions other than the United States, so as to achieve a balanced development.

4. Competitive Niches:

(1) Deep cultivation of technical quality:

The Company has 76 years of professional experience in tires, has been under the technical guidance of Sumitomo of Japan for 38 years, coupled with business, OEM cooperation, continuous innovation and development of high value added products, the production process from bicycle tires, motorcycle tires, to radiation layer car tires and large MT cross-country tires field.

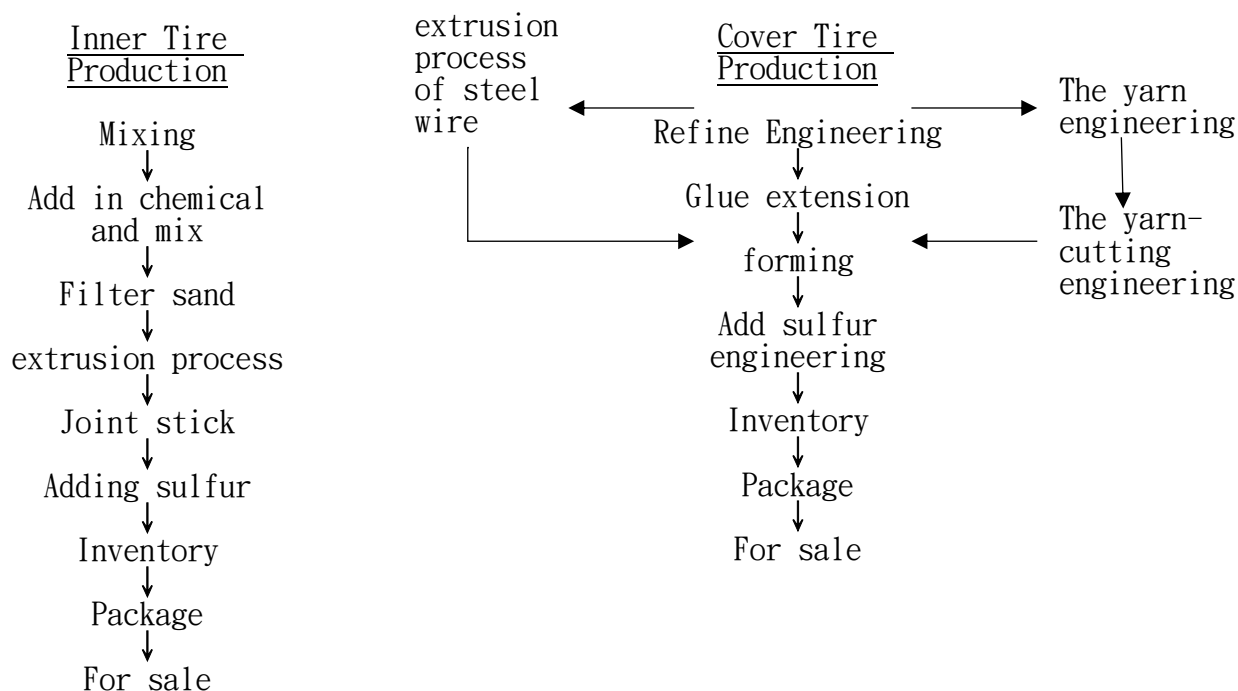
- (2) Solid customer base:
The Company's product design is jointly developed with customers (including Japanese, Taiwan, American and European), the scope of cooperation includes drawing design, in-factory testing, real vehicle testing, etc., so we have established a rich and good relationship with customers.
 - (3) Product quality is excellent, well received by customers:
For 76 years, the Company has been engaged in the production and sales of rubber and tire products with practical innovation and good faith management. The Company adheres to the Hwa Fong spirit of continuous reform, strengthened execution, pursuit of benefits and steady management. Actively invest in research and development, constantly bring forth the new, develop high-performance products to market; Therefore, for decades, The Company's products of good quality, with its own best-selling brand "Duro", "Quick" in countries in the world, won the praise of customers at home and abroad.
 - (4) ASEAN Market:
The development of ASEAN tire market has become another focus of overseas market development of the tire industry. The Company has established a factory in Thailand for more than 34 years, which has been deeply engaged in the ASEAN market and has been highly praised for its quality. At present, it is more active to expand its production capacity, which is conducive to occupying the deep potential of ASEAN tire market.
5. Assessment of favorable and unfavorable factors for future development and countermeasures:
- (1) Favorable factors:
 - 1)The Company investment in Thailand in 1987, and has set up Hwa Fong Rubber (Thailand) co., LTD., and the subsidiary was listed in the local stock market, with operation successful. Second factory is complete in 2005, and coordinate the ASEAN market demand in the current amplification is the production line of motorcycle tires and bicycle tires; In terms of the mainland market, Hwa Fong Rubber (China) Co., Ltd. was established in 1985, and Hwa Fong Rubber (Suzhou) Co., Ltd. was established in 2003, which could give full play to the international division of labor. At the end of 2013, Hwa Fong (China) co., LTD. 's factory land was requested by Changshu city government, Hwa Fong (China) company had moved to Hwa Fong (Suzhou) site. The production capacity had first been affected due to shutdown of a disaster, but after the resumption of work, the two subsidiaries combined management can save administrative costs and improve efficiency.
 - 2)The Company has invested in the purchase of the most modern polymer chemical analysis equipment in China, and cooperated with the institute of industrial research and development to complete the 3D computer design technology, in order to enhance the research and development capacity and product diversification, which is conducive to the development of new products of the Company, and will bring a lot of market expansion opportunities for the future.
 - 3)Cooperate with international famous brands such as WTB, Decathlon, Yamaha, Honda, Kawasaki, Suzuki, SYM, KYMCO and so on to develop new products of high added-value tires, so as to seize market opportunities, replenish product lines and provide revenue.
 - 4)The Company's product range covers all kinds of tires, a wide product line, less susceptible to the impact of a single industry trend.
 - (2) Disadvantageous factors and countermeasures:
 - 1)The operation of rubber products relies heavily on labor. Due to the environmental dust pollution characteristics of rubber industry, there is basically insufficient labor at the base level and high mobility of personnel. The production capacity is not fully utilized, and the manufacturing cost is relatively unfavorable.
 - 2)The global tire market concentration is not high, the product price is determined by the market, Europe, the United States, Japan's three tire market in the saturation of demand, the target transfer to developing countries and emerging markets, will set off the wave of market redistribution.
 - 3)The tire industry has technical and capital thresholds and benefits from the development trend of " The big ones get bigger ".
 - (3) Countermeasures:
 - 1)To enhance brand awareness and build the image of the Company, and to enhance customer confidence in the brand with quality.
 - 2)With the help of sophisticated high-tech instruments, it is applied to find raw material substitution, process improvement and operating environment improvement, so as to improve product yield and per capita capacity, and effectively reduce production costs.
 - 3)From the beginning of the product development stage, strict quality control is adopted, and strict quality control measures are implemented at each stage of the production process to reduce customer complaints and improve the competitiveness of The Company's products.
 - 4)Low-cost tire imports use low-cost raw materials.
 - 5)Flexible purchase volume, group unified purchase, looking for new suppliers to increase bargaining room, thus reducing raw material cost.
 - 6)Actively seek cooperation and investment partners to expand the scale and operation territory, and improve their own technology to actively carry out research and development, combined with the industry, government and science and technology development policies and experience, to cultivate research and development and management talents.

(2)The important uses and production process of the main products

1. Significant uses of major products

Product category	usage
Radial layer tire	Cars, SUVs, trailers
Truck tires	Light trucks and large trucks
The locomotive tire	Light locomotives, heavy locomotives, scooters, racing locomotives
Agricultural and industrial tires	Lawn mowers, stackers, trolleys, farm machines, vans, ATV, trailers, golf carts, mini racers
Bicycle tire	Mountaineering bikes, off-road bikes, street bikes, racing bikes, electric bikes

2. Production process of main products



(3) The supply of major raw materials

The main raw materials used for rubber tires include natural rubber, synthetic rubber, nylon curtain yarn, steel wire, soot, etc.

Natural rubber - the main production concentrated in Southeast Asia: Malaysia, Thailand, the Philippines, Indonesia and other places, abundant supply every year, the price for the international market.

Synthetic rubber - mainly supplied by TSRC Co., Ltd.; Sources of imports are also in steady supply.

Nylon curtain yarn - mainly supplied by domestic Formosa Taffeta Co., Ltd. Sources of imports are also in steady supply.

Steel wire -- imported steel wire, stable supply source.

Soot - from the domestic supply of rubber, import sources are also of stable supply.

(4) List of main customers for import and sales:

1. Information of more than 10% suppliers in the last two years: none

The Company's main raw materials of 80% are on natural rubber, synthetic rubber, carbon smoke and nylon cord yarn, without needs for diversified demands. Mastery over market demand is high, for rubber suppliers, Formosa Taffeta, Linyuan Advanced, CSRC are of high profile and reputable manufacturers, the Company and maintain with the Company a good business relationship over the years.

Unit: Thousands of NTD\$

	In 2020				In 2021				Year 2022 up to previous quarter (Note 2)			
Item	The name of the	The amount of	Ratio of annual net purchases [%]	The relationship with the issuer	The name of the	The amount of	Ratio of annual net purchases [%]	The relationship with the issuer	The name of the	The amount of	Ratio of net purchases of current year to previous quarter [%]	The relationship with the issuer
1	There is no	-	-	-	There is no	-	-	-	There is no	-	-	-
	Net purchase	849,923	100		Net purchase	981,463	100		Net purchase	346,712	100	

Note 1: the name of a supplier that more than 10% of the total purchase amount and proportion in the last two years should be listed, but suppliers that cannot disclose its name or the transaction as an individual and not a related person due to contractual agreement, can be codenamed.

Note 2: A company that is listed or whose shares have been traded at the business premises of a securities firm as of the date of the publication of the annual report shall also disclose the financial information that has been audited or reviewed by an accountant in the most recent period.

2. Data of customers whose sale volume accounts for more than 10% in the last two years: None
The Company mainly sells rubber tires, which are sold to Europe, North America, Central and South America, Asia, the Middle East and other parts of the world. Our tires are of good quality and we have maintained friendly relations with our customers for years. Our main customers are HWA Fong Rubber (USA), Michelin, SUMITOMO, Decathlon, Taiwan Yamaha, KYMCO, SYM and Aeon, etc., all of which are our long-term cooperation customers. Overall, due to the stability of our customers and our good command of market demand, there was no significant abnormality in our sales in the last two years.

Unit: Thousands of NTD\$

	In 2020				In 2021				Year 2022 up to previous quarter (Note 2)			
Item	The name of the	The amount of	Ratio of annual net sales [%]	The relationship with the issuer	The name of the	The amount of	Ratio of annual net sales [%]	The relationship with the issuer	The name of the	The amount of	Ratio of net sales of current year to previous quarter [%]	The relationship with the issuer
1	There is no	-	-	-	There is no	-	-	-	There is no	-	-	-
	Net sales	4,882,864	100		Net sales	5,540,899	100		Net sales	1,445,129	100	

Note 1: customer names and sales amount and proportion that more than 10% of total sales in the last two years should be listed, but can be codenamed if the customer name or transaction object is an individual and is not a related person or not to be disclosed due to contractual agreement.

Note 2: a company that is listed or whose shares have been traded at the business premises of a securities firm as of the date of the publication of the annual report shall also disclose the financial information that has been audited or reviewed by an accountant in the most recent period.

(5) Output value and capacity of the last two years

Production unit: thousand bars/output value unit: NT \$thousands of

The year Production Quantity \ Main Commodities	The year 2021			The year 2020		
	Output	Production volume	Production value	Output	Production volume	Production value
Bicycle tire	37,894	34,447	1,318,256	41,760	22,916	823,753
The locomotive tire	21,545	13,496	1,991,985	27,795	12,202	1,529,304
Agricultural and industrial tires		2,385	815,837		1,720	494,478
Truck tires		49	76,141		44	59,811
Radial layer outer tire	600	66	68,167	600	342	337,613
Combined	60,039	50,443	4,270,386	70,155	37,224	3,244,959

(6) Sales volume of the most recent two years

Unit of measurement value: thousand bars/NT \$thousand

The year	The year 2021		The year 2020	
Sales quantity	The amount	value	The amount	value
The main products				
Bicycle tire	33,140	1,605,072	23,045	1,071,210
The locomotive tire	13,425	2,480,759	13,708	2,347,014
Agricultural and industrial tires	2,327	1,065,900	1,823	800,203
Truck tires	56	137,455	56	121,510
Radiation layer outer tire	77	181,141	331	510,313
other	8,730	70,572	6,432	32,614
Combined	57,755	5,540,899	45,395	4,882,864

III. Data of employees in the most recent two years and as of the publication date of the annual report
April 30th, 2022

The annual		The year 2020	The year 2021	As of publication date
The number Of employees	staff	662	657	655
	Indirect labor	930	953	970
	Direct labor	1,850	1,958	1,889
	Commbined	3,112	3,232	3,178
The average age		38.81	39.93	39.93
Average years of service		8.6	9.31	9.31
Record of formal schooling ratio	Doctorate	0.06%	0.06%	0.06
	Master	0.77%	0.68%	0.63%
	College and University	10.28%	13.06%	13.28%
	High School	17.58%	17.08%	17.37%
	Other	71.30%	70.30%	69.86%

IV. Environmental expenditure information

- (1) The environmental protection work of the Company is subordinate to the general affairs department, and a dedicated person is responsible for this business.
The Company's environmental protection personnel include air pollution prevention and control personnel, wastewater treatment personnel and waste disposal technical personnel according to the regulations.
- (2) The license of operation permit for sources of pollution:
No. N2567-00, No. N1075-11, No. N1528-07, No. N1527-06, No. N1628-09 issued by the government.
Waste water discharge permit: no. 04757-01, no. 03666-01.
- (3) Losses caused by environmental pollution in the most recent two years and up to the publication date of the annual report: None
- (4) Compensation for environmental pollution in the most recent two years and up to the publication date of the annual report: None
- (5) Future countermeasures and possible expenditures: none

V. Labor relations

(a) The Company's employee welfare measures, retirement system and its implementation, and the situation of the agreement between labor and labor:

1. Employee welfare measures:

The Company has a staff and workers' welfare committee, which has been registered and approved by Changhua county government Zhangfu Min She Zi (彰府民社字) No.65 60.4.13. Since the establishment of the committee, its business has been carried out in accordance with the provisions of the articles of association, and its outstanding performance has been rewarded with a certificate of award (no. 302538) issued by the minister of the Ministry of Interior in Taiwan in 1985. In 1996, it was awarded as an institution with excellent working conditions by the Council of Labor, Executive Yuan. In 1996, it was awarded the Golden Exhibition Award by the Council of Labor, Executive Yuan. The benefits are summarized as follows:

- | | |
|--|---|
| (1) Year-end bonus. | (2) Scholarship for employees and their children. |
| (3) Free distribution of uniforms. | (4) Funeral subsidies and mutual aid. |
| (5) Festival condolence. | (6) Free meals. |
| (7) Organize birthday parties every month. | (8) Group insurance. |
| (9) Staff health inspection. | |

2. Retirement system:

The Company has set up its retirement provision since the implementation of the Labor law and in accordance with the paragraph 3 of article 56 set up labor pension reserve fund supervision committee, monthly salary is 2% of total reserves. Starting from October 1993, retirement contribution was changed to 4%, and was approved by the Changhua county government Chang Fu Lao Dong zi no. 176561 and in August no.026748. Since February 1999, the pension contributions became 6%, and on January 12, 2001, approved by Chang Fu Lao Dong zi no.014088 by the government, since then contributions ratio became 8%, Approved by Chang Fu Lao Dong zi No. 1080063192 on February 26, 2019, the pension rate has been revised to 2%. The retirement system is as follows:

(1) Voluntary Retirement:

- ① Those who have worked for more than 15 years and are over 55 years old.
- ② Have worked for more than 25 years.
- ③ Those who have worked for more than 10 years and reach the age of 60.

(2) Compulsory retirement:

- ① 65 or above (except for those who have been asked to stay by the Company).
- ② Incapacitated or physically disabled to work.

The above pensions are paid in accordance with the Factory Act and the Labour Standards Act.

The Labor pensions ordinance, which came into force on 1 July 1994, is a definitional contribution system. Employees can choose to continue to apply to the relevant pension provisions of the Labor standards act, or to apply to the pension system of the ordinance and retain the years of service before the ordinance. In accordance with the provisions of this ordinance, the monthly contribution rate of the Company to the labor pensions shall not be less than 6 percent of the worker's monthly salary.

3. Labor Relations:

The Company has a number of foreign workers administrator, responsible for care of the lives of migrant workers, and through it the bridge on both sides, at ordinary times attaches great importance to the communication with the staff of the Company. In addition to through normal administrative channels, employees can use proposal improvement for providing suggestion, methods such as provide reference for policy makers, communication channel open, so the Company enjoys a very harmonious labor relations.

4. Measures to protect the working environment and the personal safety of employees:

The Company in accordance with the provisions of the labor safety and health law and relevant method to set up the labor safety and health management or business director, labor safety and health related issues, through regular maintenance and overhaul to ensure the equipment safety in order to ensure the safety of the employees, to improve safety and health management efficiency and the Company in line with international standards of ISO - 45001 occupational health and safety management system, with systematic management and continuous improvement the Company is able to create a high quality safety and health environment, in order to prevent industrial accidents.

(b) For the most recent two years and up to the date of the annual report, the losses suffered by the Company due to labor disputes, and the estimated amount and countermeasures that may occur now and in the future disclosed by the Company: None.

VI. Important Contracts

Nature of the contract	The parties concerned	Date of commencement and termination of contract	The main content	restrictions
Technical cooperation contracts and Trademark license contract	Hwa Fong Rubber (Thailand) Public Co., Ltd	June, 2020 (continuous)	Bicycles, industrial cars, locomotives and other inner and cover tires and lining belts.	No
Joint Credit Agreement	Taiwan LandBank and other 7 banks	2019.06 ~ 2024.06 (5-year period)	NTD \$1.8 billion	No

VI. Financial Overview

I. A summary balance sheet and profit and loss statement for the last five years

(1) Concise balance sheet and consolidated income statement

1. Concise Balance Sheet - IFRS (Consolidated)

Unit: NTD \$thousands of

Year Items		Financial Information for Last Five Years (Note 1)					Up to the date of March 31st, 2022 Financial Information (Note 3)
		2017	2018	2019	2020	2021	
Current assets		3,835,930	3,055,529	3,328,962	3,574,161	3,831,614	4,132,727
Real Estate, Plant and Equipment (Note 2)		3,102,435	3,333,497	3,387,309	3,538,983	3,383,896	3,417,555
Intangible assets		267	498	1,218	1,173	1,105	1,053
Other assets (Note 2)		377,030	730,683	689,920	935,400	1,107,314	1,013,848
The total assets of		7,315,662	7,120,207	7,407,409	8,049,717	8,323,929	8,565,183
Current liabilities	Before the Distribution	2,967,719	2,410,528	1,649,784	1,947,618	1,925,586	1,931,367
	After the distribution	3,084,262	2,429,116	1,685,930	1,987,996	2,180,209	1,931,367
Non-current liabilities		310,285	746,997	1,577,151	1,577,121	1,925,950	1,930,031
The total amount of liabilities	Before the Distribution	3,278,004	3,157,525	3,226,935	3,524,739	3,851,536	3,861,398
	After the distribution	3,394,547	3,176,113	3,263,081	3,565,117	4,106,159	3,861,398
Equities that belong to the owner of the parent company		2,829,275	2,665,374	2,736,299	3,015,149	3,044,110	3,182,205
Other Equities		3,323,492	3,323,492	3,323,492	3,323,492	2,793,492	2,793,492
Capital reserves		167,372	167,989	36,954	37,256	37,290	37,290
Surplus Reserved	Before the Distribution	(665,142)	(892,724)	(754,094)	(388,079)	270,793	371,121
	After the distribution	(665,142)	(892,724)	(754,094)	(388,079)	131,118	371,121
Other Equities		3,553	66,617	129,947	42,480	(148,951)	(111,184)
Capital reserves		-	-	-	-	-	-
Uncontrolled equities		1,208,383	1,297,308	1,444,175	1,509,829	1,428,283	1,521,580
The total amount of equities	Before distribution	4,037,658	3,962,682	4,180,474	4,524,978	4,472,393	4,703,785
	After distribution	3,921,115	3,944,094	4,144,328	4,484,600	4,219,685	4,703,785

* If the Company prepares individual financial statements, it shall prepare a summary balance sheet and a comprehensive profit and loss statement for the last five years.

* In cases where IFRS financial information has been used for less than 5 years, financial information in accordance with the ROC. Enterprise accounting standards shall be prepared separately.

Note 1: it is a financial report that has been certified or reviewed by an accountant.

Note 2: if an asset has been revalued in the current year, the date of revaluation and the amount of revaluation appreciation shall be listed.

Note 3: If a company that is listed or whose shares have been traded at the business premises of a securities firm as of the date of publication of the annual report has been audited and signed by an accountant in the most recent period, then the financial information certified or reviewed shall also be disclosed.

Note 4: After the above distribution, please fill the number in according to the resolution of the B.O.D. meeting or Shareholders' meeting of the next year.

Note 5: if financial information is required to be corrected or revised by the competent authority, the revised or revised figures shall be presented and the relevant information shall be indicate the form and reason: None.

2. Concise Income Statement - IFRS (Consolidated)

Unit: NT \$Thousands of

Year Items	Financial Information for Last Five Years (Note 1)					Up to the date of March 31st, 2022 Financial Information (Note 2)
	2017	2018	2019	2020	2021	
Operating income	5,743,303	5,256,328	5,264,937	4,882,864	5,540,899	1,445,129
Operating margin	1,079,451	929,298	975,571	1,159,430	1,252,368	291,224
Operating profit and loss	89,445	45,599	365,506	605,064	699,720	163,265
Non-operating income and expenses	(874,869)	(161,790)	(72,794)	140,782	60,308	24,379
Pre-tax profit	(785,424)	(116,191)	292,712	745,846	760,028	187,644
Continuing business unit						
Net profit	(871,064)	(152,932)	148,280	561,919	559,101	141,056
Loss of the closed business unit	-	-	-	-	-	-
Current net profit (loss)	(871,064)	(152,932)	148,280	561,919	559,101	141,056
Other gains and losses for the current period (net profit after tax)	(85,573)	135,432	113,870	(170,131)	(380,706)	90,336
Total consolidated profit and loss for the period	(956,637)	(17,500)	262,150	391,788	178,395	231,392
Net profit that is attributable to Owner of parent company	(976,303)	(253,461)	10,891	371,601	362,015	100,328
Net profit that is attributable to non-controlled interest	105,239	100,529	137,389	190,318	197,086	40,728
The total consolidated profit and loss that belongs to the owner of the parent company	(1,070,107)	(164,031)	67,955	280,832	168,602	138,095
Total consolidated gains and losses that are attributable to non-controlled interests	113,470	146,531	194,195	110,956	9,793	93,297
EPS	(2.94)	(0.76)	0.04	1.33	1.30	0.36

* If the Company complies individual financial statements, it shall prepare a summary balance sheet and a comprehensive profit and loss statement for the last five years.

* In cases where IFRS financial information has been used for less than 5 years, financial information in accordance with ROC. Enterprise accounting standards shall be prepared separately.

Note 1: It is a financial report that has been certified or reviewed by an accountant.

Note 2: A the Company that is listed or whose shares have been traded at the business premises of a securities firm as of the date of the publication of the annual report shall also disclose the financial information that has been audited or reviewed by an accountant in the most recent period.

Note 3: Loss of a discontinued entity is shown net of income tax.

Note 4: If financial information is required to be corrected or revised by the competent authority, it shall be presented in the revised or revised figures, and the circumstances and reasons thereof shall be indicated: None.

3. Concise Balance Sheet - IFRS (Individual)

Unit: NTD\$ Thousands of

Year Items		Financial Information for Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		1,213,565	1,101,820	1,087,991	1,359,513	1,517,411
Real Estate, Plant and Equipment (Note 2)		1,383,367	1,417,015	1,336,914	1,426,963	1,465,953
Intangible assets		267	97	-	-	-
Other assets (Note 2)		3,105,560	3,162,987	2,912,372	3,366,893	3,487,175
The total assets		5,702,759	5,681,919	5,337,277	6,153,369	6,470,539
Current liabilities	Before the Distribution	1,847,522	1,496,846	557,196	924,336	1,045,617
	After the distribution	1,847,522	1,496,846	557,196	924,336	1,185,292
Non-current liabilities		1,025,962	1,519,699	2,043,782	2,213,884	2,380,812
The total amount of liabilities	Before the Distribution	2,873,484	3,016,545	2,600,978	3,138,220	3,426,429
	After the distribution	2,873,484	3,016,545	2,600,978	3,138,220	3,566,104
Equities that is attributable the owner of the parent company		2,829,275	2,665,374	2,736,299	3,015,149	3,044,110
Capital Stock		3,323,492	3,323,492	3,323,492	3,323,492	2,793,492
Capital reserves		167,372	167,989	36,954	37,256	37,290
Surplus Reserved	Before the Distribution	(665,142)	(892,724)	(754,094)	(388,079)	270,793
	After the Distribution	(665,142)	(892,724)	(754,094)	(388,079)	131,118
Other Equities		3,553	66,617	129,947	42,480	(148,951)
Storage of stocks		-	-	-	-	-
Uncontrolled Equities		-	-	-	-	-
The equities The total amount	Before the Distribution	2,829,275	2,665,374	2,736,299	3,015,149	3,044,110
	After the distribution	2,829,275	2,665,374	2,736,299	3,015,149	2,904,435

* If the Company prepares individual financial statements, it shall prepare a summary balance sheet and a comprehensive profit and loss statement for the last five years.

* In cases where IFRS financial information has been used for less than 5 years, financial information in accordance with ROC. Enterprise accounting standards shall be prepared separately.

Note 1: it is a financial report that has been certified or reviewed by an accountant.

Note 2: if an asset has been revalued in the current year, the date of revaluation and the amount of revaluation appreciation shall be listed.

Note 3: the above figures after distribution should be filled in according to the resolution of the shareholders' meeting of the next year.

Note 4: if financial information is required to be corrected or revised by the competent authority, it shall be presented in the revised or revised figures, and the circumstances and reasons thereof shall be indicated: None.

4. Concise Profit and Loss Statement - IFRS (Individual)

Unit: NTD\$ Thousands of

Items \ Year	Financial Information for Latest Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating income	2,189,937	2,110,540	2,182,612	2,096,167	2,134,493
Operating margin	521,638	452,934	477,007	589,573	550,790
Operating profit and loss	70,814	29,667	178,812	280,598	240,918
Non-operating income and expenses	(1,036,476)	(274,651)	(106,439)	180,535	213,636
Pre-tax profit	(965,662)	(244,984)	72,373	461,133	454,554
Continuing business unit (Net profit of the period.)	(976,303)	(253,461)	10,891	371,601	362,015
Loss of the closed business unit	-	-	-	-	-
Current net profit (loss)	(976,303)	(253,461)	10,891	371,601	362,015
Other gains and losses for the current period (net after tax)	(93,804)	89,430	57,064	(90,769)	(193,413)
Total consolidated profit and loss for the period	(1,070,107)	(164,031)	67,955	280,832	168,602
Net profit is attributable to Owner of parent company	(976,303)	(253,461)	10,891	371,601	362,015
Net profit is attributable to non-controlled equities	-	-	-	-	-
The total consolidated profit and loss belongs to the owner of the parent company	(1,070,107)	(164,031)	67,955	280,832	168,602
Total consolidated gains and losses that are attributable to non-controlled equities	-	-	-	-	-
EPS	(2.94)	(0.76)	0.04	1.33	1.30

* If the Company prepares individual financial statements, it shall prepare a summary balance sheet and a comprehensive profit and loss statement for the last five years.

* In cases where IFRS financial information has been used for less than 5 years, financial information in accordance with ROC. Enterprise accounting standards shall be prepared separately.

Note 1: it is a financial report that has been certified or reviewed by an accountant.

Note 2: Loss of a discontinued unit is shown in the format of after deducting net income tax.

Note 3: If financial information is required to be corrected or revised by the competent authority, it shall be presented in the revised or revised figures, and the circumstances and reasons thereof shall be indicated: None.

(2) Names and comments of the visa accountant in the last five years

Year	Name of Accounting Firm	Name of Accountant	Audit opinion
2017	KPMG in Taiwan	Zhang Shu-Ying, Chen Jia-Xiu	No reserved opinion or other matters
2018	KPMG in Taiwan	Zhang Shu-Ying, Chen Jia-Xiu	No reserved opinion or other matters
2019	PWC Taiwan	Yang Ming-Jing, Xu Jian-Ye	No reserved opinion or other matters
2020	PWC Taiwan	Xu Jian-Ye, Wu Song-Yuan	No reserved opinion or other matters
2021	PWC Taiwan	Wu Song-Yuan, Xu Jian-Ye	No reserved opinion or other matters

2. Financial analysis of the last five years

1. Financial Analysis - IFRS (Consolidation)

Year (Note 1) Analysis Item (Note 3)		Financial analysis of the last five years					Up to the date of March 31st, 2022(Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt to assets ratio	44.81	44.35	43.56	43.79	46.27	45.08
	Ratio of long-term funds to real estate, plant and equipment	140.15	141.28	169.98	172.43	189.08	194.11
Solvency %	Current ratio	129.26	126.76	201.78	183.51	198.98	213.98
	Quick ratio	87.13	82.96	138.16	134.17	131.50	138.87
	Interest Coverage Ratio	(15.40)	(0.96)	(3.50)	16.85	17.75	16.71
Management ability	Receivables Turnover Rate (times)	5.12	4.88	4.80	4.43	4.97	4.91
	Average number of cash days	71	75	76	82	73	74
	Inventory turnover rate (times)	3.59	3.58	4.02	3.56	3.65	3.39
	Payable turnover rate (times)	8.32	8.41	9.40	9.00	9.38	9.11
	Average number of sales days	101	102	91	102	100	108
	Property, plant and equipment turnover (per unit)	1.67	1.63	1.57	1.41	1.60	1.7
	Total assets turnover ratio (times)	0.74	0.73	0.72	0.63	0.68	0.68
profitability	Return on assets (%)	(10.70)	(1.46)	2.76	7.76	7.27	1.78
	Return on equity (%)	(19.09)	(3.82)	3.64	12.91	12.43	3.07
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	(23.63)	(3.50)	8.81	22.44	27.21	6.72
	Net profit ratio (%)	(15.17)	(2.91)	2.82	11.51	10.09	9.76
	Earnings per share (yuan)	(2.94)	(0.76)	0.03	1.33	1.30	0.36
The cash flow	Cash Flow Ratio (%)	1.43	12.91	25.10	47.98	20.83	0.83
	Cash Flow Allowable Ratio (%)	111.28	75.73	74.86	82.36	66.33	80.85
	Cash Reinvestment Ratio (%)	(0.53)	2.55	3.28	7.71	1.46	0.13
Degree of leverage	Operating leverage	4.28	5.44	1.62	1.35	1.30	1.03
	Financial leverage	2.15	(3.30)	1.22	1.08	1.07	1.08
Please explain the reasons for the changes in financial ratios in the last two years. (If the change of increase or decrease is less than 20%, the analysis is exempted) 1. The ratio of net profit before tax to paid-in capital: our company implemented a capital reduction in January last year, with a ratio of 15.95%. 2. Cash flow ratio, cash reinvestment ratio: The main reason is that the inventory of our company in 2021 was higher than that in 2020 by 330 million, which made the net cash flow from operating activities lower than that in 2020.							

* If the Company has an individual financial report, it should prepare an individual financial ratio analysis of the Company separately.

* In cases where IFRS financial information has been used for less than 5 years, financial information in accordance with ROC. Enterprise accounting standards and shall be prepared separately.

2. Financial Analysis - IFRS (Individual)

Year (Note 1) Analysis Item (Note 3)		Financial analysis of the last five years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	50.39	53.09	48.73	51.00	52.95
	Ratio of long-term funds to real estate, plant and equipment	278.69	295.34	357.55	366.44	370.06
Solvency %	Current ratio	65.69	73.61	195.26	147.08	145.12
	Quick ratio	45.89	52.64	143.53	114.52	109.96
	Interest coverage Ratio	(41.19)	(7.83)	3.70	17.75	16.57
Management ability	Receivables Turnover Rate (times)	6.95	6.94	7.15	6.42	6.56
	Average number of cash days	52	53	51	55	56
	Inventory turnover rate (times)	4.50	4.63	5.51	4.77	4.35
	Payable turnover rate (times)	14.97	17.89	16.19	13.30	12.69
	Average number of sales days	81	79	66	76	84
	Property, plant and equipment turnover (per unit)	1.64	1.51	1.59	1.52	1.48
	Total assets turnover ratio (times)	0.37	0.37	0.40	0.36	0.34
profitability	Return on assets (%)	(16.08)	(4.84)	0.59	6.08	5.37
	Return on equity (%)	(28.74)	(9.23)	0.4	13.00	11.95
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	(29.06)	(7.37)	2.18	13.87	16.27
	Net profit ratio (%)	(44.58)	(12.01)	0.50	1.12	16.96
	EPS (NTD\$)	(2.94)	(0.76)	0.04	1.33	1.30
The cash flow	Cash Flow Ratio (%)	5.36	8.41	66.07	37.40	31.64
	Cash flow adequacy ratio (%)	118.55	108.47	99.89	134.72	123.57
	Cash Reinvestment Ratio (%)	0.66	2.19	6.14	5.61	3.10
Degree of leverage	Operating leverage	2.14	4.03	1.60	1.00	1.37
	Financial leverage	1.48	15.48	1.18	1.11	1.14
Please explain the reasons for the changes in financial ratios in the last two years. (If the change of increase or decrease is less than 20%, the analysis is exempted)						
1. Decrease in cash reinvestment ratio: mainly because our company issued cash dividends in 2021. 2. Increased operating leverage: The main reason is that the sales expenses and research and development expenses of our company in 2021 are higher than those in 2020, so the operating profit is lower than that in 2020.						

Note 1: It is a financial report that has been certified or reviewed by an accountant.

Note 2: A company that is listed or whose shares have been traded at the business premises of a securities firm as of the date of the publication of the annual report shall also have the most recent financial information that has been audited or reviewed by an accountant.

Note 3: At the end of this annual report, the following calculation formula should be given:

1. Financial structure

(1) Ratio of liabilities to assets = total liabilities/total assets.

(2) Ratio of Long-term Funds to Property, Plant and Equipment = (Total Equity + Non-current Liabilities)/Net Property, Plant and Equipment.

2. Solvency
 - (1) Current ratio = current assets/current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
 - (3) Interest coverage ratio = net profit before income tax and interest expense/current interest expense.
 3. Business operation ability
 - (1) The turnover rate of receivables (including accounts receivable and notes receivable arising from the operation) = the net sales/the average balance of accounts receivable (including accounts receivable and notes receivable arising from the operation) for each period.
 - (2) Average cash days = 365 / receivables turnover rate.
 - (3) Inventory turnover = cost of goods sold/average inventory.
 - (4) Turnover ratio of accounts payable (including accounts payable and notes payable for operations) = Cost of Goods Sold/balance of average accounts payable for each period (including accounts payable and notes payable for operations).
 - (5) Average sales days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales/average net property, plant and equipment.
 - (7) Total assets turnover = net sales/average total assets.
 4. Profitability
 - (1) Return rate on assets = (after-tax profit and loss + interest expense $\times$ (1-tax rate))/average total assets.
 - (2) Return on equity = after-tax profit and loss/average total equity.
 - (3) Net profit ratio = after-tax profit and loss/net sales.
 - (4) Earnings per share (EPS) = (profit and loss attributable to owner of parent company - dividend of special shares)/weighted average number of shares outstanding.(Note 4)
 5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
 - (2) Admissible ratio of net cash flow = net cash flow of operating activities in the last five years/recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross property, plant and equipment + long-term investments + other non-current assets + working capital).(5)
 6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses)/operating profit (Note 6).
 - (2) Financial leverage = operating interest/(operating interest - interest expense).
- Note 4: The above calculation formula of earnings per share shall be measured with special attention to the following:
1. Based on the Weighted Average Number of Common Shares, not on the number of shares outstanding at year-end.
 2. Any trader with a cash increase or Treasury share shall calculate the weighted average number of shares, taking into account the period in circulation.
 3. In the case of conversion of surplus to capital increase or conversion of capital reserve to capital increase, the calculation of earnings per share of previous years and semi-years shall be adjusted retroactively according to the proportion of capital increase, without taking into account the issuing period of such capital increase.
 4. If the Special Shares are non-convertible cumulative Special Shares, the current year dividend (whether paid or not) shall be deducted from the net profit after tax or increase the net loss after tax. If the special shares are non-cumulative, the dividend of the special shares shall be deducted from the net profit after tax if there is any net profit after tax; If it is a loss, no adjustment is required.
- Note 5: Cash flow analysis should be measured with special attention to the following:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
 2. Capital expenditure refers to the annual cash outflow from capital investments.
 3. The inventory increase is only taken into account when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it is taken into account as zero.
 4. Cash dividends include cash dividends of common shares and special shares.
 5. Real Estate, Plant and Equipment gross value means the total value of property, plant and equipment before accumulated depreciation.
- Note 6: the issuer shall classify the operating costs and expenses as fixed and variable by nature. If any of them involve estimates or subjective judgments, the issuer shall pay attention to their rationality and maintain consistency.
- Note 7: if the shares of the Company are in no face value or in face value other than NTD \$10 per share, the previous calculation of the paid-in capital ratio shall be based on the equity ratio attributable to the owner of the parent company in the balance sheet.

3. The Audit Committee report on the latest annual financial report

The Board of Auditors Report of Examination

The board of directors made and sent to the company business operation report of year 2021, financial statements (individual and consolidated financial statements) and surplus allocation proposal and other lists. After the review of audit committee and of other members, that there is no discrepancy, then according to the provisions of the Company Law in article 219, we prepared the report.

Please watch

Yours Faithfully,

Hwa Fong Rubber Ind. Co., Ltd Regular shareholders meeting 2022



Convenor of the Audit Committee:

Hong-Wen Tsai

The Republic of China, March 17, 2022

The latest annual individual financial report

Hwa Fong Rubber Industry Co. Ltd

Individual financial report

December 31, 2021 and December 31, 2020
(with audit report)

INDEPENDENT AUDITORS' REPORT

((2022) No. Financial Auditing-21004659((2022) No. Financial Auditing-21004659

The Board of Directors and Shareholders :

Hwa Fong Rubber Industrial Co., Ltd.

Opinion

We have audited the accompanying individual balance sheets of Hwa Fong Rubber Industrial Co., Ltd. as of December 31, 2021 and 2020, and the related individual consolidated statements of income, changes in equity, and cash flows for the years ended December 31, 2021 and 2020, and the related individual notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (see Other Matters), the financial statements referred to above present fairly, in all material respects, the financial position of Hwa Fong Rubber Industrial Co., Ltd. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021 and 2020, in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibility under those standards is further described in the paragraph of our responsibility to audit the individual financial statements. We believe that the staff of the firm to which we belong are independent in accordance with the ROC Code of Ethics for Accountants, and we have fulfilled our responsibilities under that Code. We believe that we have obtained sufficient and appropriate evidence to provide a basis for our audit opinion.

Key Audit Matters

Key auditing matters are those matters that, in our professional judgment, are most significant in relation to our audit of the financial statements of Hwa Fong Rubber Industrial Co., Ltd. These matters have been considered in the process of examining the financial statements taken as a whole and forming an opinion thereon.

The key audited items in the individual financial statements for fiscal 2021 are as follows :

Evaluation of allowance for losses on accounts receivable

Matter Description

Please refer to Note 4(9) to the financial statements for the accounting policies of accounts receivable; Note 5(2) to the financial statements for the accounting estimates and assumption uncertainties of accounts receivable; and Note 6(4) to the financial statements for the accounting entries of accounts receivable. As of December 31, 2021, accounts receivable and allowance for doubtful accounts amounted to NT\$209,465,000 and NT\$1,813,000, respectively.

Hwa Fong Rubber Industrial Co., Ltd. sells its products through distributors in various regions. The financial condition of the distributors will affect the collectability of accounts receivable. Since the impact of accounts receivable on the overall financial statements is significant, and the allowance for losses on accounts receivable is measured based on the expected credit risk loss over the ongoing period, the measurement process requires appropriate grouping of accounts receivable and judgment and analysis of the application of relevant assumptions in the measurement process, including the consideration of appropriate aging ranges and loss rates for each aging range. The measurement results affect net accounts receivable. Therefore, we consider the evaluation of accounts receivable to be one of the most important matters for this year's audit.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. Obtain the expected loss rates calculated by management based on historical and forward-looking information for similar credit risk groups in order to assess the reasonableness of the accounts receivable provision.
2. Verify the correctness of the aging report used by Hwa Fong Rubber Industrial Co., Ltd to evaluate the accounts receivable to confirm that the reported information is consistent with its policies.
3. To test the collectability of accounts receivable by sampling the post-period cash collections.
4. For accounts that are past due and uncollectible, to understand the customer's historical payment status, the availability of collaterals and other repayment ability in order to assess the adequacy of the allowance for losses provided by management.

Evaluation of allowance for losses on inventories

Matter Description

Please refer to Note 4(11) to the financial statements for the accounting policy of inventory valuation; Note 5(2) to the financial statements for the accounting estimates and assumption uncertainties of inventory valuation; and Note 6(5) to the financial statements for the description of inventory accounting. As of December 31, 2021, the inventory and allowance for impairment loss were NT\$388,467,000 and NT\$24,996,000, respectively.

Hwa Fong Rubber Industrial Co., Ltd.'s inventories are measured at cost and net realizable value. An allowance for impairment loss is provided for inventories that are older than a specified period and for inventories that are individually identified as obsolete based on the degree of inventory depletion. As inventories are subject to fluctuations in international raw material prices and market supply and demand, raw material costs and product selling prices may fluctuate significantly, resulting in a higher risk that the net realizable value of inventories will fall below the carrying value and become stagnant. Due to the diversity of product models, the evaluation of obsolete inventory

items and the net realizable value used in the valuation of such items often involves subjective judgments and is therefore subject to a high degree of estimation uncertainty. As the aforementioned issues also exist in the subsidiaries held by Hwa Fong Rubber Industrial Co., Ltd. which are accounted for as investments under the equity method, we consider the valuation of the allowance for impairment loss on inventories to be one of the most significant matters to be audited during the year.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. To understand the operating and industrial characteristics of Hwa Fong Rubber Industrial Co., Ltd. and evaluate the reasonableness of the valuation loss of its allowance for inventories and the reasonableness of the provisioning policy adopted.
2. To review its annual inventory plan and participate in annual inventory counts to assess the effectiveness of management's control of obsolete and damaged stock.
3. To verify the correctness of the inventory ageing statement used by Hwa Fong Rubber Industrial Co., Ltd. to confirm that the information in the statement is consistent with its policies.
4. To obtain a statement of the net realizable value of each item of inventory, confirm that the logic of its calculation is consistently applied, test the information on which the net realizable value of inventory is estimated, including verification of supporting documents such as selling prices and purchase prices, and recalculate and assess the reasonableness of the valuation of inventories.

The equity method of investment in property, plant and equipment is impaired.

Matter Description

Please refer to Note 4(15) to the individual financial statements for a description of the accounting policy for impairment of non-financial assets of investments accounted for using the equity method and Note 6(6) to the individual financial statements for a description of accounting for investments accounted for using the equity method.

Hwa Fong Rubber (China) Company Limited (hereinafter referred to as China Hwa Fong), a reinvestment business of Hwa Fong Rubber Industrial Co., Ltd., and Hwa Fong Rubber (Suzhou) Company Limited (hereinafter referred to as Suzhou Hwa Fong) have been facing high competition in their respective industries in recent years.

Due to the restriction on production and sales as a result of the environmental protection law in the PRC, the financial statements of China Hwa Fong and Suzhou Hwa Fong showed a loss in fiscal 2021, and there were signs of impairment on property, plant and equipment. As the equity-method investment is a subsidiary of Hwa Fong Rubber Industrial Co., Ltd. and the carrying amount is significant, we consider the assessment of impairment to be one of the most significant matters in our

audit for the year.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. To understand the reasonableness of the process of estimating future cash flows for each cash-generating unit on which management's evaluation of asset impairment is based.
2. Discussing with management the reasonableness of the future operating forecasts for China Hwa Fong and Suzhou Hwa Fong and comparing them with historical results ◦
3. For property and plant, to obtain the market value of transactions in the vicinity and assess the reasonableness of the management's use of fair value less costs to sell as the recoverable amount.
4. For the machinery and equipment section, the evaluation report commissioned by the appraisal management from an external appraisal company contains the following procedures
 - (1) The expert's qualifications and expertise in the relevant field and his or her independence and competence.
 - (2) The purpose and scope of the review of the expert's opinion and that the measurement methods used are commonly used in the industry.
 - (3) To check the setting of the parameters and formulae of the evaluation model.
 - (4) To assess the reasonableness of the material assumptions used in the model.

Other Matters – Reference to other accountants' audit

The financial statements of certain equity-method investees included in Hwa Fong Rubber Industrial Co., Ltd.'s individual financial statements, which are prepared under a different financial reporting framework, have not been audited by us, but by other auditors in accordance with different auditing standards. We conducted our audits in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations and Interpretations issued by the Financial Supervisory Commission (FSC), as modified by the conversion of the financial statements of these equity-method investees to conform to IFRSs and IASs, as endorsed by the FSC and effective for publication. Accordingly, our opinion on the financial statements of those investees accounted for using the equity method is based on the reports of other auditors and additional auditing procedures performed in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and relevant provisions of auditing standards generally accepted in the Republic of China. The equity method investments in these investees amounted to NT\$808,677,000 and NT\$768,818,000 for the years ended December 31, 2021 and 2020, respectively, representing 12.5% and 12.49% of the total individual assets. The Company's consolidated profit and loss for the years ended December 31, 2021 and 2020 were NT\$41,772,000 and NT\$14,176,000, respectively, representing 24.78% and 5.05% of the consolidated profit and loss.

Management's and Governance's Responsibility for the Financial Statements

The responsibility of management is to prepare financial statements that give a fair view in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and to maintain such internal control relevant to the preparation of financial statements as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management's responsibility also includes assessing the ability of Hwa Fong Rubber Industrial Co., Ltd. to continue as a going concern, the disclosure of related matters, and the basis of accounting for going concern, unless management intends to liquidate Hwa Fong Rubber Industrial Co., Ltd. or to cease operations, or there is no practical alternative to liquidation or cessation of operations.

The governing body (including the Audit Committee) of Hwa Fong Rubber Industrial Co., Ltd. has the responsibility to oversee the financial reporting process.

Accountant's Responsibility for Auditing Financial Statements

The objective of our audit is to obtain reasonable assurance about whether, taken as a whole, there are material misstatements in the financial statements that are attributable to fraud or error and to issue a report thereon. Reasonable assurance is a high degree of assurance, but an audit performed in accordance with generally accepted auditing standards in the Republic of China does not provide assurance that material misstatements in the individual financial statements will be detected. An untrue statement may be the result of fraud or error. An inaccuracy is considered material if the amount or aggregation of the individual elements of the inaccuracy could reasonably be expected to affect the economic decisions made by the users of the individual financial statements.

We conducted our audit in accordance with generally accepted auditing standards in the Republic of China, using our professional judgement and maintaining professional doubt. We also performed the following work :

1. Identify and assess the risks of material misstatement of individual financial statements, whether due to fraud or error; to design and perform appropriate responses to those risks assessed; and to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of detecting a material misstatement due to error because the fraud may involve conspiracy, forgery, intentional omission, misstatement or a breach of internal control.
2. Obtain such understanding of the internal control relevant to the audit as is necessary to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Hwa Fong Rubber Industrial Co., Ltd.
3. Evaluate the appropriateness of the accounting policies used by management and the reasonableness of the accounting estimates and related disclosures made.
4. Based on the evidence obtained, we draw conclusions about the appropriateness of management's adoption of the going concern basis of accounting and about whether there is any material uncertainty about events or conditions that might cast significant doubt about Hwa Fong

Rubber Industrial Co., Ltd.'s ability to continue as a going concern. If we believe that there is a material uncertainty about those events or circumstances, we should draw the attention of users of the individual financial statements to the relevant disclosures in the audit report or revise our audit opinion if those disclosures are inappropriate. Our conclusion is based on the audit evidence available to us as of the date of the audit report. However, future events or circumstances may cause Hwa Fong Rubber Industrial Co., Ltd. to cease to be able to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the related notes, and whether the individual financial statements present fairly the relevant transactions and events.
6. We obtained sufficient and appropriate evidence to form an opinion on the financial information of Hwa Fong Rubber Industrial Co., Ltd. We are responsible for directing, supervising and performing the audit of individual cases and for forming an opinion on the individual financial statements.

We communicate with the governance entity regarding the scope and timing of the planned audit and significant audit findings, including significant deficiencies in internal control identified in the course of the audit.

We also provide the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Accountants in the Republic of China with respect to independence, and communicate with the governing body about all relationships and other matters (including related safeguards) that could be considered to affect the accountant's independence.

We have determined the key audit issues for the audit of Hwa Fong Industrial Co., Ltd.'s individual financial statements for 2021 from our communications with the governing bodies. We identified those matters in our auditor's report, except where disclosure of specific matters is not permitted by law or, in rare circumstances, we decided not to communicate specific matters in our auditor's report because we could reasonably expect that the negative effect of such communication would outweigh the public interest that would be served.

PWC Taiwan

WU,SUNG-YUANWU,SUNG-YUAN

CPA:

HSU,CHIEN-YEHHSU,CHIEN-YEH

Financial Supervisory Commission
Certified Registration No. :

Financial-Supervisory-Securities-Auditing- 1050035683
Financial-Supervisory-Securities-Auditing- 1090350620
Financial Supervisory Commission
Certified Registration No. :
Financial-Supervisory-Securities-Auditing- 1050035683
Financial-Supervisory-Securities-Auditing- 1090350620

March 17, 2022March 17, 2022

Hwa Fong Rubber Industrial Co., Ltd
Individual Balance Sheets
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

ASSETS		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 500,992	8	\$ 354,541	6
1136	Financial assets at fair value through P/L - current amortized cost	6(3)及&8	83,394	1	147,289	2
1150	Notes receivable, net	6(4)	39,613	1	30,383	1
1170	Accounts receivable, net	6(4)	207,652	3	191,680	3
1180	Accounts receivable - related parties, net	7	72,705	1	104,519	2
1200	Other receivables		4,687	-	5,652	-
1210	Other receivables - related parties	7	227,295	3	210,534	3
130X	Inventory	6(5)	363,471	6	300,888	5
1470	Other current assets	7	17,602	-	14,027	-
11XX	Total current assets		1,517,411	23	1,359,513	22
Non-current assets						
1517	Financial assets at fair value through other comprehensive income or loss - non-current	6(2)	227,897	3	-	-
1535	Financial assets measured at amortized cost - non-current	6(3)&8	142,160	2	223,113	4
1550	Investments accounted for using the equity method	6(6)	2,947,256	46	3,017,764	49
1600	Property, plant and equipment	6(7) &8	1,465,953	23	1,426,963	23
1755	Right-of-use assets	6(8)	3,707	-	6,414	-
1840	Deferred income tax assets	6(24)	122,001	2	71,211	1
1900	Other non-current assets	6(26) &8	44,154	1	48,391	1
15XX	Total non-current assets		4,953,128	77	4,793,856	78
1XXX	Total assets		\$ 6,470,539	100	\$ 6,153,369	100

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd
Individual Balance Sheets
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

LIABILITIES AND EQUITY		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
CURRENT ASSETS						
2100	Short-term borrowings	6(9) &8	\$ 561,932	9	\$ 497,612	8
2110	Short-term notes payable	6(10)	49,979	1	49,966	1
2130	Contractual liabilities - current	6(18)	17,930	-	18,499	-
2170	Accounts Payable		142,476	2	101,489	2
2180	Accounts payable - related parties	7	2,161	-	3,566	-
2200	Other payables	6(11)	129,611	2	118,678	2
2220	Other payables - related parties	7	178	-	115	-
2230	Current income tax liabilities		25,991	-	48,155	1
2280	Lease liabilities - current	6(8)	2,444	-	3,055	-
2320	Long-term liabilities due within one year or one business cycle	6(12)	84,527	1	59,527	1
2399	Other current liabilities - other	6(18) &8	28,388	1	23,674	-
21XX	Total current liabilities		1,045,617	16	924,336	15
2540	Long-term loans	6(12)&8	1,347,997	21	1,235,073	20
2570	Deferred income tax liabilities	6(24)	259,207	4	219,118	3
2580	Lease liabilities - non-current	6(8)	1,372	-	3,421	-
2640	Net defined benefit liabilities - non-current	6(13)	41,938	1	47,183	1
2650	Loans from investments accounted for using the equity method	6(6)	702,746	11	670,184	11
2670	Other non-current liabilities - other		27,552	-	38,905	1
25XX	Total non-current liabilities		2,380,812	37	2,213,884	36
2XXX	Total liabilities		3,426,429	53	3,138,220	51
Equity						
Share Capital						
3110	Common stock capital	6(14)	2,793,492	43	3,323,492	54
Capital Surplus						
3200	Capital Surplus	6(15)	37,290	1	37,256	1
Retained earnings						
3310	Legal surplus reserve	6(16)	21,456	-	-	-
3320	Special surplus reserve		70,030	1	-	-
3350	Undistributed earnings (deficit to be covered)		270,793	4	(388,079)	(6)
Other equity						
3400	Other equity	6(17)	(148,951)	(2)	42,480	-
3XXX	Total equity		3,044,110	47	3,015,149	49
Significant Contingent Liabilities and Unrecognized Contractual Commitments						
9						
3X2X	Total liabilities and equity		\$ 6,470,539	100	\$ 6,153,369	100

The accompanying notes to the individual financial statements form part of these individual financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd
Individual Statements of Comprehensive Income
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000
(Except for earnings per share of NTD)

	Item	Note	2021		2020	
			Amount	%	Amount	%
4000	Operating Income	6(18) & 7	\$ 2,134,493	100	\$ 2,096,167	100
5000	Operating Costs	6(5)(23)	(1,583,703)	(74)	(1,506,594)	(72)
5900	Gross profit		550,790	26	589,573	28
5920	Realized gain (loss) on sales		10,432	-	(183)	-
5950	Net operating profit		561,222	26	589,390	28
	Operating expenses	6(23) & 7				
6100	Marketing expenses		(138,787)	(6)	(125,093)	(6)
6200	Management Fees		(142,679)	(7)	(148,518)	(7)
6300	Research and development expenses		(38,838)	(2)	(34,924)	(2)
6450	Expected credit impairment loss	12(2)	-	-	(257)	-
6000	Total operating expenses		(320,304)	(15)	(308,792)	(15)
6900	Operating profit		240,918	11	280,598	13
	Non-operating income and expenses					
7100	Interest income	6(19)	1,177	-	6,857	-
7010	Other income	6(20) & 7	65,501	3	75,267	4
7020	Other gains and losses	6(21)	(26,121)	(1)	(31,994)	(2)
7050	Finance costs	6(22)	(29,203)	(1)	(27,534)	(1)
7070	Share of profits and losses of subsidiaries, affiliated companies and joint ventures recognized under the equity method	6(6)				
			202,282	9	157,939	8
7000	Total non-operating income and expenses		213,636	10	180,535	9
7900	Net profit before tax		454,554	21	461,133	22
7950	Income tax expense	6(24)	(92,539)	(4)	(89,532)	(4)
8200	Net profit for the period		\$ 362,015	17	\$ 371,601	18

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd
Individual Statements of Comprehensive Income
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000
(Except for earnings per share of NTD)

	Item	Note	2021		2020	
			Amount	%	Amount	%
	Other comprehensive income (net)					
	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit obligation	6(13)	(\$ 2,478)	-	(\$ 4,127)	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income		(22,083)	(1)	-	-
8330	Share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method - not reclassified to profit or loss		(1,632)	-	425	-
8349	Income tax relating to items that are not reclassified	6(24)	496	-	825	-
8310	Total amount of items not reclassified to profit or loss		(25,697)	(1)	(2,877)	-
	Items that may be reclassified subsequently to profit or loss					
8380	Share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method - possible reclassification to profit or loss		(209,645)	(10)	(109,865)	(6)
8399	Income tax relating to items that may be reclassified	6(24)	41,929	2	21,973	1
8360	Total amount of items that may be reclassified subsequently to profit or loss		(167,716)	(8)	(87,892)	(5)
8300	Other comprehensive income (net)		(\$ 193,413)	(9)	(\$ 90,769)	(5)
8500	Total comprehensive profit or loss for the current period		\$ 168,602	8	\$ 280,832	13
	Basic EPS	6(25)				
9750	Basic EPS		\$ 1.30		\$ 1.33	
	Diluted EPS	6(25)				
9850	Diluted EPS		\$ 1.29		\$ 1.33	

The accompanying notes to the individual financial statements form part of these individual financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd
Individual Statements of Changes in Equity
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

		Retained earnings				Other Benefits		
							Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
	Note	Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Total Equity
<u>2 0 2 0</u>								
Balance at 1 January 2020		\$ 3,323,492	\$ 36,954	\$ -	\$ -	(\$ 754,094)	\$ 164,623	(\$ 34,676) \$ 2,736,299
Net profit for the year 2020		-	-	-	-	371,601	-	- 371,601
Other comprehensive profit or loss for the period	6(17)	-	-	-	-	(3,302)	(87,892)	425 (90,769)
Total comprehensive income for the period		-	-	-	-	368,299	(87,892)	425 280,832
Changes in affiliates recognized under the equity method	6(15)	-	302	-	-	(2,284)	-	- (1,982)
Balance on December 31, 2020		\$ 3,323,492	\$ 37,256	\$ -	\$ -	(\$ 388,079)	\$ 76,731	(\$ 34,251) \$ 3,015,149
<u>2 0 2 1</u>								
Balance at 1 January 2021		\$ 3,323,492	\$ 37,256	\$ -	\$ -	(\$ 388,079)	\$ 76,731	(\$ 34,251) \$ 3,015,149
Net profit for 2021		-	-	-	-	362,015	-	- 362,015
Other comprehensive profit or loss for the period	6(17)	-	-	-	-	(1,982)	(167,716)	(23,715) (193,413)
Total comprehensive profit or loss for the period		-	-	-	-	360,033	(167,716)	(23,715) 168,602
Capital reduction to cover losses	6(14)	(530,000)	-	-	-	530,000	-	- -
Changes in affiliates recognized under the equity method	6(15)	-	34	-	-	-	-	- 34
Appropriation and distribution of earnings for the first half of fiscal 2021	6(16)							
Legal reserve		-	-	21,456	-	(21,456)	-	- -
Special reserve		-	-	-	70,030	(70,030)	-	- -
Balance as of December 31, 2021		-	-	-	-	(139,675)	-	- (139,675)
Balance on 1 January 2021		\$ 2,793,492	\$ 37,290	\$ 21,456	\$ 70,030	\$ 270,793	(\$ 90,985)	(\$ 57,966) \$ 3,044,110

The accompanying notes to the individual financial statements form part of these individual financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd.
Individual Statements of Cash Flows
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
<u>Cash flows from operating activities</u>			
Net profit before tax for the period		\$ 454,554	\$ 461,133
Adjustments			
Profit and loss items			
Depreciation expense	6 (7) (8)	99,094	103,684
Amortization expense	(23)	134	148
Expected credit impairment loss	6(23)	-	257
Gain on disposal of property, plant and equipment	12(2)	(920)	(1,033)
Share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method	6(21)	(202,282)	(157,939)
Interest expense	6(6)	29,203	27,534
Interest income	6 (22)	(1,177)	(6,857)
Realized loss (gain) on sales		(10,432)	183
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Notes receivable, net		(9,230)	594
Accounts receivable (including related parties)		15,842	(35,914)
Inventories		(62,583)	(25,050)
Other receivables (including related parties)		(15,796)	(16,038)
Tax refund receivables		-	28,010
Other current assets		(2,150)	15,417
Net change in liabilities related to operating activities			
Contractual liabilities - current		(569)	7,571
Notes payable		-	(2,313)
Accounts payable (including related parties)		39,582	(14,190)
Other payables		17,377	18,562
Net defined benefit liabilities		(7,722)	(7,784)
Other current liabilities		4,714	(1,420)
Cash inflows from operations		347,639	394,555
Dividends received		94,109	46,427
Interest received		1,177	6,857
Interest paid		(29,092)	(27,461)
Income tax paid		(82,979)	(74,687)
Net cash inflow from operating activities		330,854	345,691
<u>Cash flows from investing activities</u>			
Acquisition of investments accounted for using the equity method		-	(147,883)
Acquisition of property, plant and equipment	6(26)	(137,826)	(173,226)
Disposal of property, plant and equipment		-	797
Increase (decrease) in refundable deposits		671	(7,987)
Acquisition of financial assets measured at amortized cost		-	(269,757)
Disposal of financial assets measured at amortized cost		144,848	-
Acquisition of financial assets at fair value through other comprehensive income or loss		(249,980)	-
Net cash outflow from investing activities		(242,287)	(598,056)
<u>Cash flows from financing activities</u>			
Movement in short-term borrowings	6 (27)	64,320	264,188
Borrowings of long-term loans	6 (27)	646,190	67,900
Repayment of long-term borrowings	6 (27)	(509,826)	(33,395)
Change in short-term bills payable	6 (27)	-	49,966
Principal repayments on leases	6 (27)	(3,125)	(2,799)
Cash dividends paid	6 (16)(27)	(139,675)	-
Net cash inflow from financing activities		57,884	345,860
Current cash and cash equivalents additions		146,451	93,495
Balance of cash at the beginning of the period and cash equivalents		354,541	261,046
Balance of cash at the end of the period		\$ 500,992	\$ 354,541

The accompanying notes to the individual financial statements form part of these individual financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd
Notes to the Individual Financial Statements
2021 and 2020

Unit: NT\$1,000
(Unless otherwise specified)

1. Company History

Hwa Fong Rubber Industrial Co., Ltd (hereinafter referred to as "The Company") was established on May 27, 1959 with the approval of the Ministry of Economic Affairs. The main business of the Company is the manufacture, processing, domestic and foreign sales, import and export of rubber and plastic products.

2. Date and procedure for approval of financial statements

This individual financial report was approved for publication by the Board of Directors on March 17, 2022.

3. Application of newly issued and revised standards and interpretations

(1) Effect of adopting newly issued and amended IFRSs endorsed by the Financial Supervisory Commission ("FSC")

The following table summarizes the newly issued, amended and revised IFRSs recognized by the FSC for the year 2021 and the explanations :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Effective date of issuance</u>
Amendments to IFRS 4 'Temporary Exemption from the Extension of IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Phase II "Changes in Interest Rate Indicators	January 1, 2021
Amendments to IFRS 16, "New Coronavirus Pneumonia-Related Rent Reductions after June 30, 2021	April 1, 2021(Note)

Note: The FSC allowed the early application on January 1, 2021.

The Company has evaluated that the above standards and explanations do not have a significant impact on The Company's financial status and financial performance.

(2) Effect of newly issued and amended IFRSs not yet adopted by the FSC

The following table summarizes the new, amended and revised IFRSs and explanations of IFRSs approved by the FSC for 2022 :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Releases</u>
Amendments to IFRS 3, "Indexing the Conceptual Framework	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Value before reaching Intended Use".	January 1, 2022
Amendments to IAS 37, "Loss-making Contracts - Costs of Performing Contracts".	January 1, 2022
Annual Improvements for the 2018-2020 Cycle	January 1, 2022

The Company has evaluated that the above standards and explanations do not have a significant impact on the company's financial status and financial performance.

(3) Effect of international financial reporting standards issued by the IASB but not yet endorsed by the FSC

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRSs that have been issued by the IASB but not yet incorporated into IFRSs endorsed by the FSC :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Releases</u>
Amendments to IFRS 10 and IAS 28 "Disposal of or Contribution to Assets between an Investor and its Affiliates or Joint Ventures	To be decided by the IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts	January 1, 2023
Amendments to IFRS 17 "First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Current or Non-current Classification of Liabilities"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

The Company has evaluated that the above standards and interpretations do not have a significant impact on our financial status and financial performance.

4. Summary of significant accounting policies

The major accounting policies used in the preparation of these individual financial statements are described below. Unless otherwise stated, these policies have been applied consistently throughout the reporting period.

(1) Compliance Statement

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

(2) Preparation Basis

1. The individual financial statements have been prepared on a historical cost basis, except for the following important items :
 - (1) Financial assets measured at fair value through other comprehensive income or loss measured at fair value.
 - (2) Defined benefit liabilities are recognized as pension fund assets less the net present value of the defined benefits liability.
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretative Pronouncements (hereinafter referred to as IFRSs) as endorsed by the FSC requires the use of certain critical accounting estimates. The application of the Company's accounting policies also requires management to exercise its judgment, and items involving a higher degree of judgment or complexity, or items involving significant assumptions and estimates in the individual financial statements are described in Note 5.

(3) Foreign currency exchange

The Company is measured using the currency of the primary economic environment in which we operate (i.e., the functional currency). These individual financial statements are presented in the New Taiwan dollar, which is our functional currency, as the presentation currency. °

1. Foreign currency transactions and balances
 - (1) Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction or measurement date, and the resulting translation differences are recognized in profit or loss for the period.
 - (2) The balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period.
 - (3) The balances of non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are recognized in profit or loss for the current period; those measured at fair value through other comprehensive income are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are recognized in other comprehensive income; those not measured at fair value are measured at the historical exchange rates at the date of initial transactions.
 - (4) All exchange gains and losses are reported in "Other gains and losses" in the income statement.
2. Exchange of foreign operating institutions
 - (1) The results of operations and financial status of all subsidiaries, affiliates and joint agreements with a functional currency different from the presentation currency are exchanged into the presentation currency in the following methods :
 - A. Assets and liabilities expressed in each balance sheet are exchanged at the closing rate on that balance sheet date ;

- B. The gains and losses shown in each consolidated statement of income are exchanged at average exchange rates for the period; and
 - C. All exchange differences resulted from the exchange are recognized as other comprehensive income.
- (2) When a foreign operation partially disposed of or sold is an affiliate or a joint agreement, the exchange differences under other comprehensive income or loss are reclassified proportionately to profit or loss as part of the gain or loss on disposal. When the Company loses significant influence over a foreign operating entity that is an affiliate or loses joint control over a foreign operating entity that is a joint agreement even though the Company retains a portion of the interest in the former affiliate or joint agreement, the disposal is treated as a disposal of the entire interest in the foreign operating entity.
 - (3) When a foreign operating entity partially disposed of or sold is a subsidiary, the cumulative translation differences recognized in other comprehensive income or loss are re-attributed to the non-controlling interest in the foreign operating entity on a pro rata basis. However, when the Company loses control over a foreign operating entity that is a subsidiary even though it retains a portion of its interest in the former subsidiary, it is treated as a disposal of its entire interest in the foreign operating entity.
- (4) Classification standard of assets and liabilities into current and non-current
- 1. Assets are classified as current assets if one of the following conditions is qualified :
 - (1) The asset is expected to be realized in the normal business cycle or is intended to be sold or consumed.
 - (2) Those that are held primarily for trading purposes.
 - (3) Expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or cash equivalents, except for those that are restricted from being exchanged or used to settle liabilities for at least twelve months after the balance sheet date.

The Company classifies all assets that do not qualify as above as non-current.
 - 2. Liabilities are classified as current liabilities if one of the following conditions is qualified :
 - (1) Those that are expected to be settled in the normal business cycle.
 - (2) Held primarily for trading purposes.
 - (3) Expected to be settled within 12 months after the balance sheet date.
 - (4) The maturity date cannot be unconditionally extended to at least twelve months after the balance sheet date. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counterparties, do not affect the classification.

The Company classifies all liabilities that do not qualify as above as non-current.
- (5) Cash equivalents
- Cash equivalents are short-term, highly liquid investments that are readily convertible to a fixed amount of cash with minimal risk of changes in value.
- (6) Financial assets at fair value through profit or loss
- 1. Investments in debt instruments that are not held-for-trading are recognized in other comprehensive income at the time of initial recognition as an irrevocable election, or as an investment in debt instruments that qualify for the following conditions :
 - (1) The financial assets are held under the operating model for the purpose of collecting

contractual cash flows and selling them.

- (2) The contractual terms of the financial assets generate cash flows on specific dates solely for the payment of principal and interest on the outstanding principal amount.
2. The Company uses trade date accounting for financial assets measured at fair value through other comprehensive income or loss that qualify for trading practice.
3. The Company measures its fair value plus transaction costs at the time of initial recognition and subsequently at fair value :
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss and is reclassified to retained earnings. Dividend income is recognized in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow and the amount of the dividends can be measured reliably.
 - (2) Changes in the fair value of debt instruments are recognized in other comprehensive income. Prior to derecognition, impairment losses, interest income and foreign currency exchange gains or losses are recognized in profit or loss, and upon derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

(7) Financial assets measured at amortized cost

1. It means that the following conditions are qualified at the same time :
 - (1) The financial assets are held under an operating model whose objective is to collect the contractual cash flows.
 - (2) The contractual terms of the financial assets generate cash flows on specific dates solely for the payment of principal and interest on the outstanding principal amount.
2. The Company uses trade date accounting for financial assets that are measured at amortized cost in accordance with the trading practice.
3. The Company measures interest income at its fair value plus transaction costs on initial recognition and subsequently recognizes interest income and impairment loss over the liquidity period using the effective interest method under the amortization procedure, and recognizes its gain or loss in profit or loss when derecognized.
4. Time deposits that do not qualify as cash equivalents are measured at the amount invested because of the short holding period and the effect of discounting is not significant.

(8) Accounts and notes receivable

1. The term refers to accounts and notes that have the unconditional right to receive the consideration for the transfer of goods or services in accordance with the contract.
2. Short-term accounts and notes receivable that are not interest-bearing are measured at the original invoice amount because the effect of discounting is not significant.

(9) Impairment of financial assets

At each balance sheet date, for investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, an allowance for losses is provided for at the 12-month expected credit loss amount if the credit risk has not increased significantly since initial recognition, taking into account all reasonable and probable information (including forward-looking information); an allowance for losses is provided for at the expected credit loss amount over the remaining period if the credit risk has increased

significantly since initial recognition; and an allowance for losses is provided for at the expected credit loss amount over the remaining period for accounts receivable that do not contain significant financial components.

(10) Derecognition of financial assets

Financial assets are derecognized when the Company's contractual rights to receive cash flows from the financial assets lapse.

(11) Inventory

Inventories are measured at the lower of cost or net realizable value, with cost determined by the weighted-average method. The cost of finished goods and work in process includes raw materials, direct labor, other direct costs and production-related manufacturing costs (apportioned to normal production capacity) but excludes borrowing costs. The lower of cost or net realizable value is determined on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to be incurred to completion and related variable selling expenses.

(12) Investments accounted for using the equity method - subsidiaries

1. A subsidiary is an entity (including a structured entity) that is controlled by the Company and is controlled by the Company when the Company is exposed to, or has rights to, variable compensation from its participation in the entity and has the ability to affect such compensation through its power over the entity.
2. Unrealized gains or losses resulting from transactions between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary to conform to the policies adopted by the Company.
3. The Company recognizes its share of the profit or loss of a subsidiary in the current period and its share of other comprehensive income or loss after the acquisition. If the Company's share of losses recognized in a subsidiary equals or exceeds its interest in that subsidiary, the Company continues to recognize losses in proportion to its ownership.
4. Changes in ownership of subsidiaries that do not result in a loss of control (transactions with non-controlling interests) are treated as equity transactions, i.e., as transactions with owners. The difference between the amount of the adjustment of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
5. When the Company loses control of a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and recognized as the fair value of the originally recognized financial asset or the cost of the originally recognized investment in a related party or joint venture, and the difference between the fair value and the carrying amount is recognized in profit or loss for the period. For all amounts previously recognized in other comprehensive income or loss related to the subsidiary, the accounting treatment is the same as if the Company had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income or loss would be reclassified to profit or loss upon disposal of the related assets or liabilities, the gain or loss is reclassified from equity to profit or loss when control over the subsidiary is lost.
6. In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income or loss for the current period in the individual financial statements should be the same as the apportionment of profit or loss and other comprehensive income or loss attributable to

the owners of the parent company in the financial statements prepared on a consolidated basis, and the owners' equity in the individual financial statements should be the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis.

(13) Property, plant and equipment

1. Property, plant and equipment are recorded at acquisition cost and the related interest is capitalized during the period of purchase and construction.
2. Subsequent costs are included in the carrying amount of an asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced portion should be excluded. All other maintenance costs are recognized in profit or loss as incurred.
3. Property, plant and equipment are subsequently measured at cost, except for land, which is not depreciated, and are depreciated on a straight-line basis over their estimated useful lives. If the components of property, plant and equipment are significant, they are depreciated separately.
4. The Company reviews the residual value, useful life and depreciation method of each asset at the end of each financial year. If the expected value of the residual value and useful life differs from previous estimates, or if there is a significant change in the expected pattern of consumption of future economic benefits embodied in the asset, the change is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The useful lives of each asset are as follows :

Land improvements : 8-15 years

House and building : 1 ~ 50 years

Machinery and equipment : 1~20 years

Test equipment : 7~20 years

Transportation equipment : 5 years

Office equipment : 1~10 years

(14) Lessee's lease transactions - right-of-use assets/lease liabilities

1. Leased assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the Company. When a lease contract is a short-term lease or a lease of a low-value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities are recognized at the present value of the outstanding lease payments at the commencement date of the lease, discounted at the Company's incremental borrowing rate, which is a fixed benefit, less any lease incentives that may be received.

Subsequent interest expense is provided for under the amortized cost method over the term of the lease. When non-contractual modifications result in changes to the lease term or lease payments, the lease liability is re-evaluated and the re-measurement is adjusted to the right-of-use asset.
3. Right-of-use assets are recognized at cost at the inception date of the lease and the cost

includes :

- (1) Original measurement amount of lease liabilities ;
- (2) Any lease payments made on or before the Inception Date ;
- (3) Any original direct costs incurred ;

Subsequent depreciation is provided on the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, measured using the cost model. When a lease liability is re-evaluated, the right-of-use asset is adjusted for any remeasurement of the lease liability.

(15) Impairment of non-financial assets

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value of an asset less its cost of disposal or its value in use. When the impairment loss recognized in prior years does not exist or decreases, the impairment loss is reversed, provided that the carrying amount of the asset increased by the reversed impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

(16) Loans

1. These are long- and short-term borrowings from banks. The Company measures the amount at fair value less transaction costs on initial recognition and subsequently recognizes interest expense in profit or loss over the liquidity period using the effective interest method for any difference between the redemption price and the redemption value, net of transaction costs.
2. When it is probable that a portion or all of a line of credit will be drawn down, the fee is recognized as a transaction cost of the borrowing and is deferred until the expense is incurred and recognized as an adjustment to the effective interest rate; when it is not probable that a portion or all of a line of credit will be drawn down, the fee is recognized as an upfront payment and is amortized over the period to which the line of credit relates.

(17) Accounts and notes payable

1. Debt arising from the purchase of raw materials, goods or services on credit and bills payable arising from operating and non-operating activities are referred to as debt.
2. Short-term accounts payable and notes that are not interest-bearing are discounted because the effect of discounting is not significant and the Company measures the amount of the original invoice.

(18) Derecognition of financial liabilities

When the Company's obligations under the contracts are fulfilled, cancelled or expired, the Company's financial liabilities are not recognized.

(19) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pension

(1) Confirmation of the contribution plan

For defined contribution plans, the amount to be contributed to the pension fund is recognized as pension cost on an accrual basis in the current period. Prepaid contributions are recognized as assets to the extent that they are refundable in cash or reduce future benefits.

(2) Defined benefit plans

A. The net obligation under the defined benefit plans is calculated by discounting the amount of future benefits earned by employees for current or past service to the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The net defined benefit obligation is calculated annually by the actuary using the projected unit benefit method. The discount rate is determined by reference to market yields on high quality corporate bonds at the balance sheet date that correspond to the currency and period of the defined benefit plan or, in countries where there is no deep market for high quality corporate bonds, by using market yields on government bonds (at the balance sheet date).

B. Re-measurement arising from defined benefit plans is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

3. Remuneration of employees and remuneration of directors and supervisors.

Employee compensation and remuneration to directors and supervisors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual allotment amount subsequently resolved differs from the estimated amount, the difference is treated as a change in accounting estimate. In addition, the number of shares used for employee compensation is calculated based on the closing price on the day before the date of the board of directors' resolution.

(20) Income tax

1. Income tax expense consists of current and deferred income taxes. Income taxes are recognized in profit or loss, except when they relate to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.
2. The Company calculates current income taxes based on the tax rates enacted or substantively enacted at the balance sheet date in the countries in which the Company operates and generates taxable income. Management periodically evaluates the status of income tax returns with respect to applicable income tax regulations and, when applicable, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Income tax on undistributed earnings is recognized in the year following the year in which the earnings are generated, based on the actual distribution of earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax liabilities arising from goodwill originally recognized are not recognized. Deferred income tax is not recognized if it arises from the original recognition of an asset or liability in a transaction (other than a business combination) that, at the time of the transaction, did not affect accounting profit or taxable income (tax loss). Temporary differences arising

from investments in subsidiaries and affiliated companies are not recognized if the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) that are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled, based on legislation or substantively enacted at the balance sheet date.

4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and the unrecognized and recognized deferred income tax assets are reassessed at each balance sheet date.
5. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and there is an intention to settle or realize the assets and liabilities simultaneously on a net basis; deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and the deferred income tax assets and liabilities are incurred by the same taxable entity or by different taxable entities that intend to settle or realize the assets and liabilities simultaneously on a net basis.
6. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the unused tax credits can be utilized, and the portion of unused tax credits arising from equity investments is carried forward to future periods.

(21) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or stock options are recorded as a reduction of price in equity, net of income taxes.

(22) Dividend distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders resolve to distribute the dividends, and cash dividends are recognized as a liability.

(23) Revenue Recognition

1. The Company manufactures and sells rubber and plastic products. Sales revenue is recognized when control of the products is transferred to the customer, i.e., when the products are delivered to the customer, the customer has discretion over the access and price of the products sold, and the Company has no outstanding performance obligations that may affect the customer's acceptance of the products. Delivery of merchandise occurs when the product is delivered to the designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product in accordance with the sales contract or when there is objective evidence that all acceptance standards have been satisfied.
2. Sales revenue from the sale of rubber and plastic products is recognized at contract prices, net of estimated discounts and price reductions. Sales discounts and price reductions to customers are generally based on 12-month cumulative sales volume. The Company estimates sales discounts and price reductions based on historical experience and recognizes revenue only to the extent that it is highly probable that there will be no material reversal in the future, and updates its estimates at each balance sheet date. The estimated discounts and price reductions on sales related to

sales as of the balance sheet date are recognized as refundable liabilities. The collection terms of sales transactions are usually due 30 ~ 90 days after the shipment date. The Company does not adjust the transaction price to reflect the time value of money because the time lag between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year.

3. Accounts receivable are recognized when the merchandise is delivered to the customer because the Company has an unconditional right to the contract price from that point onward and only requires the passage of time to receive the consideration from the customer.

(24) Government Subsidy

Government subsidies are recognized at fair value when there is reasonable assurance that the enterprise will comply with the conditions attached to the government subsidy and that the subsidy will be received. If the nature of the government subsidy is to compensate the Company for expenses incurred, the government subsidy is recognized in profit or loss on a systematic basis in the period in which the related expenses are incurred.

5. Significant accounting judgments, estimates and key sources of assumption uncertainty

The Company has used its management's judgment in determining the accounting policies to be used in the preparation of these individual financial statements and has made accounting estimates and assumptions that are based on reasonable expectations of future events under the circumstances prevailing at the balance sheet date. Significant accounting estimates and assumptions made that may differ from actual results are continually evaluated and adjusted, taking into account historical experience and other factors. These estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Please refer to the following descriptions of significant accounting judgments, estimates and assumptions that are uncertain :

(1) Important judgments in the adoption of accounting policies

No such situation.

(2) Important Accounting Estimates and Assumptions

1. Evaluation of Accounts Receivable

For the evaluation of accounts receivable, the Company uses the risk of default and the expected loss rate as the basis for assessing the allowance for losses on accounts receivable with respect to counter-parties and considers historical experience to determine the assumptions to be used in calculating impairment and the input values to be selected. The valuation of accounts receivable is based on the credit risk of the counter-parties in a particular period in the future and is subject to significant changes.

As of December 31, 2021, the carrying amount of the Company's accounts receivable was \$207,652,000.

2. Evaluation of Inventory

Because inventories are stated at the lower of cost or net realizable value, the Company must use judgment and estimates to determine the net realizable value of inventories at the balance sheet date. Due to rapid technological changes, the Company evaluates the amount of inventory at the balance sheet date due to normal wear and tear, obsolescence or lack of marketable value, and reduces the cost of inventory to net realizable value. This inventory valuation is primarily based on sales order prices and is subject to significant change.

As of December 31, 2021, the carrying amount of the Company's inventories was \$363,471,000.

3. Investment impairment assessment using the equity method

When there is an indication that an investment accounted for using the equity method may be impaired to the extent that the carrying amount is not recoverable, the Company assesses the impairment of the investment. The Company assesses the recoverable amount based on the discounted value of the expected future cash flows of the investee and analyzes the reasonableness of the related assumptions.

Hwa Fong Rubber (China) and Hwa Fong Rubber (Suzhou), investment businesses of Hwa Fong Rubber Ind. Co., Ltd. has faced high competition in its own industries in recent years, and was restricted by China's environmental protection laws since 2019, production has been restricted and sales have been affected, therefore financial statements showed losses, leading to signs of impairment in the real estate, plant and equipment of Hwa Fong China and Suzhou, which in turn means the investments using the equity method of may have impaired book value which cannot be recovered.

As of December 31, 2021, the carrying amount of the Company's investments accounted for under the equity method was \$2,947,256,000.

6. Description of significant accounting items

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 113	\$ 112
Check Deposit and Demand Deposit	<u>500,879</u>	<u>354,429</u>
Total	<u>\$ 500,992</u>	<u>\$ 354,541</u>

1. The credit quality of the Company's financial institutions and the Company's dealings with various financial institutions to diversify its credit risk are expected to be low.
2. The Company classifies time deposits with original maturities of more than three months as "financial assets measured at amortized cost - current" as described in Note 6(3).
3. The Company's restricted deposits required for long-term and short-term loans and purchase performance guarantee are reported under "Financial assets measured at amortized cost - non-current" as described in Notes 6(3) and 8.

(2) Financial assets measured at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Items :		
Equity Tools		
Unlisted, OTC, Emerging Stocks	\$ 440	\$ 440
Evaluation adjustment	<u>(440)</u>	<u>(440)</u>
Total	<u>\$ -</u>	<u>\$ -</u>
Non-current items :		
Equity Tools		
Private placement of stocks by listed counter	\$ 249,980	\$ -

companies		
Evaluation adjustment	(22,083)	-
Total	<u>\$ 227,897</u>	<u>\$ -</u>

1. The Company has elected to classify its equity investments in strategic investments as financial assets measured at fair value through other comprehensive income, which have a fair value of \$227,897,000 and \$0 as of December 31, 2021 and 2020, respectively.
2. The breakdown of financial assets at fair value through other comprehensive income or loss recognized in profit or loss and comprehensive income or loss is as follows :

	<u>2021</u>	<u>2020</u>
<u>Equity instruments measured at fair value</u> <u>through other comprehensive income or loss</u>		
Changes in fair value recognized in other comprehensive income	<u>(\$ 22,083)</u>	<u>\$ -</u>

3. Without considering the collaterals held or other credit enhancements, the amount of financial assets held at fair value through other comprehensive income that best represents the Company's maximum exposure to credit risk was \$227,897,000 and \$0 of December 31, 2021 and 2020, respectively.
4. For information on the credit risk of financial assets measured at fair value through other comprehensive income, please refer to Note 12(2).

(3) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Items :		
Time Deposit (over 3 months)	\$ 83,394	\$ 3,400
Restricted Time Deposits	<u>-</u>	<u>143,889</u>
Total	<u>\$ 83,394</u>	<u>\$ 147,289</u>
Non-current items :		
Restricted Time Deposit	\$ 26,250	\$ 12,250
Restricted demand deposits	<u>115,910</u>	<u>210,863</u>
Total	<u>\$ 142,160</u>	<u>\$ 223,113</u>

1. Without considering the collaterals held or other credit enhancements, the amount of financial assets most representative of the Company's exposure to credit risk, measured at amortized cost, was \$225,554,000 and \$370,402,000 as of December 31, 2021 and 2020, respectively.

2. The Company provides pledges of financial assets measured at amortized cost as collaterals, please refer to Note 8.
3. The Company recognized interest income of \$947,000 and \$1,034,000 in fiscal 2021 and 2020, respectively, on financial assets carried at amortized cost.
4. Please refer to Note 12(2) for information on the credit risk of financial assets measured at amortized cost.

(4) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 39,695	\$ 30,465
Less: Allowance for losses	(82)	(82)
	<u>\$ 39,613</u>	<u>\$ 30,383</u>
Accounts receivable	\$ 209,465	\$ 193,750
Less: Allowance for losses	(1,813)	(2,070)
	<u>\$ 207,652</u>	<u>\$ 191,680</u>

1. The aging analysis of accounts receivable and notes receivable is as follows :

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Not overdue	\$ 191,770	\$ 39,695	\$ 183,259	\$ 30,416
Within 90 days	16,835		9,617	49
91-120 days	856	-	617	-
121-180 days	2	-	-	-
181-365 days	2	-	257	-
More than one year	-	-	-	-
	<u>\$ 209,465</u>	<u>\$ 39,695</u>	<u>\$ 193,750</u>	<u>\$ 30,465</u>

The above is an aging analysis based on the number of days past due.

2. The balances of accounts receivable and notes receivable as of December 31, 2021 and 2020 were generated from customer contracts, and the balance of receivables from customer contracts as of January 1, 2020 was \$191,623,000.
3. As of December 31, 2021 and 2020, the Company had \$37,387,000 and \$45,236,000 of notes and accounts receivable, respectively, which were secured by real estate and certificates of deposit provided by customers. In evaluating these receivables, the Company has considered the recoverability of the receivables and the recoverable amount of the collaterals and recorded an allowance for loss accordingly.
4. Without considering the collateral held or other credit enhancements, the amount that best represents the maximum exposure to credit risk for the Company's notes and accounts receivable as of December 31, 2021 and 2020, respectively, is the carrying amount of each class of notes and accounts receivable.
5. Please refer to Note 12(2) for the related credit risk information of accounts receivable and notes receivable.

(5) Inventory

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 144,580	(\$ 2,905)	\$ 141,675
In-process products	31,566	(100)	31,466
Finished goods	203,029	(18,269)	184,760
Merchandise Inventory	8,649	(3,722)	4,927
Inventory in transit	643	-	643
Total	<u>\$ 388,467</u>	<u>(\$ 24,996)</u>	<u>\$ 363,471</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 157,215	(\$ 17,639)	\$ 139,576
In-process products	28,725	(349)	28,376
Finished goods	134,885	(15,334)	119,551
Merchandise Inventory	7,288	(4,639)	2,649
Inventory in transit	10,736	-	10,736
Total	<u>\$ 338,849</u>	<u>(\$ 37,961)</u>	<u>\$ 300,888</u>

The Company recognized the cost of inventories as expense in the current period. :

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 1,587,890	\$ 1,460,535
(Reversal of gain) loss on decline in value of inventories	(12,965)	21,398
Less allocation of fixed manufacturing costs	9,661	25,798
Inventory losses	482	137
Proceeds from sale of underlay	(1,365)	(1,274)
	<u>\$ 1,583,703</u>	<u>\$ 1,506,594</u>

In fiscal 2021, the Company recognized a decrease in cost of goods sold due to an increase in the net realizable value of inventories as a result of the write-down of some of the inventories for which a decline in value had been recorded.

(6) Investments accounted for using the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries :		
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 1,452,635	\$ 1,535,571
HWA FONG RUBBER (U.S.) CO., LTD	691,241	650,993
HWA FONG (VIKING) HOLDINGS CO., LTD.	444,073	466,246
CHINA HWA FONG ENTERPRISE CO., LTD.	195,459	199,777

HWA FONG RUBBER (WEST COAST) CO., LTD	29,208	28,533
HWA FONG RUBBER (SUZHOU) CO., LTD	17,204	18,819
HWA FONG RUBBER (SINGAPORE) CO., LTD	(3,712)	(439,881)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(85,835)	(77,364)
HWA FONG RUBBER (CHINA) CO., LTD	(65,607)	(59,132)
HWA FONG RUBBER (HONG KONG) CO., LTD	(547,592)	(93,807)
INALWAYS CORPORATION	<u>117,436</u>	<u>117,825</u>
	2,244,510	2,347,580
Add: The balance of long-term equity investments accounted for using the equity method was transferred to non-current liabilities.	<u>702,746</u>	<u>670,184</u>
	<u>\$ 2,947,256</u>	<u>\$ 3,017,764</u>

1. For information on the Company's subsidiaries, please refer to Note 4(3) to the Company's consolidated financial statements for the year 2021.

2. The breakdown of the share of investment income or loss recognized using the equity method is as follows:

<u>Investee companies</u>	<u>Investment (loss) income</u>	
	<u>2021</u>	<u>2020</u>
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 200,446	\$ 193,564
HWA FONG RUBBER (U.S.) CO., LTD	59,267	47,227
HWA FONG (VIKING) HOLDINGS CO., LTD.	(13,872)	58,868
CHINA HWA FONG ENTERPRISE CO., LTD.	(3,439)	7,740
HWA FONG RUBBER (WEST COAST) CO., LTD	1,495	107
HWA FONG RUBBER (SUZHOU) CO., LTD	(1,470)	4,227
HWA FONG RUBBER (SINGAPORE) CO., LTD	221	(19,659)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(9,052)	(37,679)
HWA FONG RUBBER (CHINA) CO., LTD	(6,919)	(28,800)
HWA FONG RUBBER (HONG KONG) CO., LTD	(25,969)	(68,285)
INALWAYS CORPORATION	<u>1,574</u>	<u>629</u>
	<u>\$ 202,282</u>	<u>\$ 157,939</u>

The above-mentioned share of income or loss of subsidiaries recognized under the equity method of investment is based on the audited financial statements of each investee company for the same period.

(7) Property, plant and equipment

	<u>January 1 ~ December 31, 2021</u>				
	<u>Opening balance</u>	<u>Addition of this period</u>	<u>Current Disposition</u>	<u>Transfer of current period</u>	<u>Ending Balance</u>
Cost					
Land	\$ 770,278	\$ 93,610	\$ -	\$ -	\$ 863,888
Land Improvements	8,873	-	-	-	8,873
Building and Construction	502,534	450	(5,264)	3,145	500,865
Machinery and Equipment	1,223,784	26,770	(70,470)	13,624	1,193,708
Test Equipment	98,550	260	(391)	-	98,419
Transportation Equipment	26,260	950	(4,274)	-	22,936
Office Equipment	21,972	200	(13,719)	-	8,453
Unfinished work and equipment to be tested	<u>5,928</u>	<u>-</u>	<u>-</u>	<u>(4,097)</u>	<u>1,831</u>
	<u>\$ 2,658,179</u>	<u>\$ 122,240</u>	<u>(\$ 94,118)</u>	<u>\$ 12,672</u>	<u>\$ 2,698,973</u>
Accumulated depreciation					
Land Improvements	(\$ 5,360)	(\$ 531)	\$ -	\$ -	(\$ 5,891)
Building and construction	(322,099)	(8,853)	5,264	-	(325,688)
Machinery and equipment	(802,161)	(74,673)	70,470	-	(806,364)
Testing equipment	(69,174)	(5,816)	391	-	(74,599)
Transportation equipment	(14,787)	(4,232)	4,274	-	(14,745)
Office Equipment	<u>(17,635)</u>	<u>(1,817)</u>	<u>13,719</u>	<u>-</u>	<u>(5,733)</u>
	<u>(\$ 1,231,216)</u>	<u>(\$ 95,922)</u>	<u>\$ 94,118</u>	<u>\$ -</u>	<u>(\$ 1,233,020)</u>
	<u>\$ 1,426,963</u>				<u>\$ 1,465,953</u>

	<u>January 1 ~ December 31, 2020</u>				
	<u>Opening balance</u>	<u>Addition of this period</u>	<u>Current Disposition</u>	<u>Transfer of current period</u>	<u>Ending Balance</u>
Cost					
Land	\$ 711,346	\$ 58,932	\$ -	\$ -	\$ 770,278
Land Improvements	8,873	-	-	-	8,873
Building and construction	445,325	58,819	(1,610)	-	502,534
Machinery and Equipment	1,255,159	42,875	(96,651)	22,401	1,223,784
Test Equipment	104,436	5,915	(11,801)	-	98,550
Transportation Equipment	26,390	4,125	(4,255)	-	26,260
Office Equipment	25,899	374	(4,301)	-	21,972
Unfinished work and equipment to be tested	<u>8,063</u>	<u>-</u>	<u>-</u>	<u>(2,135)</u>	<u>5,928</u>
	<u>\$ 2,585,491</u>	<u>\$ 171,040</u>	<u>(\$ 118,618)</u>	<u>\$ 20,266</u>	<u>\$ 2,658,179</u>
Accumulated depreciation					
Land Improvements	(\$ 4,803)	(\$ 557)	\$ -	\$ -	(\$ 5,360)
Building and construction	(315,184)	(8,525)	1,610	-	(322,099)
Machinery and equipment	(819,319)	(79,163)	96,321	-	(802,161)
Testing equipment	(74,712)	(6,263)	11,801	-	(69,174)
Transportation equipment	(15,059)	(3,983)	4,255	-	(14,787)
Office Equipment	<u>(19,500)</u>	<u>(2,436)</u>	<u>4,301</u>	<u>-</u>	<u>(17,635)</u>
	<u>(\$ 1,248,577)</u>	<u>(\$ 100,927)</u>	<u>\$ 118,288</u>	<u>\$ -</u>	<u>(\$ 1,231,216)</u>
	<u>\$ 1,336,914</u>				<u>\$ 1,426,963</u>

1. Amount of property, plant and equipment loan costs capitalized and interest rate range :

	<u>January 1 ~ December 31, 2021</u>	<u>January 1 ~ December 31, 2020</u>
Capitalization Amount	\$ <u>63</u>	\$ <u>213</u>
Capitalization Rate Range	<u>1.57%</u>	<u>1.69%</u>

2. The Company purchased the land in Zhenan Section and Shangmei Section of Dacun Township adjacent to the factory to prepare for the expansion of the factory, which is agricultural land and cannot be transferred to the Company yet. The Company has entered into a contract with them to transfer ownership at any time depending on the legal requirements, and the land in question has been pledged to the Company. As of December 31, 2021, the details of the agricultural land that has not been transferred are as follows :

Place code	Area(square meter)
Shangmei Section 39, Dacun Township	270.49
Shangmei Section 40, Dacun Township	2,237.58

As a result of the former Chairman's personal lawsuit, the above-mentioned land in Shangmei Section 39 and 40 was seized and registered by the Civil Enforcement Office of Changhua District Court, Litigation is currently in progress, please refer to Note 9(1) for the progress.

3. For information on guarantees provided by property, plant and equipment, please refer to Note 8.

(8) Lease transaction - Tenant

1. The subject assets of the Company's leases include land, buildings, buses and multifunctional machines. The lease agreements usually have a term of 1 to 13 years. The leases are individually negotiated and contain various terms and conditions, with no restrictions other than that the leased assets cannot be used as collateral for loans.
2. The Company leases dormitories and buses for a period not exceeding 12 months, and leases multifunctional machines, which are low-value subject assets.
3. The carrying value of the right-of-use assets and the depreciation expense recognized were as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 352	\$ 388
Transportation Equipment (Utility Vehicle)	<u>3,355</u>	<u>6,026</u>
	<u>\$ 3,707</u>	<u>\$ 6,414</u>
	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 35	\$ 35
Transportation Equipment (Utility Vehicle)	<u>3,137</u>	<u>2,722</u>
	<u>\$ 3,172</u>	<u>\$ 2,757</u>

4. The additions to the Company's right-of-use assets amounted to \$465,000 and \$5,742,000 in fiscal 2021 and 2020, respectively.

5. Information on the profit and loss items related to lease contracts is as follows :

	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 106	\$ 115
Fees under short-term lease contracts	1,134	1,465
Charges for leases of low-value assets	<u>326</u>	<u>333</u>
	<u>\$ 1,566</u>	<u>\$ 1,913</u>

6. The Company's total lease cash outflows for fiscal 2021 and 2020 were \$4,691,000 and \$4,712,000, respectively

(9) Short-term loans

<u>Nature of loan</u>	<u>December 31, 2021</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Guaranteed Loans	\$ 20,438	0.9%	Land, plant and equipment
Credit Loan	510,000	1.11%~1.40%	None
Purchase Loan	<u>31,494</u>	0.96%~1.27%	None
	<u>\$ 561,932</u>		

<u>Nature of loan</u>	<u>December 31, 2020</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Guaranteed Loans	\$ 11,640	0.89%~0.91%	Land, plant and equipment
Credit Loan	430,000	1.05%~1.40%	None
Purchase Loan	<u>55,972</u>	1.05%~1.47%	None
	<u>\$ 497,612</u>		

1. The interest expense recognized in profit or loss was \$5,467,000 and \$5,255,000 in fiscal 2021 and 2020, respectively.

2. The above secured loans with banks are secured by property, plant and equipment, as described in Note 8.

(10) Short-term notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial promissory notes	\$ 50,000	\$ 50,000
Less: Discount on commercial promissory notes payable	(<u>21</u>)	(<u>34</u>)

Total	<u>\$ 49,979</u>	<u>\$ 49,966</u>
Issuance rate	<u>1.20%</u>	<u>1.20%</u>

As of December 31, 2021 and 2020, the above short-term notes payable are guaranteed to be issued by China Bills Finance Corporation.

(11) Other accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 63,253	\$ 61,964
Compensation payable to employees	13,573	-
Remuneration to directors and supervisors	9,049	-
Taxes payable	1,467	1,437
Equipment payable	3,502	9,982
Repair and maintenance expenses payable	6,949	14,037
Packaging costs payable	7,099	4,889
Interest payable	1,483	1,372
Other payables	23,236	24,997
	<u>\$ 129,611</u>	<u>\$ 118,678</u>

(12) Long-term loans

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank Guaranteed Syndicated Loans	Interest is payable monthly from July 15, 2019 to July 15, 2024 with principal repaid semi-annually	1.80%	Property, plant, equipment and demand deposits	\$ 974,700
Bank Guaranteed Loans	Interest is payable monthly from September 13, 2018 to September 13, 2023 with principal repaid every three months	1.52%	Property, plant and equipment	202,500
Bank Guaranteed Loans	Monthly interest payments and principal repayments from March 31, 2020 to March 31, 2035	1.53%	Property, plant and equipment	59,979
Bank Guaranteed Loans	Interest is payable monthly from April 14, 2021 to April 14, 2024, with principal repayment on the due date	1.40%	Property, plant and equipment	46,190
Bank Guaranteed Loans	Interest is payable monthly from July 13, 2021 to July 13, 2024 with principal repayment on the due date.	1.10%	NONE	150,000
Less: Hosting fee				(845)

	1,432,524
Less: Long-term loans due within one year or one business cycle	(84,527)
	<u>\$ 1,347,997</u>

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Bank Guaranteed Syndicated Loans	Interest is payable monthly and principal is repaid semi-annually from July 15, 2019 to July 15, 2024	1.80%	Property, plant, equipment and demand deposits	\$ 1,000,000
Bank Guaranteed Loans	Interest is payable monthly from September 13, 2018 to September 13, 2023 with principal repaid every three months	1.52%	Property, plant and equipment	232,500
Bank Guaranteed Loans	Monthly interest payments and principal repayments from March 31, 2020 to March 31, 2035	1.53%	Property, plant and equipment	64,505

Less: Hosting fee	(2,405)
	1,294,600
Less: Long-term loans due within one year or one business cycle	(59,527)
	<u>\$ 1,235,073</u>

1. On June 3, 2019, the Company entered into a syndicated loan agreement for \$1,800,000 thousand with Land Bank Co., Ltd. as the host bank and Land Bank Co., Ltd. as the administrative bank to repay the existing loans and to increase operating fund. The above joint loan agreement includes, among other provisions, the following restrictions: to file annual consolidated audited financial reports audited by an accountant during the term of the joint loan, and to maintain the financial ratios agreed by both parties, with the following financial ratios :

- (1) Current ratio (current assets/current liabilities): greater than or equal to 100%.
- (2) Debt-to-equity ratio (total liabilities/tangible net worth): less than or equal to 200%
- (3) Net tangible assets (total equity - intangible assets): Greater than or equal to \$3,000,000,000.

2. The Company is required to comply with certain financial ratios, such as current ratio, debt-to-equity ratio and tangible net worth, at the end of the year in accordance with the terms of the joint credit agreement, as of December 31, 2021, the Company has not violated any of the above terms.
3. The above syndicated loans and secured loans with banks are secured by property, plant and equipment and demand deposits, as described in Note 8.

(13) Pension

- 1.(1) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees with years of service prior to the implementation of the Labor Standards Law on July 1, 2005, and to employees who

choose to continue to be subject to the Labor Standards Law after the implementation of the Labor Standards Law. For employees who are eligible for retirement, pension payments are based on the length of service and the average salary for the six months prior to retirement, with two basis points for each year of service up to and including 15 years and one basis point for each year of service in excess of 15 years, subject to a maximum accumulation of 45 basis points. The Company contributes monthly 2% of salaries and wages to a pension fund, which is deposited in the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, the Company estimates the balance of the pension fund before the end of each year, and if the balance is not sufficient to pay the aforementioned amount of pension benefits to eligible employees in the following year, the Company will make a lump-sum withdrawal of the difference before the end of March of the following year.

(2) The amounts recognized in the balance sheet were as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 89,706	\$ 94,486
Fair value of plan assets	(47,768)	(47,303)
Net defined benefit obligation	<u>\$ 41,938</u>	<u>\$ 47,183</u>

(3) The changes in the net defined benefit obligation were as follows :

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 94,486	(\$ 47,303)	\$ 47,183
Current service cost	1,359	-	1,359
Interest expense (income)	<u>709</u>	<u>(381)</u>	<u>328</u>
	<u>96,554</u>	<u>(47,684)</u>	<u>48,870</u>
Re-measuring number :			
Compensation on planned assets (excluding amounts included in interest income or expenses)	-	(456)	(456)
Experience Adjustment	<u>2,934</u>	<u>-</u>	<u>2,934</u>
	<u>2,934</u>	<u>(456)</u>	<u>2,478</u>
Contribute to retirement funds	-	(8,315)	(8,315)
Payment of pensions	(9,782)	<u>8,687</u>	<u>(1,095)</u>
December 31	<u>\$ 89,706</u>	<u>(\$ 47,768)</u>	<u>\$ 41,938</u>

	<u>2020</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 96,785	(\$ 45,946)	\$ 50,839
Current service cost	1,440	-	1,440

Interest expense (income)	<u>968</u>	<u>(513)</u>	<u>455</u>
	<u>99,193</u>	<u>(46,459)</u>	<u>52,734</u>
Re-measuring number :			
Compensation on planned assets (excluding amounts included in interest income or expenses)	-	(1,489)	(1,489)
Effect of changes in demographic assumptions	2,479	-	2,479
Experience Adjustment	<u>3,137</u>	<u>-</u>	<u>3,137</u>
	<u>5,616</u>	<u>(1,489)</u>	<u>4,127</u>
Contribute to retirement funds	-	(7,075)	(7,075)
Payment of pensions	<u>(10,323)</u>	<u>7,720</u>	<u>(2,603)</u>
December 31	<u>\$ 94,486</u>	<u>(\$ 47,303)</u>	<u>\$ 47,183</u>

- (4) The assets of the Company's defined benefit pension plan are entrusted to the Bank of Taiwan in accordance with Article 6 of the Regulations Governing the Custody and Use of Labor Pension Fund (i.e., deposit with domestic and foreign financial institutions, investment in domestic and foreign listed, over-the-counter or private placement equity securities, and investment in domestic and foreign real estate securitization products) within the proportion and amount of the entrusted items set forth in the annual investment and utilization plan of the fund. The use of the fund is supervised by the Labor Pension Fund Supervisory Committee. The minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the interest rate of two-year time deposits in local banks, and if there is any deficiency, it shall be replenished by the national treasury after approval by the competent authority. As the Company does not have the authority to participate in the operation and management of the fund, the fair value of plan assets cannot be disclosed in accordance with paragraph 142 of IAS 19. The fair value of the total assets constituting the fund as of December 31, 2021 and 2020, please refer to the annual reports on the use of the labor pension fund announced by the government.
- (5) The actuarial assumptions related to pensions are summarized as follows :

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.75%</u>	<u>0.75%</u>
Rate of Future Salary Increase	<u>2.00%</u>	<u>2.00%</u>

The assumptions for future mortality are based on published statistics and experience in each country.

An analysis of the present value of the defined benefit obligation as a result of changes in the key actuarial assumptions used is as follows :

<u>Discount rate</u>	<u>Rate of Future Salary Increase</u>		
<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>

December 31, 2021

Effect on the present value of defined benefit obligations	<u>(\$ 2,030)</u>	<u>\$ 2,106</u>	<u>\$ 8,701</u>	<u>(\$ 7,688)</u>
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December 31, 2020

Effect on the present value of defined benefit obligations	<u>(\$ 2,479)</u>	<u>\$ 2,583</u>	<u>\$ 10,750</u>	<u>(\$ 9,321)</u>
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The sensitivity analysis above analyzes the effect of changes in a single assumption with other assumptions held constant. In practice, changes in many assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The methodology and assumptions used to compile the sensitivity analysis in this period are the same as those used in the previous period.

(6) The Company expects to contribute of \$8,315,000 to the retirement plan in fiscal 2022.

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 12.1 years. An analysis of the maturity of pension payments is as follows :

Less than 1 year	\$ 38,479
1-2 years	14,108
2-5 years	18,826
More than 5 years	12,433
	\$ 83,846

2.(1) The Company has established a defined contribution retirement plan under the Labor Pension Act effective July 1, 2005, which is applicable to domestic employees. The Company and its domestic subsidiaries pay monthly contributions of 6% of salaries to employees' personal accounts at the Labor Insurance Bureau for employees who choose to be covered by the labor pension system under the Labor Pension Act.

(2) The Company recognized pension costs of \$13,417,000 and \$13,745,000 in fiscal 2021 and 2020, respectively, based on the above pension plan.

(14) Share capital

1. The Company's paid-in capital was NT\$2,793,492,000 with a par value of NT\$10 per share and 279,349,000 shares outstanding as of December 31, 2021. The Company has received payment for all issued shares.

A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and end of the period (in thousands) is as follows :

	<u>2021</u>	<u>2020</u>
January 1	332,349	332,349
Less: Capital reduction to cover losses	<u>(53,000)</u>	<u>-</u>
December 31	<u>279,349</u>	<u>332,349</u>

2. The Company resolved at the shareholders' meeting on December 9, 2020 to reduce capital to eliminate accumulated losses of NT\$530,000 thousand and to cancel 53,000 thousand shares of common stock with a par value of NT\$10 per share, representing a capital reduction of 15.95%, in order to improve the financial structure. The capital reduction was approved by the competent authority on January 12, 2021, and the change of registration was completed on February 26, 2021.

(15) Capital Surplus

In accordance with the Company Law, capital surplus from the issuance of shares in excess of par value and capital surplus from gifts may be used to offset losses, and new shares or cash may be issued in proportion to the shareholders' original shares when the Company has no accumulated losses. In accordance with the Securities and Exchange Act, the total amount of the above capital surplus shall not exceed 10% of the paid-in capital each year. The Company may not use capital surplus to replenish capital unless there is a shortfall in capital surplus to cover capital deficit.

	<u>2021</u> <u>Changes in net</u> <u>equity of affiliated</u> <u>companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 36,981	\$ 275	\$ 37,256
Recognition of changes in equity in affiliates based on shareholding	<u>34</u>	<u>-</u>	<u>34</u>
December 31	<u>\$ 37,015</u>	<u>\$ 275</u>	<u>\$ 37,290</u>
	<u>2020</u> <u>Changes in net</u> <u>equity of affiliated</u> <u>companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 36,679	\$ 275	\$ 36,954
Recognition of changes in equity in affiliates based on shareholding	<u>302</u>	<u>-</u>	<u>302</u>
December 31	<u>\$ 36,981</u>	<u>\$ 275</u>	<u>\$ 37,256</u>

(16) Retained earnings

1. In accordance with the Company's Articles of Incorporation, 10% of the legal reserve shall be set aside in addition to the profits tax and prior years' losses, if there is any surplus in the annual final accounts, except when the legal reserve has reached the Company's paid-in capital. In addition, if there is any remaining balance after the appropriation of the special reserve according to the Company's operating needs and laws and regulations, the remaining balance shall be added to the undistributed earnings of the previous year and the Board of Directors shall prepare a proposal for distribution and submit it to the shareholders for resolution. The Board of Directors shall prepare a proposal for the distribution of earnings, and the total amount of dividends to shareholders shall be 20% to 90% of the accumulated distributable earnings, of which cash dividends shall not be less than 10% of the total dividends to shareholders.
2. If the Company makes a profit in a year, it shall set aside not less than 2% as compensation to employees and not more than 5% as compensation to directors, but shall reserve the amount to cover accumulated losses in advance. Remuneration to employees in the form of stock or cash and remuneration to directors in the form of cash shall be made by a resolution of the board of directors with two-thirds of the directors present and a majority

of the directors present, and shall be reported to the shareholders. The aforementioned employee compensation in the form of stock or cash includes employees of subordinate companies who meet certain criteria and whose conditions are approved and authorized by the board of directors.

3. The legal reserve may not be used except to cover losses or to issue new shares or cash in proportion to the shareholders' original shares, provided that the amount of such reserve shall exceed 25% of the paid-in capital.
4. When distributing earnings, the Company is required by law to set aside a special reserve for the debit balance of other equity items as of the balance sheet date, and if the debit balance of other equity items is subsequently reversed, the reversed amount may be included in available-for-distribution earnings.
- 5.(1) The Company's board of directors resolved on March 20, 2020 not to distribute earnings due to the accumulated deficit for the year 2019, which was recognized by the shareholders' meeting on June 12, 2020.
(2) The Company's board of directors resolved on March 18, 2021 not to distribute earnings due to the accumulated deficit for fiscal 2020, and the resolution was approved by the shareholders' meeting on July 22, 2021.
6. In accordance with the amendment to the Articles of Incorporation approved by the shareholders' meeting on July 22, 2021, the appropriation of earnings or loss can be made after the end of each semi-annual fiscal year.
7. The Board of Directors resolved the distribution of the Company's semi-annual earnings for the year 2021 as follows :

	<u>2nd half of 2021</u>	<u>1st half year 2021</u>
Date of Board Resolution	March 17, 2022	August 12, 2021
Legal reserve	\$ 14,547	<u>\$ 21,456</u>
Special reserve	\$ 78,921	<u>\$ 70,030</u>
Cash dividends	\$ 139,675	<u>\$ 139,675</u>
Dividend per share (NT\$)	\$ 0.5	<u>\$ 0.5</u>

The aforementioned legal reserve and special reserve for the appropriation of earnings for 2021, as of March 17, 2022, are subject to the resolution of the shareholders' meeting.

For information on the appropriation of earnings approved by the board of directors and resolved by the shareholders, please visit the Market Observation Post System of the Taiwan Stock Exchange.

(17) Other equity items

	<u>2021</u> <u>Unrealized evaluation</u> <u>gain or loss</u>	<u>Foreign Currency</u> <u>Exchange</u>	<u>Total</u>
January 1	(\$ 34,251)	\$ 76,731	\$ 42,480
Rating Adjustment Transfer Out			
- The Company	(22,083)	-	(22,083)
Transfer out of valuation			
adjustment - related companies	(1,632)	-	(1,632)
Foreign currency translation			
differences-Related companies	-	(167,716)	(167,716)

December 31	(\$ 57,966)	(\$ 90,985)	(\$ 148,951)
	<u>2020</u>		
	<u>Unrealized evaluation</u>	<u>Unrealized evaluation</u>	<u>Unrealized evaluation</u>
	<u>gain or loss</u>	<u>gain or loss</u>	<u>gain or loss</u>
January 1	(\$ 34,676)	\$ 164,623	\$ 129,947
Transfer out of valuation adjustment - related companies	425	-	425
Foreign currency translation differences-Related companies	-	(87,892)	(87,892)
December 31	<u>(\$ 34,251)</u>	<u>\$ 76,731</u>	<u>\$ 42,480</u>

(18) Operating income

	<u>2021</u>	<u>2020</u>
Revenue from customer contracts	<u>\$ 2,134,493</u>	<u>\$ 2,096,167</u>

1. Breakdown of revenue from customer contracts

The Company's revenues are generated from commodities that are transferred at a point in time and are broken down into the following major product lines and geographic regions :

2021

	<u>All kinds of tires</u>					
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Other areas</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$778,984</u>	<u>\$ 3,568</u>	<u>\$317,208</u>	<u>\$ 24,525</u>	<u>\$ 1,010,208</u>	<u>\$2,134,493</u>

2020

	<u>All kinds of tires</u>					
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Other areas</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$725,595</u>	<u>\$ 1,335</u>	<u>\$524,593</u>	<u>\$ 21,108</u>	<u>\$ 823,536</u>	<u>\$2,096,167</u>

2. Contractual liabilities and refund liabilities

(1) The Company recognized contract liabilities related to revenue from customer contracts as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities - payments received in advance	<u>\$ 17,930</u>	<u>\$ 18,499</u>
Refund liability(Note)	<u>\$ 16,475</u>	<u>\$ 11,834</u>

Note: The refund liability arises from the discount on estimated sales and is shown as other current liabilities.

(2) Beginning contract liabilities are recognized as revenue in the current period

	<u>2021</u>	<u>2020</u>
Contract liabilities - payments received in advance	\$ 15,092	\$ 7,631

(19) Interest income

	<u>2021</u>	<u>2020</u>
Interest on bank deposits	\$ 230	\$ 4,491
Interest income from financial assets measured at amortized cost	947	1,034
Interest income on loans from related parties	-	1,332
	<u>\$ 1,177</u>	<u>\$ 6,857</u>

(20) Other income

	<u>2021</u>	<u>2020</u>
Grant income	\$ 5,289	\$ 18,271
Trademark royalty income	21,290	16,061
Technical remuneration income	26,847	18,062
Other income - other	12,075	22,873
	<u>\$ 65,501</u>	<u>\$ 75,267</u>

The Company recognized government subsidy income of \$18,271,000 in fiscal 2020 for the operating capital and salary costs subsidized by the government, in accordance with the "Guidelines of the Ministry of Economic Affairs on Capital Relief Loan and Interest Subsidy for Businesses with Operating Difficulties Affected by COVID-19 (Wuhan Pneumonia)".

(21) Other benefits and losses

	<u>2021</u>	<u>2020</u>
Disposal of interest in property, plant and equipment	\$ 920	\$ 1,033
Foreign currency exchange loss	(26,981)	(32,914)
Other gains and losses	(60)	(113)
	<u>(\$ 26,121)</u>	<u>(\$ 31,994)</u>

(22) Finance costs

	<u>2021</u>	<u>2020</u>
Interest charges.		
Bank borrowings	\$ 29,160	\$ 27,632
Lease liabilities	106	115

Less: Assets that meet the criteria		
Capitalized amount	(63)	(213)
	<u>\$ 29,203</u>	<u>\$ 27,534</u>

(23) Additional information on the nature of fees

	<u>2021</u>	<u>2020</u>
Employee Benefit Costs		
Salary Costs	\$ 417,565	\$ 392,485
Labor and Health Insurance	41,670	39,078
Pension Costs	15,104	15,640
Directors' remuneration	24,503	14,356
Other Employment Costs	<u>9,473</u>	<u>10,529</u>
Subtotal	<u>\$ 508,315</u>	<u>\$ 472,088</u>
Depreciation expense	<u>\$ 99,094</u>	<u>\$ 103,684</u>
Amortization expense	<u>\$ 134</u>	<u>\$ 148</u>

1. In accordance with the Company's Articles of Incorporation, no less than 2% of the employees' remuneration and no more than 5% of the directors' remuneration shall be appropriated in the event of a profit for the year. However, if the Company still has accumulated losses, the amount of compensation shall be reserved in advance. The aforementioned employees' remuneration in the form of stock or cash shall be paid to employees who meet certain criteria, including those who are subordinate to the Company.
2. The estimated amount of employees' compensation for 2021 is \$13,573,000 and the estimated amount of directors' compensation is \$9,049,000, which is recorded as salary expense. 2021 is based on the profitability as of the end of the year and is estimated in accordance with the Company's Articles of Incorporation.
3. Compensation to employees and directors has not been estimated because the Company still has accumulated losses in fiscal 2020.

Information on the remuneration of employees and directors and supervisors approved by the Board of Directors can be found on the Market Observation Post System.

(24) Income tax

1. Income tax expense

(1) Income tax expense components :

	<u>2021</u>	<u>2020</u>
Current Income Taxes.		
Income taxes arising from current income	\$ 127,129	\$ 85,723
Prior years' income tax (high) understatement	<u>(2,866)</u>	<u>10,503</u>
Total current income tax	<u>124,263</u>	<u>96,226</u>
Deferred income taxes.		

Original generation and reversal of temporary differences	(31,724)	(6,694)
Total deferred income taxes	(31,724)	(6,694)
Income tax expense	<u>\$ 92,539</u>	<u>\$ 89,532</u>

(2) Income taxes related to other comprehensive income :

	<u>2021</u>	<u>2020</u>
Exchange differences between foreign operating companies	(\$ 41,929)	(\$ 21,973)
Re-measurement of defined benefit obligation	(496)	(825)
	<u>(\$ 42,425)</u>	<u>(\$ 22,798)</u>

2. Relationship between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Income tax on net income before tax at statutory rate	\$ 90,911	\$ 92,226
Excludable expenses under the tax law	13	13
Income exempt from tax under the Tax Act	(14,098)	(23,869)
Deferred income tax assets are not recognized for tax losses.	-	-
Deferred income tax assets not recognized for temporary differences	-	1,484
Overestimation of prior years' income tax	(2,866)	10,503
Tax separation	<u>18,579</u>	<u>9,175</u>
Income tax expense	<u>\$ 92,539</u>	<u>\$ 89,532</u>

3. The amount of each deferred income tax asset or liability arising from temporary differences and tax losses is as follows :

	<u>2021</u>		<u>Recognized in other comprehensive net income</u>	<u>December 31</u>
	<u>January 1</u>	<u>Recognized in profit or loss</u>		
Deferred income tax assets:				
-Temporary differences.				
Foreign operating entity translation differences	\$ 9,200	\$ -	\$ 41,929	\$ 51,129
Unrealized gain on sale of assets	1,185	(184)	-	1,001
Unrealized gross profit on sales	7,413	(2,597)	-	4,816

Pensions	9,228	(1,882)	-	7,346
Actuarial loss on defined benefit plans	209	-	496	705
Loss on foreign investments	30,885	13,490	-	44,375
Other	<u>13,091</u>	<u>(462)</u>	<u>-</u>	<u>12,629</u>
Subtotal	<u>\$ 71,211</u>	<u>\$ 8,365</u>	<u>\$ 42,425</u>	<u>\$ 122,001</u>
Deferred income tax liabilities:				
Provision for land appreciation tax	(142,398)	-	-	(142,398)
Expected repatriation of foreign investment income	<u>(76,720)</u>	<u>(40,089)</u>	<u>-</u>	<u>(116,809)</u>
Subtotal	<u>(\$ 219,118)</u>	<u>(\$ 40,089)</u>	<u>\$ -</u>	<u>(\$ 259,207)</u>
Total	<u>(\$ 147,907)</u>	<u>(\$ 31,724)</u>	<u>\$ 42,425</u>	<u>(\$ 137,206)</u>

	<u>2020</u>		<u>Recognized in other comprehensive net income</u>	
	<u>January 1</u>	<u>Recognized in profit or loss</u>		<u>December 31</u>
Deferred income tax assets:				
-Temporary differences.				
Foreign operating entity translation differences	\$ -	\$ -	\$ 9,200	\$ 9,200
Unrealized gain on sale of assets	1,298	(113)	-	1,185
Unrealized gross profit on sales	6,651	762	-	7,413
Pensions	14,181	(4,953)	-	9,228
Actuarial loss on defined benefit plans	-	-	209	209
Loss on foreign investments	-	30,885	-	30,885
Other	<u>7,654</u>	<u>5,437</u>	<u>-</u>	<u>13,091</u>
Subtotal	<u>\$ 29,784</u>	<u>\$ 32,018</u>	<u>\$ 9,409</u>	<u>\$ 71,211</u>
Deferred income tax liabilities:				
Foreign operating entity exchange differences	(12,773)	-	12,773	-
Actuarial benefits for defined benefit plans	(616)	-	616	-
Provision for land appreciation tax	(142,398)	-	-	(142,398)
Expected repatriation of foreign investment	<u>(38,008)</u>	<u>(38,712)</u>	<u>-</u>	<u>(76,720)</u>

income				
Sub-total	<u>(\$ 193,795)</u>	<u>(\$ 38,712)</u>	<u>\$ 13,389</u>	<u>(\$ 219,118)</u>
Total	<u>(\$ 164,011)</u>	<u>(\$ 6,694)</u>	<u>\$ 22,798</u>	<u>(\$ 147,907)</u>

4. The Company has not recognized deferred income tax liabilities for taxable temporary differences associated with certain investments in subsidiaries. The amount of unrecognized temporary differences for deferred income tax liabilities was \$64,731,000 and \$52,877,000 as of December 31, 2021 and 2020, respectively.

5. The Company's income tax business is approved by the tax authorities until fiscal 2019.

(25) Earnings per share

	<u>2021</u>		
	<u>Amount after</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>tax</u>	<u>number of outstanding</u>	<u>share</u>
		<u>shares (in thousands)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	<u>\$ 362,015</u>	<u>279,349</u>	<u>\$ 1.30</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$ 362,015	279,349	
Effect of Diluted Potential Common Stock			
Employee Compensation	<u>-</u>	<u>808</u>	
Net income for the period attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	<u>\$ 362,015</u>	<u>280,157</u>	<u>\$ 1.29</u>
	<u>2020</u>		
	<u>Amount after</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>tax</u>	<u>number of outstanding</u>	<u>share</u>
		<u>shares (in thousands)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>
<u>Diluted earnings per share</u>			
Net income for the period attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>

1. For the calculation of earnings per share for fiscal 2021 and 2020, the effect of the capital reduction to cover losses for fiscal 2021 has been adjusted retroactively, as described in Note 6(14).
2. In fiscal 2021, the calculation of diluted earnings per share assumes that all employee compensation is paid in stock during the period and is included in the weighted-average number of shares outstanding when the potential common stock has a dilutive effect.

(26) Supplemental Cash Flow Information

Investing activities that are only partially paid in cash :

	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	\$ 134,912	\$ 191,306
Add: Payable for equipment at the beginning of the period	9,982	4,274
Prepayments for equipment at the end of the period (listed as other non-current assets)	16,863	20,429
Less: Amount due for equipment at the end of the period	(3,502)	(9,982)
Prepayments for equipment at the beginning of the period (other non-current assets as shown in the table)	(20,429)	(32,801)
Cash paid during the period	<u>\$ 137,826</u>	<u>\$ 173,226</u>

(27) Changes in liabilities arising from financing activities

	<u>2021</u>					
	<u>Short-term loans</u>	<u>Short-term notes payable</u>	<u>Long-term loans (including long-term loans due within one year)</u>	<u>Leasing Liabilities</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1	\$497,612	\$49,966	\$1,294,600	\$6,476	\$ -	\$1,848,654
Changes in financing cash flows	64,320	-	136,364	(3,125)	(139,675)	57,884
Increase in the current period	-	-	-	-	139,675	139,675
Other non-cash changes	<u>-</u>	<u>13</u>	<u>1,560</u>	<u>465</u>	<u>-</u>	<u>2,038</u>
December 31	\$561,932	\$49,979	\$1,432,524	\$3,816	<u>\$ -</u>	<u>\$2,048,251</u>

2020

	<u>Short-term loans</u>	<u>Short-term notes payable</u>	<u>Long-term loans (including long-term loans due)</u>	<u>Leasing Liabilities</u>	<u>Total liabilities from financing activities</u>
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			<u>within one year)</u>		
January 1	\$233,424	\$ -	\$ 1,258,535	\$ 3,533	\$1,495,492
Changes in financing cash flow	264,188	49,966	34,505	(2,799)	345,860
Other non-cash changes	<u>-</u>	<u>-</u>	<u>1,560</u>	<u>5,742</u>	<u>7,302</u>
December 31	\$497,612	\$ <u>49,966</u>	\$ <u>1,294,600</u>	\$ <u>6,476</u>	\$ <u>1,848,654</u>

7. Related party transactions

(1) Name and relationship of related parties

Name of Related Party	Relationship with the Group
Hwa Fong Rubber (Thailand) Public Co., Ltd. (Hwa Fong Thailand)	Subsidiaries
Hwa Fong Rubber (U.S.A.) Co., Ltd. (Hwa Fong U.S.A.)	Subsidiaries
Hwa Fong Rubber (Hong Kong) Co., Ltd. (Hwa Fong Hong Kong)	Subsidiaries
Hwa Fong Rubber (China) Co., Ltd. (Hwa Fong China)	Subsidiaries
Hwa Fong Rubber (Suzhou) Co., Ltd. (Hwa Fong Suzhou)	Subsidiaries
Hwa Fong Rubber (Singapore) Co., Ltd. (Hwa Fong Singapore)	Subsidiaries
Hwa Fong Rubber (BVI) Co., Ltd. (Hwa Fong BVI)	Subsidiaries
Huazhong Numerical Control (BVI) Co., Ltd. (Huazhong BVI)	Subsidiaries
Hwa Fong Enterprise Co., Ltd. (Hwa Fong Enterprise)	Subsidiaries
SUMITOMO RUBBER INDUSTRIES, LTD. (SRI)	Other related parties
The Ascent(Thailand) Co., Ltd (The Ascent)	Affiliated Companies
Hota Industrial MFG. CO., Ltd. (Hota)	Other related parties

(2) Significant transactions with related parties

1. Operating income

	<u>FY 2021</u>	<u>FY 2020</u>
Merchandise Sales :		
Hwa Fong U.S.A.	\$ 317,042	\$ 513,443
Subsidiaries	25,413	21,700
Other related parties	<u>7,966</u>	<u>5,953</u>
	<u>\$ 350,421</u>	<u>\$ 541,096</u>

(1) The Company's sales to related parties are mainly for finished goods, and the transaction prices are based on market prices.

(2) The terms of collection with related parties are mainly T/T 60~120 days, and the terms of collection with non-related parties are mainly T/T 30~90 days or L/C, and the transactions are based on the prices and terms agreed by both parties.

2. Purchases

	<u>FY 2021</u>	<u>FY 2020</u>
Purchase of merchandise :		
Subsidiaries	\$ 14,534	\$ 13,765

The payment terms are T/T 60 days. The Company's purchase from the related party is different from the general purchase specifications, so there is no other comparable party for the purchase.

3. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable :		
HWA FONG RUBBER USA	\$ 46,731	\$ 82,537
Subsidiaries	25,009	21,982
Other related parties	<u>965</u>	<u>-</u>
Subtotal	<u>72,705</u>	<u>104,519</u>
Other receivables :		
Subsidiaries	<u>61,515</u>	<u>39,954</u>
Total	<u>\$ 134,220</u>	<u>\$ 144,473</u>

Accounts receivable are due from related parties for the sale of tires, and other receivables are due from related parties for trademark royalties and mold equipment.

4. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable :		
Subsidiaries	<u>\$ 2,161</u>	<u>\$ 3,566</u>
Other payables :		
Subsidiaries	<u>178</u>	<u>115</u>
Total	<u>\$ 2,339</u>	<u>\$ 3,681</u>

Other payables are fees payable to related parties and other payables.

5. Payments on behalf of others (other current assets in the table)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 1,614</u>	<u>\$ 1,661</u>

Payments on behalf of related parties are generated by the Company's advances on behalf of related parties.

6. Property Transactions

Disposal of property, plant and equipment:

	<u>FY 2021</u>		<u>FY 2020</u>	
	<u>Disposal Price</u>	<u>Disposal (loss) gain</u>	<u>Disposal Price</u>	<u>Disposal (loss) gain</u>
Subsidiaries	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797</u>	<u>\$ 467</u>

7. Loan of funds and related parties

Loans to related parties (listed as other receivables - related parties

(1) Ending balance :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Hwa Fong China	<u>\$ 165,780</u>	<u>\$ 170,580</u>

(2) Interest income :

	<u>FY 2021</u>	<u>FY 2020</u>
Hwa Fong China	<u>\$ -</u>	<u>\$ 1,332</u>

The Company's capital loans to related parties bear interest at the average interest rate of the Company's short-term loans from financial institutions in the year of appropriation, and are all unsecured loans.

8. The related party provides endorsement and guarantee.

Please refer to Note 13(1)(2) for a description of the endorsement of others.

9. Operating Expenses

	<u>FY 2021</u>	<u>FY 2020</u>
Marketing expenses - use of trademarks(Note) :		
Other related parties	<u>\$ 131</u>	<u>\$ 173</u>

Note: The Company entered into a trademark license agreement with other related parties, under which the Company shall pay 1.5% of the net sales of the contracted products to the other related parties for the use of the trademarks during the contract period.

10. Non-operating income

	<u>FY 2021</u>	<u>FY 2020</u>
Technical report remuneration income :		
Hwa Fong Thailand	\$ 26,847	\$ 18,062
Trademark royalty income :		
Hwa Fong Thailand	<u>21,290</u>	<u>16,061</u>
Total:	<u>\$ 48,137</u>	<u>\$ 34,123</u>

(3) Key management compensation information

	<u>FY 2021</u>	<u>FY 2020</u>
Short-term Employee Benefits	<u>\$ 17,991</u>	<u>\$ 17,696</u>

8. Pledged assets

The breakdown of the guarantees provided by the Company's assets is as follows :

<u>Asset items</u>	<u>Book Value</u> <u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Collateral Purpose</u>
Property, plant and equipment	\$ 855,253	\$ 764,320	Long-term and short-term loans
Restricted assets (Note 1)			
-Demand Deposit	115,911	210,683	Reserve account for restricted purposes under the syndicated loan
-Time Deposit	26,250	156,139	Performance bonds for oil sales and purchases, court guarantee deposits, construction bonds and short- and long-term loans from subsidiaries
Refundable Deposits(Note 2)	<u>27,292</u>	<u>27,963</u>	Court bonds and lease bonds
	<u>\$ 1,024,706</u>	<u>\$ 1,159,105</u>	

Note 1: Tabulated under "Financial assets carried at amortized cost - current" and "Financial assets carried at amortized cost - non-current".

Note 2: Listed under "Other non-current assets".

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingency

In 2013 and 2014, the Company acquired five parcels of land, including Lot 35 in Section 35 of Zhen'an Township, Dacun Township, as well as Lots 39 and 40 in Section 39 and 40 of Shangmei Township, and its real estate property in Section 9 of Shangtong Township, which were registered in the name of the former chairman of the Board of Directors because they were agricultural land and were restricted by law. On January 4, 2018, the Company's board of directors re-elected its chairman and decided to transfer the aforementioned land to the new chairman, but found that the aforementioned land and buildings were seized by creditors and requested to be enforced. However, the Company is a third party under Article 15 of the Enforcement Law, which is sufficient to exclude the enforcement rights of the subject matter of the enforcement, and therefore filed a third-party opposition lawsuit in 2018 to request the dismissal of the relevant enforcement proceedings and a stay of enforcement. Subsequently, on September 11, 2019, the Supreme Court decided that the case was dismissed on the grounds that the Company's registration under a borrowed name was not a question of credibility of registration under Article 43 of the Land Law. However, the Company immediately subrogated to the debtor's objection under Article 14 of the Enforcement Law and requested a stay of execution from the Changhua District Court in Taiwan, which ruled that the Company's guarantee of \$9,548 thousand was approved and the stay of execution should be granted until the judgment on the subrogated debtor's objection is confirmed, settled or withdrawn in 2019. The Company also filed a separate civil section 767 action against the former chairman for the return of ownership of the farmland and buildings, and the parties settled the lawsuit in court, with the intent that the defendant agreed to return the ownership of the real estate in dispute to the Company and transfer it to the name of the person in charge of the Company. In March 2020, five parcels of land, including Lot 35, An-Duan, Ta-Cun Township, were transferred to the name of the Company's current chairman. Even though the lawsuit is successful, the former chairman still has outstanding debts, and the original execution name can still be enforced within the scope of this case, As of December 31, 2021, the carrying amount of the aforementioned land, building and construction is \$15,665,000.

(2) Commitments

1. Capital expenditures contracted for but not yet incurred :

	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	NTD	<u>\$ 14,289</u>	<u>\$ 7,316</u>

2. Amount of unused letters of credit issued :

	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Opened and unused letters of credit	USD	<u>\$ 1,410</u>	<u>\$ 965</u>

3. The Company's balance of guarantee notes issued for loans, purchases and development letters of credit (including guarantees for related party loans) as of December 31, 2021 and 2020 :

	Currency	December 31, 2021	December 31, 2020
Guaranteed Promissory Note	NTD	<u>\$ 3,905,000</u>	<u>\$ 3,605,000</u>
	USD	<u>\$ 8,000</u>	<u>\$ 8,000</u>

10. Significant catastrophic losses

Not applicable.

11. Significant subsequent events

Not applicable.

12. Other

(1) Capital Management

The Company's capital management objective is to safeguard the Company's ability to continue as a going concern in order to continue to provide shareholder compensation and other stakeholder benefits. In order to maintain or adjust the capital structure, the Company may adjust or pay dividends to shareholders, reduce capital and return shares to shareholders, issue new shares or sell assets to settle liabilities. Like its peers, the Company manages capital on the basis of a gearing ratio, which is calculated by dividing total liabilities by total assets.

The Company's liability ratios as of December 31, 2021 and 2020 are as follows :

	December 31, 2021	December 31, 2020
Total liabilities	<u>\$ 3,426,429</u>	<u>\$ 3,138,220</u>
Total assets	<u>\$ 6,470,539</u>	<u>\$ 6,153,369</u>
Liability ratio	<u>52.95%</u>	<u>51.00%</u>

(2) Financial instruments

1. Types of Financial Instruments

	December 31, 2021	December 31, 2020
<u>Financial Assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 500,992	\$ 354,541
Financial assets carried at amortized cost	225,554	370,402
Notes receivable	39,613	30,383
Accounts receivable (including related parties)	280,357	296,199
Other receivables (including related parties)	231,982	216,186
Deposits and guarantee deposits (other non-current assets)	<u>27,292</u>	<u>27,963</u>
	<u>\$ 1,305,790</u>	<u>\$ 1,295,674</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 561,932	\$ 497,612
Short-term notes payable	49,979	49,966
Accounts payable (including related parties)	144,637	105,055
Other payables (including related parties)	129,789	118,793
Long-term loans (including those due within one year or one business cycle)	1,432,524	1,294,600
Deposits to margin (listed as other non-current liabilities)	166	166
	<u>\$ 2,319,027</u>	<u>\$ 2,066,192</u>
Leasing Liabilities	<u>\$ 3,816</u>	<u>\$ 6,476</u>

2. Risk Management Policy

- (1) The Company's day-to-day operations are subject to a number of financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Company's financial position and financial performance.
- (2) Risk management is performed by the Company's financial management department in accordance with policies approved by the Board of Directors. The Company's financial management department provides services to each business to manage the financial risks associated with the Company's operations by analyzing risk exposures based on the level and breadth of risk. Internal auditors continuously review compliance with policies and risk limits, and the Company does not trade financial instruments for speculative purposes.

3. The nature and level of significant financial risk

(1) Market Risk

Exchange rate risk

- A. The Company operates on a multinational basis and is therefore subject to Market Risk. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- B. The Company engages in business involving certain non-functional currencies (the Company's functional currency is the Taiwan dollar) and is therefore subject to exchange rate fluctuations. Information on assets and liabilities denominated in foreign currencies that are subject to significant exchange rate fluctuations is as follows :

FY 2021						
			Book Value	Sensitivity Analysis		
	Foreign Currency (Thousands)	Exchange rate	(NTD Thousand)	Range of change	Effect on profit or loss	Effect on other comprehensive income and loss
(Foreign currency: Functional currency)						
Financial Assets						
Monetary items						
USD : NTD	\$ 27,818	27.63	\$ 768,611	1%	\$ 7,686	\$ -
Euro : NTD	3,462	31.12	107,737	1%	1,077	-
Non-monetary items						
Thai : NTD	\$1,783,031	0.8147	\$1,452,635	1%	\$ 14,526	\$ -
USD : NTD	42,770	27.63	1,181,726	1%	11,817	-
Financial liabilities						
Monetary items						
USD : NTD	\$ 3,015	27.63	\$ 83,304	1%	\$ 833	\$ -
Euro : NTD	109	31.12	3,392	1%	34	-
Non-monetary items						
USD : NTD	\$ 25,434	27.63	\$ 702,746	1%	\$ 7,027	\$ -
FY 2020						
			Book Value	Sensitivity Analysis		
	Foreign Currency (Thousands)	Exchange rate	(NTD Thousand)	Range of change	Effect on profit or loss	Effect on other comprehensive income and loss
(Foreign currency: Functional currency)						
Financial Assets						
Monetary items						
USD : NTD	\$ 24,538	28.43	\$ 697,615	1%	\$ 6,976	\$ -
Euro : NTD	1,678	34.82	58,428	1%	584	-
Non-monetary items						
Thai : NTD	\$1,641,269	0.9356	\$1,535,571	1%	\$ 15,356	\$ -
USD : NTD	40,963	28.43	1,164,592	1%	11,646	-
Financial liabilities						
Monetary items						
USD : NTD	\$ 3,472	28.43	\$ 98,709	1%	\$ 987	\$ -
Euro : NTD	101	34.82	3,517	1%	35	-
Non-monetary items						
USD : NTD	\$ 23,573	28.43	\$ 670,184	1%	\$ 6,702	\$ -

- C. The Company recognized a loss of \$26,981,000 and a loss of \$32,914,000 in fiscal 2021 and 2020, respectively, for the total amount of exchange gains and losses (both realized and unrealized) on monetary items that were significantly affected by exchange rate fluctuations.

Price risk

- A. The Company's equity instruments that are exposed to price risk are financial assets held at fair value through other comprehensive income. To manage the price risk of its investments in equity instruments, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- B. The Company invests primarily in equity instruments issued by domestic companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the price of these equity instruments had increased or decreased by 1% with all other factors held constant, the gain or loss on other comprehensive income classified as equity investments at fair value through other comprehensive income would have increased or decreased by 2,279,000 and 0 for fiscal 2021 and 2020, respectively.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk arises primarily from long-term and short-term borrowings issued at floating interest rates, which expose the Company to cash flow interest rate risk. In fiscal 2021 and 2020, the Company's borrowings issued at floating interest rates are mainly denominated in the NT dollar.
- B. The Company's loans are measured at amortized cost and interest rates are repriced annually in accordance with contractual agreements; therefore, the Company is exposed to the risk of future changes in market interest rates.
- C. If interest rates had increased or decreased by 0.125%, with all other factors held constant, net income would have decreased or increased by \$2,439,000 and \$2,198,000 in fiscal 2021 and 2020, respectively, primarily due to changes in interest expense as a result of variable-rate loans.

(2) Credit Risk

- A. The Company's credit risk is the risk of financial loss arising from the failure of a customer or counterparty to a financial instrument to meet its contractual obligations, primarily due to the failure of the counterparty to settle accounts receivable on collection terms and financial assets classified as financial assets carried at amortized cost.
- B. The Company has adopted a policy that requires credit confirmation procedures before entering into credit transactions with customers. To reduce credit risk, the Company continuously evaluates the collection of accounts receivable and other receivables. Since the Company has a large customer base, does not transact significantly with a single customer and has a diversified sales area, there is no significant concentration of credit risk on receivables.
- C. The Company's financial management department manages the credit risk of bank deposits and other financial instruments in accordance with the Company's policies. The Company's counter-parties are determined by internal control procedures and are creditworthy banks and investment-grade financial institutions before accepting counter-parties.
- D. The Company uses the premise assumptions provided in IFRS 9 that a default is deemed to have occurred when contractual payments are more than 90 days past

due in accordance with the contractual payment terms.

- E. The Company uses the assumptions provided in IFRS 9 as the basis for determining whether there is a significant increase in the credit risk of a financial instrument since original recognition. :

When the contractual payments are more than 30 days past due according to the contractual terms, the credit risk of the financial assets is considered to have increased significantly since the original recognition.

- F. For all notes and accounts receivable, the Company uses a simplified approach to estimate expected credit losses, which is a measure of expected credit losses over the life of the contract. For this purpose, these notes and accounts receivable are grouped by common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract and are included in forward-looking information.
- G. The Company eliminates the amount of financial assets that cannot be reasonably expected to be recovered after the recourse process, but the Company continues to pursue recourse legal procedures to preserve the rights to the debts.
- H. The Company adjusted the loss rate established based on historical and current information for a specific period to estimate the allowance for losses on notes receivable and accounts receivable by incorporating forward-looking considerations for the future, and the allowance matrix as of December 31, 2021 and 2020 is as follows :

Weighted average expectation			
<u>December 31, 2021</u>	<u>Credit Loss Ratio</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	0%~1%	\$ 304,170	\$ 1,683
Within 90 days	1%	16,835	168
91-120 days	5%	856	43
121-180 days	25%	2	-
181-365 days	50%	2	1
More than one year	100%	-	-
		<u>\$ 321,865</u>	<u>\$ 1,895</u>

Weighted average expectation			
<u>December 31, 2020</u>	<u>Credit Loss Ratio</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	0%~1%	\$ 318,194	\$ 1,895
Within 90 days	1%	9,666	97
91-120 days	5%	617	31
121-180 days	25%	-	-
181-365 days	50%	257	129
More than one year	100%	-	-
		<u>\$ 328,734</u>	<u>\$ 2,152</u>

- I. The Company's accounts receivable and allowance for losses on notes receivable on a simplified basis are as follows :

	<u>2021</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>
January 1	\$ 2,070	\$ 82
Amounts written off as uncollectible	(257)	-
December 31	<u>\$ 1,813</u>	<u>\$ 82</u>

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>
January 1	\$ 1,813	\$ 82
Provision for impairment loss	257	-
December 31	<u>\$ 2,070</u>	<u>\$ 82</u>

J. The credit risk ratings of the Company's investments in debt instruments and other receivables recorded at amortized cost are as follows. :

December 31, 2021

		<u>Measured by duration</u>		
		<u>Those with significantly increased credit risk</u>	<u>Impaired creditors</u>	<u>Total</u>
	<u>Based on 12 months</u>			
Financial assets measured at amortized cost	<u>\$225,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$225,554</u>
Other receivables	<u>\$ 4,687</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 19,400</u>

December 31, 2020

		<u>Measured by duration</u>		
		<u>Those with significantly increased credit risk</u>	<u>Impaired creditors</u>	<u>Total</u>
	<u>Based on 12 months</u>			
Financial assets measured at amortized cost	<u>\$370,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$370,402</u>
Other receivables	<u>\$ 5,652</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 20,365</u>

1. The financial assets held by the Company at amortized cost are time deposits and restricted deposits with original maturities of more than three months. The expected loss rate is evaluated to be insignificant, therefore, the allowance for loss is \$0 as of December 31, 2021 and 2021.
2. The Company recorded the following changes in the allowance for losses on other accounts receivable :

	<u>2021</u>	<u>2020</u>
	<u>By Duration</u>	<u>By Duration</u>
	<u>Impaired creditors</u>	<u>Impaired creditors</u>
January 1 (i.e. December 31)	<u>(\$ 14,713)</u>	<u>(\$ 14,713)</u>

(3) Liquidity risk

- A. Cash flow projections are performed by various units within the Company and are compiled by the Company's Finance Department. The Corporate Finance Department monitors forecasts of the Company's liquidity requirements to ensure that it has sufficient funds to meet its operating needs and maintains sufficient unexpended borrowing commitments at all times so that the Company does not breach the relevant borrowing limits or terms, taking into account the Company's debt financing plans, compliance with debt terms, compliance with internal balance sheet financial ratio targets, and external regulatory requirements.
- B. The amount of unused loan facilities of the Company as of December 31, 2021 and 2020 are 1,701,423,000 and 2,060,062,000, respectively.
- C. The following table presents the Company's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date; derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

December 31, 2021	<u>Within 6</u>	<u>Within 6</u>	<u>Within 1 ~ 2</u>	<u>Within 3 ~ 5</u>	<u>More than 5</u>	<u>Total</u>
	<u>months</u>	<u>months ~ 1</u>	<u>years</u>	<u>years</u>	<u>years</u>	
<u>Non-derivative financial liabilities:</u>						
Short-term loans	\$462,831	\$100,500	\$ -	\$ -	\$ -	\$563,331
Short-term notes payable	49,979	-	-	-	-	49,979
Accounts payable (including related parties)	144,637	-	-	-	-	144,637
Other payables (including related parties)	129,789	-	-	-	-	129,789
Lease liabilities	1,385	1,067	1,048	160	199	3,859
Long-term loans (including those due within one year or one business cycle)	50,835	49,827	264,887	616,108	489,881	1,471,538
Deposits for security deposits	-	-	-	-	166	166

December 31, 2020	<u>Within 6</u>	<u>Within 6</u>	<u>Within 1 ~ 2</u>	<u>Within 3 ~ 5</u>	<u>More than 5</u>	<u>Total</u>
	<u>months</u>	<u>months ~ 1</u>	<u>years</u>	<u>years</u>	<u>years</u>	
<u>Non-derivative financial liabilities:</u>						
Short-term loans	\$498,833	\$ -	\$ -	\$ -	\$ -	\$498,833
Short-term notes payable	49,966	-	-	-	-	49,966
Accounts payable (including related parties)	105,055	-	-	-	-	105,055

Other payables (including related parties)	118,793	-	-	-	-	118,793
Lease liabilities	1,745	1,408	2,292	963	239	6,647
Long-term loans (including those due within one year or one business cycle)	28,689	53,509	105,706	1,139,062	45,057	1,372,023
Deposits for security deposits	-	-	-	166	-	166

The Company does not expect the timing of the cash flows for the maturity analysis to be significantly earlier or the actual amounts to be significantly different.

(3) Fair value information

1. The levels of valuation techniques used to measure the fair value of financial and non-financial instruments are defined as follows :

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that are available to the enterprise at the measurement date. An active market is a market in which transactions in assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 : Observable inputs of assets or liabilities, directly or indirectly, other than those included in Level 1 quotations.

Level 3 : Unobservable inputs of assets or liabilities. The Company's investments in equity instruments with no active market are classified as such.

2. Financial instruments that are not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including those due within one year and within the operating cycle) and refundable deposits represent reasonable approximations of fair values.

3. Financial and non-financial instruments carried at fair value are classified according to the nature, characteristics and risks of the assets and liabilities and the basis of the fair value hierarchy, and the related information is as follows :

- (1) The Company classifies its assets by nature and the related information is as follows :

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repeatably fair value</u>				
Financial assets measured at fair value through other comprehensive income or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$227,897</u>	<u>\$ 227,897</u>

- (2) The methods and assumptions used by the Company to measure fair value are described below :

A. The fair values of financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair values obtained through

valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the date of the consolidated balance sheet (e.g., over-the-counter (OTC) reference yield curves, Reuters average quoted commercial paper rates).

- B. The outputs of the valuation models are predestinated estimates and the valuation techniques may not reflect all relevant factors for the Group's holdings of financial and non-financial instruments. Therefore, the pre-estimated values of the valuation models are adjusted appropriately for additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value model management policy and related control procedures, management believes that valuation adjustments are appropriate and necessary to properly represent the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and appropriately adjusted based on current market conditions.

4. There is no transfer between Level 1 and Level 2 in FY 2021 and FY 2020.
5. There are no transfers in or out from Level 3 in FY 2021 and FY 2020.
6. Quantitative information regarding significant unobservable inputs from valuation models used for Level 3 fair value measurements and the sensitivity analysis of changes in significant unobservable inputs are described below :

	<u>December 31, 2021</u>	<u>Evaluation</u>	<u>The significant</u>	<u>Range</u>	<u>Relationship</u>
	<u>Fair Value</u>	<u>Techniques</u>	<u>unobservable</u>	<u>(weighted</u>	<u>between input</u>
			<u>Input Value</u>	<u>average))</u>	<u>value and fair value</u>
Non-derivative equity instruments :					
Private Equity (listed counter company)	\$ 227,897	Market Price Law	Lack of marketability discount	22.60%	The higher the marketability discount, the lower the fair value

(4) Impact evaluation of the COVID-19 outbreak

As of December 31, 2021, the Company's operations were not assessed to be significantly affected by the COVID-19 epidemic and the government's promotion of various epidemic prevention measures, and the Company has taken measures to prevent the spread of the epidemic from affecting the Company's operations and continues to manage the related issues.

13. Disclosure of Notes

(1) Information about significant transactions

1. Loan of funds to others: Please refer to statement 1.
2. Endorsement for others: Please refer to Statement 2.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures): Please refer to statement 3.
4. Cumulative purchase or sale of the same marketable securities amounting to at least

NT\$300 million or 20% of the paid-in capital: None.

5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of immovable property amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. The amount of purchase or sale with related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to statement 4.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to statement 5.
9. Engaged in derivative transactions: None.
10. Business relationships and significant inter-company transactions between the Parent Company and its subsidiaries and the amounts involved: Please refer to statement 6 .

(2) Information about the investee business

Name of investee company, location and other related information (excluding Mainland China investee company): Please refer to statement 7. °

(3) Mainland Investment Information

1. Basic information: Please refer to statement 8.
2. Significant transactions directly or indirectly through a third-party business with an investee company in Mainland China: None.

(4) Information on major shareholders

Information on major shareholders: Please refer to statement 9.

Hwa Fong Rubber Industrial Company Limited
Statement of Cash and Cash Equivalents
December 31, 2021

Statement 1

Unit: NTD 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash in hand and working capital		\$ 113
Bank Deposit		
Demand Deposit		94,180
Checking Deposit		1,311
Foreign Currency Deposits	USD 15,449,000 Exchange rate 27.63	
	EURO 2,681,000 Exchange rate 31.12	
	RMB 1,000 Exchange rate 4.32	
	JPY 98,000 Exchange rate 0.24	405,388
		<u>\$ 500,992</u>

Hwa Fong Rubber Industrial Company Limited
Statement of accounts receivable
December 31, 2021

Statement 2

Unit: NTD 1,000

<u>Customer Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Company A		\$ 32,902	
Company B		21,902	
Company C		20,746	
Company D		13,931	
			The balance of each single customer does not exceed 5% of the amount in this account
Other		119,984	
		209,465	
Less: Allowance for doubtful accounts		(1,813)	
		<u>\$ 207,652</u>	

Hwa Fong Rubber Industrial Company Limited
Statement of Inventory
December 31, 2021

Statement 3

Unit: NTD 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>		<u>Remark</u>
		<u>Costs</u>	<u>Market Price</u>	<u>Determination of market price</u>
Raw Material		\$ 144,580	\$ 143,996	Replacement Costs
In Products		31,566	31,566	Net realizable value
Finished Product		203,029	195,674	Net realizable value
Commercial Goods		8,649	8,580	Net realizable value
In-transit Inventory		<u>643</u>	<u>643</u>	Net realizable value
		388,467	<u>\$ 380,459</u>	
Less: Allowance for decline in value and doubtful loss		<u>(24,996)</u>		
		<u>\$ 363,471</u>		

Hwa Fong Rubber Industrial Company Limited
Statement of changes in investments accounted for using the equity method
January 1, 2021 ~ December 31, 2021

Statement 4

Unit: NTD 1,000

	Opening balance		Additions for the period		Decrease for the period		Balance at the end of the period		Evaluation basis	Market Value or Net Equity		Provision of guarantee or pledge Pledges
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Unit price (NTD)	Total Price	
Long-term investments accounted for under the equity method :												
Hwa Fong Rubber (Thailand) Public Co., Ltd.	332,000,000	\$ 1,535,571	-	\$ -	-	(\$ 82,936)	332,000,000	\$ 1,452,635	Equity method	-	\$1,453,585	None
Hwa Fong Rubber (U.S.A.) Co., Ltd	500	650,993	-	40,248	-	-	500	691,241	Equity method	1,382.48	691,241	None
Hwa Fong Numerical Control (BVI) Co., Ltd.	35,000	466,246	-	-	-	(22,173)	35,000	444,073	Equity method	12.69	444,073	None
Hwa Fong Rubber (Suzhou) Co., Ltd.	-	18,819	-	-	-	(1,615)	-	17,204	Equity method	-	17,204	None
Hwa Fong Enterprise Co., Ltd.	26,919,141	199,777	-	-	-	(4,318)	26,919,141	195,459	Equity method	0.01	195,459	None
Hwa Fong Rubber (U.S.A. West Coast) Co., Ltd.	1,000,000	28,533	-	675	-	-	1,000,000	29,208	Equity method	0.03	29,208	None
Inalways Corporation	4,851,000	<u>117,825</u>	-	-	-	(<u>389</u>)	4,851,000	<u>117,436</u>	Equity method	20.25	98,233	None
Subtotal		<u>3,017,764</u>		<u>40,923</u>		(<u>111,431</u>)		<u>2,947,256</u>				
Long-term equity investment loans :												
Hwa Fong Rubber (HK) Co., Ltd.	1,000,000	(93,807)	-	-	-	(453,785)	1,000,000	(547,592)	Equity method	(0.55)	(547,592)	None
Hwa Fong Rubber (Singapore) Co., Ltd.	12,500	(439,881)	-	436,169	-	-	12,500	(3,712)	Equity method	(0.30)	(3,712)	None
Huazhong Numerical Control (BVI) Co., Ltd.	32,000	(77,364)	-	-	-	(8,471)	32,000	(85,835)	Equity method	(2.68)	(85,835)	None
Hwa Fong Rubber (China) Co., Ltd.	-	(<u>59,132</u>)	-	-	-	(<u>6,475</u>)	-	(<u>65,607</u>)	Equity method	-	(65,607)	None
Subtotal		(<u>670,184</u>)		<u>436,169</u>		(<u>468,731</u>)		(<u>702,746</u>)				
Total		\$ 2,347,580		<u>\$ 477,092</u>		<u>(\$ 580,162)</u>		\$ 2,244,510				
Add: Equity-method long-term investment loan balance transferred to non-current liabilities		<u>670,184</u>						<u>702,746</u>				
		<u>\$ 3,017,764</u>						<u>\$ 2,947,256</u>				

Hwa Fong Rubber Industrial Company Limited
Statement of changes in property, plant and equipment
January 1, 2021 ~ December 31, 2021

Statement 5

Unit: NTD 1,000

Please refer to Note 6(7) for information on "Cost of property, plant and equipment and accumulated depreciation".

(Blank below)

Hwa Fong Rubber Industrial Company Limited
Statement of short-term loans
December 31, 2021

Statement 6

Unit: NTD 1,000

	<u>Types of Loans</u>	<u>End of period amount</u>	<u>Duration of the contract</u>	<u>Interest Rate Range</u>	<u>Financing Amount</u>	<u>Collateral or guarantee</u>	
Shanghai Commercial and Savings Bank - Yuanlin Branch	Credit Loan	\$ 30,000	2021.04.28-2022.04.28	1.25%\$	80,000	None	
		50,000	2021.11.25-2022.04.28	1.25%			
Bank of Taiwan-Yuanlin Branch	Credit Loan	50,000	2021.09.17-2022.03.16	1.25%	50,000	None	
Land Bank of Taiwan - Yuanlin Branch	Credit Loan	60,000	2021.10.04-2022.03.03	1.20%	70,000	None	
Far Eastern International Bank - Taipei Branch	Credit Loan	40,000	2021.11.22-2022.02.18	1.25%	40,000	None	
EnTie Commercial Bank, Ltd. – Taichung Branch	Credit Loan	50,000	2021.11.25-2022.02.23	1.11%	150,000	None	
Yuanta Commercial Bank - Taichung Branch	Credit Loan	100,000	2021.11.30-2022.11.30	1.20%	100,000	None	
First Commercial Bank - Yuanlin Branch	Credit Loan	50,000	2021.12.06-2022.03.04	1.40%	150,000	None	
Shin Kong Bank Co., Ltd. – Chunggang Branch	Credit Loan	80,000	2021.12.24-2022.01.24	1.20%	80,000	None	
Bank of Taiwan-Yuanlin Branch	Purchase Loan	9,586	2021.08.11-2022.02.07	0.96%	150,000	None	
		5,092	2021.10.25-2022.04.23	0.99%			
Shanghai Commercial and Savings Bank - Yuanlin Branch	Purchase Loan	4,966	2021.08.12-2022.02.08	1.27%	20,000	None	
		1,032	2021.08.25-2022.02.21	1.27%			

Hwa Fong Rubber Industrial Company Limited
Statement of short-term borrowings (continued)
December 31, 2021

Statement 6

Unit: NTD 1,000

<u>Creditors</u>	<u>Types of Loans</u>	<u>End of period amount</u>	<u>Duration of the contract</u>	<u>Interest Rate Range</u>	<u>Financing Amount</u>	<u>Collateral or guarantee</u>
Shin Kong Bank Co., Ltd. – Chunggang Branch	Purchase Loan	2,692	2021.09.22-2022.03.21	1.22%	20,000	None
		6,000	2021.10.04-2022.04.01	1.22%		
Mega Bank - Taichung Branch	Purchase Loan	2,126	2021.09.14-2022.03.13	1.13%	150,000	None
Bank of Panhsin - Taichung Branch	Guaranteed Loans	9,845	2021.07.14-2022.01.10	0.90%	400,000	Property, plant and equipment
		8,733	2021.10.25-2022.04.22	0.90%		
		<u>1,860</u>	2021.11.18-2022.05.17	0.90%		
		<u>\$ 561,932</u>				

Hwa Fong Rubber Industrial Company Limited
Statement of Long-term Loans
December 31, 2021

Statement 7

Unit: NTD 1,000

<u>Creditors</u>	<u>Types of Loans</u>	<u>Loan Amount</u>	<u>Duration of the contract</u>	<u>Interest Rate</u>	<u>Financing Amount</u>	<u>Collateral or guarantee</u>
Land Bank of Taiwan	Guaranteed Loans	\$ 524,700	108.07.15-113.07.15	1.80%	\$ 1,000,000	Property, plant and equipment, demand deposits
		200,000	108.07.15-113.07.15	1.80%		Property, plant and equipment, demand deposits
		250,000	108.07.15-113.07.15	1.80%		Property, plant and equipment, demand deposits
		46,190	110.04.14-113.04.14	1.40%	46,190	Property, plant and equipment
Bank of Panhsin	Guaranteed Loans	202,500	107.09.13-112.09.13	1.52%	300,000	Property, plant and equipment
Bank of Taiwan	Guaranteed Loans	59,979	109.03.31-124.03.31	1.53%	67,900	Property, plant and equipment
Agricultural Bank of Taiwan	Credit Loans	100,000	110.07.13-113.07.13	1.10%	150,000	None
		50,000	110.11.25-113.07.13	1.10%		None
Less: Joint loan case sponsor fee		(845)				
		1,432,524				
Less: One-year maturity portion		(84,527)				
		<u>\$ 1,347,997</u>				

Hwa Fong Rubber Industrial Company Limited
Statement of net sales revenue
January 1, 2021 ~ December 31, 2021

Statement 8

Unit: NTD 1,000

<u>Item</u>	<u>Quantity</u> <u>(thousands)</u>	<u>Amount</u>	<u>Remark</u>
Motorcycle Tires	2,505	\$ 839,646	
Tires for agricultural industry	1,433	834,228	
Radial Tire	77	88,408	
Bicycle Tires	1,672	253,348	
Truck Tires	48	87,146	
Others	524	53,472	
Total		2,156,248	
Less: Sales returns and discounts		(21,755)	
		<u>\$ 2,134,493</u>	

Hwa Fong Rubber Industrial Company Limited

Statement of selling costs

January 1, 2021 ~ December 31, 2021

Statement 9

Unit: NTD 1,000

<u>Item</u>	<u>Amount</u>
Direct raw materials	
Raw materials at the beginning of the period (including in-transit inventory of \$9,694,000)	\$ 166,909
Add: Incoming materials for the period	906,929
Transfer from work-in-process	14,541
Less: Cost of raw materials sold	(15,776)
Transferred expenses	(474)
Transfer of manufacturing costs	(3,987)
End of period raw materials (including stock in transit 102,000)	(144,682)
Consumption of raw materials for the period	923,460
Direct labor	210,173
Manufacturing Costs	<u>499,723</u>
Manufacturing cost	1,633,356
Add: Products in process at the beginning of the period	28,725
Less: Transfer of manufacturing costs	(1,163)
Transfer of R&D expenses	(726)
Transfer of materials	(14,541)
Cost of semi-finished goods sold	(406)
End of period work in progress	(31,566)
Cost of finished goods	1,613,679
Add: Finished goods at the beginning of the period	134,885
Other	19
Less: Inventory loss on finished goods	(477)
Others	(2,768)
End of period finished goods	(203,029)
Cost of Sales - Own Production	1,542,309
Opening merchandise (including inventory in transit 1,042,000)	8,330
Add: Current period purchases	31,180
Less: Inventory loss of goods	(5)
Other	(510)
Merchandise at the end of the period (including inventory in transit 541,000)	
Cost of merchandise sold	29,805
Add: Inventory loss	482
Less apportionment of fixed manufacturing costs	9,661
Sale of raw materials	15,776
Gain on reversal of inventory decline	(12,965)
Less: Gain on sale of lower leg	(1,365)
Total cost of sales	<u>\$ 1,583,703</u>

Hwa Fong Rubber Industrial Company Limited
Statement of Manufacturing Costs
January 1, 2021 ~ December 31, 2021

Statement 10

Unit: NTD 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Salary Costs		\$ 119,603	
Depreciation		88,828	
Utilities		67,040	
Fuel costs		50,115	
Repair and maintenance expenses		31,739	
Labor costs		32,112	
Other expenses		110,286	The balance of each of the fractional items does not exceed 5% of the amount of this account
		<u>\$ 499,723</u>	

Hwa Fong Rubber Industrial Company Limited
Statement of Operating Expenses
January 1, 2021 ~ December 31, 2021

Statement 11

Unit: NTD 1,000

Other expenses

<u>Item</u>	<u>Marketing expenses</u>	<u>Management expenses</u>	<u>R&D expenses</u>	<u>Remark</u>
Salaries and Expenses	\$ 20,477	\$ 65,082	\$ 26,733	
Operating Expenses	27,910	36	69	
Labor and health insurance premiums	1,979	4,819	2,761	
Goods tax	61,883	-	-	
Depreciation	793	7,570	1,903	
Export expenses	14,568	-	-	
Labor costs	10	4,468	4	
Research and development expenses	-	-	3,378	
Other expenses				The balance of each of the fractional items does not exceed 5% of the amount of this account
	<u>11,167</u>	<u>60,704</u>	<u>3,990</u>	
Total expenses	<u>\$ 138,787</u>	<u>\$ 142,679</u>	<u>\$ 38,838</u>	

Statement of other gains and losses, net
January 1, 2021 ~ December 31, 2021

Unit: NTD 1,000

Statement 12
Hwa Fong Rubber Industrial Company Limited

Please refer to Note 6(21) for information on "other gains and losses".

(Blank below)

Hwa Fong Rubber Industrial Company Limited
Statement of Financial Costs
January 1, 2021 ~ December 31, 2021

Statement 13

Unit: NTD 1,000

Please refer to Note 6(22) for information on "finance costs".

(Blank below)

Hwa Fong Rubber Industrial Company Limited
Summary of employee benefits, depreciation, depletion and amortization expenses incurred during the period by function
January 1, 2021 ~ December 31, 2021

Statement 14

Unit: NTD 1,000

Function Nature	FY 2021			FY 2020		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expenses						
Salary Costs	\$ 329,776	\$ 87,789	\$ 417,565	\$ 309,648	\$ 82,837	\$ 392,485
Labor and Health Insurance Costs	32,112	9,558	41,670	30,581	8,497	39,078
Pension Fees	10,750	4,354	15,104	11,679	3,961	15,640
Directors' remuneration	-	24,503	24,503	-	14,356	14,356
Other employee benefit expenses	7,289	2,184	9,473	8,530	1,999	10,529
Subtotal	379,927	128,388	508,315	360,438	111,650	472,088
Depreciation expense	88,828	10,266	99,094	93,542	10,142	103,684
Amortization expense	-	134	134	-	148	148

Notes :

1. The number of employees for the year and the previous year were 703 and 732, respectively, of which 8 and 9 were directors who did not also serve as employees.
2. For companies whose shares are listed on the stock exchange or traded over the counter on the Securities and Exchange Commission, the following information shall be added to the disclosure :
 - (1) The average employee benefit expense for the year was \$696,000 ("Total employee benefit expense for the year - total directors' remuneration"/ "Number of employees for the year - number of directors who did not also serve as employees").
 Average employee benefit expenses for the previous year were \$633,000 ("Total employee benefit expenses for the previous year - Total directors' remuneration"/"Number of employees for the previous year - Number of directors who did not also serve as employees").

Hwa Fong Rubber Industrial Company Limited
Summary of employee benefits, depreciation, depletion and amortization expenses incurred during the period by function
January 1, 2021 ~ December 31, 2021

Statement 14

Unit: NTD 1,000

- (2) Average employee salary expense of \$601,000 (Total salary expense for the year / "Number of employees for the year - Number of directors who did not also serve as employees").
The average employee salary expense for the previous year was \$542 thousand (total salary expense for the previous year / "number of employees for the previous year - number of directors who did not also serve as employees").
- (3) The change in average employee salary cost adjustment increased by 10.89% ("average employee salary cost for the current year - average employee salary cost for the previous year"/average employee salary cost for the previous year).
- (4) The Company has an audit committee, so there is no supervisor.
- (5) The remuneration of the Company's directors includes directors' compensation, travel expenses and directors' remuneration. Directors' compensation is based on industry standards, and travel expenses are paid based on attendance at board meetings. Directors' remuneration is provided in accordance with the Company's Articles of Incorporation and submitted to the Board of Directors for resolution after consideration by the Compensation Committee and then submitted to the shareholders' meeting. Individual directors' remuneration is calculated based on the results of individual directors' performance evaluated in accordance with the "Regulations Governing the Remuneration and Compensation of Directors", and the distribution results are submitted to the Compensation Committee for consideration and approved by the Board of Directors. The remuneration of managers and employees, including salaries, bonuses, employee compensation, and employee stock options, is based on the positions held and responsibilities assumed, and the performance of each individual is evaluated by reference to the standards of the industry for the same positions and the "Regulations Governing the Management of Performance Operations", and the results of the evaluation are presented as the basis for calculating salary and compensation in accordance with the appraisal level of the employees. The manager's compensation is also submitted to the Compensation Committee for review and resolution by the Board of Directors.

Hwa Fong Rubber Industrial Company Limited

Summary of employee benefits, depreciation, depletion and amortization expenses incurred during the period by function (continued)

January 1, 2021 ~ December 31, 2021

Statement 14

Unit: NTD 1,000

5. Consolidated financial report of the parent-subsidary company of the most recent year

Hwa Fong Rubber Ind. Co., Ltd.
Consolidated financial statement

December 31, 2021 and December 31, 2020
(with audit report)

Hwa Fong Rubber Industrial Co., Ltd.

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Hwa Fong Rubber Industrial Co., Ltd as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Company Name : Hwa Fong Rubber Industrial Co., Ltd

Chairman : Shen,Kuo-Jung

March 17, 2022

INDEPENDENT AUDITORS'REPORT

(2022) No. Financial Auditing-21004655

To: The Board of Directors and Shareholders
Hwa Fong Rubber Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Hwa Fong Rubber Industrial Co., Ltd. and subsidiaries (the "Hwa Fong Group") as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in equity, and cash flows for the years ended December 31, 2021 and 2020, and January 1 to December 31, 2012, and the related consolidated notes to the financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits and the reports of the other auditors (see other matters), the consolidated financial statements referred to above have been prepared, in all significant respects, in accordance with International Financial Reporting Standards for Securities Issuers and International Accounting Standards, Interpretations and Explanatory Notes, as approved by the Financial Supervisory Commission, and are sufficient to present fairly the consolidated financial position of the Hwa Fong Group as of December 31, 2021 and 2020, and the consolidated financial performance and consolidated cash flows for the years from January 1 to December 31, 2021 and 2020.

Basis for Opinion

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibility under those standards is further described in the paragraph of our responsibility to audit the consolidated financial statements. The staff of the firm to which we belong are subject to the code of ethics for accountants in the Republic of China and have maintained a high degree of independence from the Hwa Fong Group and have fulfilled other responsibilities in accordance with that code. Based on our audits and the reports of the other auditors, we believe that we have obtained sufficient and appropriate evidence to form the basis of our audit opinion.

Key Audit Matters

Key audit matters are those that, in our professional judgment, are most significant to our audit of the financial statements of Hwa Fong Group for the year 2021. We do not express an opinion on those matters individually.

Evaluation of allowance for losses on accounts receivable

Matter Description

Please refer to Note 4(11) to the consolidated financial statements for the accounting policy on the evaluation of accounts receivable; Note 5(2) to the consolidated financial statements for the accounting estimates and assumption uncertainties on the evaluation of accounts receivable; and Note 6(5) to the consolidated financial statements for the description of accounting accounts receivable.

Some of Hwa Fong Group's businesses are sold through distributors in different regions. The financial condition of the distributors will affect the collectability of accounts receivable. Since the impact of accounts receivable on the overall financial statements is significant, and the allowance for losses on accounts receivable is measured based on the expected credit risk loss over the period of time, the measurement process requires appropriate grouping of accounts receivable and judgmental analysis of the application of assumptions related to the measurement process, including the consideration of appropriate aging ranges and loss ratios for each aging range, and the measurement of expected credit losses often involves subjective judgment, analysis and estimation, and The measurement results affect the net accounts receivable. Therefore, we consider the evaluation of accounts receivable to be one of the most important matters to be considered in this year's audit.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. Obtain the expected loss rates calculated by management based on historical and forward-looking information for similar credit risk groups in order to assess the reasonableness of the accounts receivable provision.
2. Verify the correctness of the aging report used by Hwa Fong Group to evaluate the accounts receivable to confirm that the reported information is consistent with its policies.
3. To test the collectability of accounts receivable by sampling the post-period cash collections.
4. For accounts that are past due and uncollectible, to understand the customer's historical payment status, the availability of collaterals and other repayment ability in order to assess the adequacy of the allowance for losses provided by management.

Evaluation of allowance for losses on inventories

Matter Description

Please refer to Note 4(13) to the consolidated financial statements for the accounting policies for inventory valuation; Note 5(2) to the consolidated financial statements for the accounting estimates and assumption uncertainties for inventory valuation; and Note 6(6) to the consolidated financial statements for the description of the accounting for inventories.

Hwa Fong Group's inventories are measured at cost and net realizable value, and an allowance for impairment loss is provided for inventories that are older than a specified period and for inventories that are individually identified as obsolete, depending on the extent of inventory depletion. As inventories are subject to fluctuations in international raw material prices and market supply and demand, raw material costs and product selling prices may fluctuate significantly, resulting in a higher risk that the net realizable value of inventories will fall below their carrying value and become stagnant. In view of the high degree of estimation uncertainty associated with the valuation of obsolete inventory items and the net realizable value used in valuing them, due to the diversity of product types, we consider the valuation of allowance for impairment loss on inventories to be one of the most important matters for this year's audit.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. To understand the operating and industrial characteristics of Hwa Fong Group and evaluate the reasonableness of the valuation loss of its allowance for inventories and the reasonableness of the provisioning policy adopted.
2. To review its annual inventory plan and participate in annual inventory counts to assess the effectiveness of management's control of obsolete and damaged stock.
3. To verify the correctness of the inventory ageing statements used by the Sino-Forest Group for evaluation purposes to confirm that the information in the statements is consistent with its policies.
4. To obtain a statement of the net realizable value of each inventory, confirm that the logic of its calculation is consistently applied, test the information on which the net realizable value of the inventory is estimated, including verification of supporting documents such as selling prices and purchase prices, and recalculate and assess the reasonableness of the valuation of the inventory.

The equity method of investment in property, plant and equipment is impaired.

Matter Description

Please refer to Note 4(19) to the consolidated financial statements for a description of the accounting policy on impairment of non-financial assets and Note 6(8) to the consolidated financial statements for a description of the accounting for property, plant and equipment.

Hwa Fong Rubber (China) Limited (hereinafter referred to as Hwa Fong China) and Hwa Fong Rubber (Suzhou) Limited (hereinafter referred to as Hwa Fong Suzhou), subsidiaries of the Hwa Fong Group, have been facing high competition in their respective industries in recent years, and due to the restriction of the environmental protection law in the PRC, the production has been restricted which in turn affected the sales, resulting in losses in the financial statements. As a result, there were signs of impairment of property, plant and equipment in China and Suzhou Hwa Fong. As the carrying amounts of the relevant property, plant and equipment are material, we consider the assessment of impairment to be one of the most significant matters in our audit for the year.

In accordance with the audit procedure

The procedures that we have performed in response to the specific aspects of the critical audit described above are set out below:

1. To understand the reasonableness of the process of estimating future cash flows for each cash-generating unit on which management's evaluation of asset impairment is based.
2. Discussing with management the reasonableness of the future operating forecasts for China Hwa Fong and Suzhou Hwa Fong and comparing them with historical results.
3. For property and plant, to obtain the market value of transactions in the vicinity and assess the reasonableness of the management's use of fair value less costs to sell as the recoverable amount.
4. For the machinery and equipment section, the evaluation report commissioned by the appraisal management from an external appraisal company contains the following procedures
 - (1) The expert's qualifications and expertise in the relevant field and his or her independence and competence.
 - (2) The purpose and scope of the review of the expert's opinion and that the measurement methods used are commonly used in the industry.
 - (3) To check the setting of the parameters and formulae of the evaluation model.
 - (4) To assess the reasonableness of the material assumptions used in the model.

Other Matters – Reference to other accountants' audit–

The financial statements of certain subsidiaries and equity-method investees included in

the consolidated financial statements of the Hwa Fong Group have not been audited by us, but by other auditors. Accordingly, our opinion on the consolidated financial statements referred to above is based on the reports of other auditors as to the amounts included in the financial statements of those companies. As of December 31, 2021 and 2020, the Company's total assets (including investments accounted for using the equity method) amounted to NT\$759,896,000 and NT\$763,862,000, respectively, representing 9.13% and 9.49% of the consolidated total assets, and its operating revenues from January 1 to December 31, 2021 and 2020 amounted to NT\$581,006,000 and NT\$782,121,000, respectively. Operating revenues from January 1 to December 31, 2021 and 2020 were NT\$581,006,000 and NT\$782,121,000, respectively, representing 10.49% and 16.02% of the consolidated net operating revenues.

Other Matters - Individual Financial Reports—

Hwa Fong Rubber Industrial Co., Ltd. has prepared its financial statements for the years 2021 and 2020, and our auditors have issued an unqualified opinion, together with an audit report on other matters, for information purposes.

Management's and Governance's Responsibility for the Financial Statements

The responsibility of management is to prepare financial statements that give a fair view in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and to maintain such internal control relevant to the preparation of financial statements as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management's responsibility also includes assessing the ability of the Hwa Fong Group to continue as a going concern, the disclosure of related matters and the adoption of the going concern basis of accounting, unless management intends to liquidate the Hwa Fong Group or cease operations, or there is no practical alternative to liquidation or cessation of operations.

The governance units of the Hwa Fong Group (including the Audit Committee) have responsibility for overseeing the financial reporting process °

Accountant's Responsibility for Auditing Financial Statements

Our objective in auditing the consolidated financial statements is to obtain reasonable assurance as to whether, taken as a whole, the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue a report thereon. Reasonable assurance is a high degree of assurance, but an audit performed in accordance with generally accepted auditing standards in the Republic of China does not provide assurance that material

misstatements in the consolidated financial statements will be detected. An untrue statement may be the result of fraud or error. An untrue statement is considered to be material if it is of such an amount or aggregation that it could reasonably be expected to affect the economic decisions made by the users of the consolidated financial statements.

We conducted our audit in accordance with generally accepted auditing standards in the Republic of China, using our professional judgement and maintaining professional doubt. We also performed the following work :

1. Identify and assess the risks of material misstatement of the consolidated financial statements arising from fraud or error; design and implement appropriate responses to the risks assessed; and obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. The risk of material misstatement, whether due to fraud, forgery, intentional omission, misstatement or a breach of internal control, is higher than the risk of non-detection of material misstatement due to fraud.
2. Obtain such understanding of internal control relevant to the audit as is necessary to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hwa Fong Group's internal control .
3. Evaluate the appropriateness of the accounting policies used by management and the reasonableness of the accounting estimates and related disclosures made by management.
4. Based on the evidence obtained, we draw conclusions about the appropriateness of management's adoption of the going concern basis of accounting and about whether there is any material uncertainty about events or conditions that might cast significant doubt about Hwa Fong Group's ability to continue as a going concern. If we believe that there is significant uncertainty about those events or circumstances, we must draw the attention of users of the consolidated financial statements to the relevant disclosures in the consolidated financial statements in our audit report or revise our audit opinion if those disclosures are inappropriate. Our conclusion is based on the audit evidence available to us as of the date of the audit report. However, future events or circumstances may cause Hwa Fong Group to cease to be able to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements present fairly the underlying transactions and events.
6. We obtain sufficient and appropriate audit evidence about the financial information of the constituent entities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and for forming an opinion on the Group's audit.

We communicate with the governance entity regarding the scope and timing of the planned audit and significant audit findings, including significant deficiencies in internal control identified in the course of the audit.

We also provide the governance entity with a statement that the personnel of the firm to which we report are subject to the independence requirements of the R.O.C. Code of Ethics for Accountants and communicate with the governance entity about all relationships and other matters (including related safeguards) that could be considered to affect the accountant's independence.

We determined, based on the matters communicated to us by the governance entity, the key matters that we considered in our audit of the Group's consolidated financial statements for 2021. We identified those matters in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, where we decided not to communicate those matters in our auditor's report because the negative effect of such communication could reasonably be expected to outweigh the public interest that would be served.

PWC Taiwan

WU,SUNG-YUAN

CPA:

HSU,CHIEN-YEH

Financial Supervisory Commission

Certified Registration No. :

Financial-Supervisory-Securities-Auditing- 1090350620

Financial-Supervisory-Securities-Auditing- 1050035683

March 17, 2022

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$1,000

ASSETS		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 1,370,652	16	\$ 1,561,036	19
1110	Financial assets at fair value through profit or loss - current	6(2)	56,892	1	45,657	1
1136	Financial assets at fair value through P/L - current amortized cost	6(4)&8	107,916	1	147,289	2
1150	Notes receivable, net	6(5)	43,068	1	34,518	-
1170	Accounts receivable, net	6(5)	879,808	11	766,673	10
1180	Accounts receivable - related parties, net	7(2)	5,634	-	4,138	-
1200	Other receivables		33,454	-	26,567	-
1210	Other receivables - related parties	7(2)	489	-	493	-
130X	Inventory	6(6)	1,289,258	15	956,274	12
1470	Other current assets		44,443	1	31,516	-
11XX	Total current assets		3,831,614	46	3,574,161	44
Non-current assets						
1517	Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	227,897	3	-	-
1535	Financial assets measured at amortized cost - non-current	6(4) &8	147,686	2	228,799	3
1550	Investments accounted for using the equity method	6(7)	289,380	3	293,684	4
1600	Property, plant and equipment	6(8) &8	3,383,896	41	3,538,983	44
1755	Right-of-use assets	6(9)	44,685	-	49,531	1
1760	Net investment property	6(10)	194,356	2	203,146	2
1780	Intangible assets		1,105	-	1,173	-
1840	Deferred income tax assets	6(27)	152,787	2	105,039	1
1900	Other non-current assets	6(29) &8	50,523	1	55,201	1
15XX	Total non-current assets		4,492,315	54	4,475,556	56
1XXX	Total assets		\$ 8,323,929	100	\$ 8,049,717	100

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Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$1,000

LIABILITIES AND EQUITY			December 31, 2021		December 31, 2020				
			Note	Amount	%	Amount	%		
CURRENT ASSETS									
2100	Short-term borrowings	6(22)&8	\$	727,713	9	\$	799,496	10	
2110	Short-term notes payable	6(12)		49,979	-		49,966	-	
2130	Contractual liabilities - current	6(21)		78,580	1		70,350	1	
2170	Accounts Payable			514,119	6		395,306	5	
2180	Accounts payable - related parties	7(2)		4,987	-		-	-	
2200	Other payables	6(13)		300,135	4		322,300	4	
2220	Other payables - related parties	7(2)		701	-		892	-	
2230	Current income tax liabilities			64,886	1		99,684	1	
2250	Short-term borrowings	6(14)		17,207	-		64,056	1	
2280	Lease liabilities - current			2,764	-		3,400	-	
2320	Long-term liabilities due within one year or one business cycle	6(15)		90,853	1		92,164	1	
2399	Other current liabilities - other	6(21) &8		73,662	1		50,004	1	
21XX	Total current liabilities			1,925,586	23		1,947,618	24	
Non-current liabilities									
2540	Long-term loans	6(5) &8		1,554,316	19		1,235,073	15	
2570	Deferred income tax liabilities	6(27)		263,210	3		223,892	3	
2580	Lease liabilities - non-current			1,684	-		4,148	-	
2600	Other non-current liabilities	6(16)		106,740	1		114,008	2	
25XX	Total non-current liabilities			1,925,950	23		1,577,121	20	
2XXX	Total liabilities			3,851,536	46		3,524,739	44	
Equity									
Equity attributable to owners of the parent company									
	Share capital	6(17)							
3110	Common share capital			2,793,492	34		3,323,492	41	
	Capital Surplus	6(18)							
3200	Retained earnings			37,290	1		37,256	-	
	Legal surplus reserve	6(19)							
3310	Special surplus reserve			21,456	-		-	-	
3320	Undistributed earnings (deficit to be covered)			70,030	1		-	-	
3350	Other equity			270,793	3	(	388,079)	(	5)
	Other equity	6(20)							
3400	Capital Surplus		(	148,951)	(	2)	42,480	1	
31XX	Total equity attributable to owners of the parent company			3,044,110	37		3,015,149	37	
35XX	Forehand interests under common control			-	-		-	-	
36XX	Non-controlling interests	4(3)		1,428,283	17		1,509,829	19	
3XXX	Total equity			4,472,393	54		4,524,978	56	
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	九							
3X2X	Total liabilities and equity		\$	8,323,929	100	\$	8,049,717	100	

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000
(Except for earnings per share of NTD)

	Item	Note	2021		2020	
			Amount	%	Amount	%
4000	Operating Income	6(21)&7(2)	\$ 5,540,899	100	\$ 4,882,864	100
5000	Operating Costs	6(6)(26)	(4,288,531)	(77)	(3,723,434)	(76)
5900	Gross profit		1,252,368	23	1,159,430	24
	Operating expenses	6(26)&7(2)				
6100	Marketing expenses		(252,082)	(4)	(250,338)	(5)
6200	Management Fees		(273,830)	(5)	(277,916)	(6)
6300	Research and development expenses		(38,838)	(1)	(34,923)	(1)
6450	Expected credit impairment loss	12(2)	12,102	-	8,811	-
6000	Total operating expenses		(552,648)	(10)	(554,366)	(12)
6900	Operating profit					
	Non-operating income and expenses		699,720	13	605,064	12
7100	Interest income	6(22)	8,715	-	12,121	-
7010	Other income	6(3)	68,279	1	49,220	1
7020	Other gains and losses	6(24)	24,882	1	123,574	3
7050	Finance costs	6(25)	(45,381)	(1)	(47,064)	(1)
7060	Share of profits and losses of affiliated companies and joint ventures recognized using the equity method	6(7)	3,813	-	2,931	-
7000	Total non-operating income and expenses		60,308	1	140,782	3
7900	Net profit before tax		760,028	14	745,846	15
7950	Income tax expense	6(27)	(200,927)	(4)	(183,927)	(4)
8200	Net profit for the period		\$ 559,101	10	\$ 561,919	11

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Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000
(Except for earnings per share of NTD)

Item	Note	2021		2020		
		Amount	%	Amount	%	
Other comprehensive income (net)						
Items not reclassified to profit or loss						
8311	Remeasurement of defined benefit obligation	6(16)	(\$ 2,478)	-	(\$ 4,127)	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6(3)	(22,083)	(1)	-	-
8320	Share of other comprehensive income or loss of associated companies and joint ventures recognized using the equity method - not reclassified to profit or loss	6(7)	(1,632)	-	465	-
8349	Income tax relating to items that are not reclassified	6(28)	496	-	825	-
8310	Total items not reclassified to profit or loss		(25,697)	(1)	(2,837)	-
Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translation of financial statements of foreign operating entities		(396,938)	(7)	(189,097)	(4)
8370	Share of other comprehensive income or loss of associated companies and joint ventures recognized using the equity method - possible reclassification to profit or loss	6(7)	-	-	(170)	-
8399	Income tax relating to items that may be reclassified	6(28)	41,929	1	21,973	1
8360	Total amount of items that may be reclassified subsequently to profit or loss		(355,009)	(6)	(167,294)	(3)
8300	Other comprehensive income (net)		(\$ 380,706)	(7)	(\$ 170,131)	(3)
8500	Total comprehensive profit or loss for the current period		\$ 178,395	3	\$ 391,788	8
Net profit attributable to :						
8610	Owners of the parent company		\$ 362,015	6	\$ 371,601	7
8620	Non-controlling equity		197,086	4	190,318	4
			\$ 559,101	10	\$ 561,919	11
Total consolidated profit or loss attributable to :						
8710	Owners of the parent company		\$ 168,602	3	\$ 280,832	6
8720	Non-controlling equity		9,793	-	110,956	2
			\$ 178,395	3	\$ 391,788	8
Basic EPS						
9750	Basic EPS	6(28)	\$	1.30	\$	1.33
Diluted EPS						
9850	Diluted EPS	6(28)	\$	1.29	\$	1.33

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

Equity attributable to owners of the parent company										
	Retained earnings					Other Equities				
							Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Non-controlling equities	Total equity
Note	Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve		Total		
<u>2 0 2 0</u>										
Balance as of January 1, 2020	\$ 3,323,492	\$ 36,954	\$ -	\$ -	(\$ 754,094)	\$ 164,623	(\$ 34,676)	\$ 2,736,299	\$ 1,444,175	\$ 4,180,474
Net income for fiscal 2020	-	-	-	-	371,601	-	-	371,601	190,318	561,919
Other comprehensive income or loss for the period	-	-	-	-	(3,302)	(87,892)	425	(90,769)	(79,362)	(170,131)
Total comprehensive income for the period	-	-	-	-	368,299	(87,892)	425	280,832	110,956	391,788
Changes in affiliates recognized 6(18) under the equity method	-	302	-	-	(2,284)	-	-	(1,982)	(194)	(2,176)
Dividends paid by subsidiaries 4(3)	-	-	-	-	-	-	-	-	(45,108)	(45,108)
Balance as of December 31, 2020	\$ 3,323,492	\$ 37,256	\$ -	\$ -	(\$ 388,079)	\$ 76,731	(\$ 34,251)	\$ 3,015,149	\$ 1,509,829	\$ 4,524,978
<u>2 0 2 1</u>										
Balance as of January 1, 2021	\$ 3,323,492	\$ 37,256	\$ -	\$ -	(\$ 388,079)	\$ 76,731	(\$ 34,251)	\$ 3,015,149	\$ 1,509,829	\$ 4,524,978
Net income for fiscal 2021	-	-	-	-	362,015	-	-	362,015	197,086	559,101
Other comprehensive income or loss for the period	-	-	-	-	(1,982)	(167,716)	(23,715)	(193,413)	(187,293)	(380,706)
Total comprehensive income for the period	-	-	-	-	360,033	(167,716)	(23,715)	168,602	9,793	178,395
Capital reduction to cover losses 6(17)	(530,000)	-	-	-	530,000	-	-	-	-	-
Changes in affiliates recognized 6(18) under the equity method	-	34	-	-	-	-	-	34	-	34
Dividends paid by subsidiaries 4(3)	-	-	-	-	-	-	-	-	(91,339)	(91,339)
Appropriation and distribution of earnings for the six months ended June 30, 2021 4(19)	-	-	-	-	-	-	-	-	-	-
Legal surplus reserve	-	-	21,456	-	(21,456)	-	-	-	-	-
Special surplus reserve	-	-	-	70,030	(70,030)	-	-	-	-	-
Cash dividends	-	-	-	-	(139,675)	-	-	(139,675)	-	(139,675)
Balance as of December 31, 2021	\$ 2,793,492	\$ 37,290	\$ 21,456	\$ 70,030	\$ 270,793	(\$ 90,985)	(\$ 57,966)	\$ 3,044,110	\$ 1,428,283	\$ 4,472,393

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statements of Cash Flows
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
<u>Cash flows from operating activities</u>			
Net income before tax for the period		\$ 760,028	\$ 745,846
Adjusted items			
Income and expense items			
Depreciation expense	6(8)(9)(26)	209,077	214,179
Amortization expense	6(26)	512	535
Expected credit impairment reversal benefit	12(2)	(12,102)	(8,811)
Share of interests in affiliated companies and joint ventures recognized using the equity method	6(7)	(3,813)	(2,931)
Net gain or loss on financial assets and liabilities measured at fair value through profit or loss	6(2)(24)	3,616	(8,741)
Gain on disposal of property, plant and equipment	6(24)	(642)	(1,782)
Gain on disposal of land use rights		-	(115,895)
Interest income	6(22)	(8,715)	(12,121)
Interest expense	6(25)	45,381	47,064
Dividend income		(525)	(872)
Unrealized foreign currency exchange loss		(750)	-
Impairment loss on non-financial assets	6(7)(24)	-	30,548
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes Receivable		(8,550)	36,051
Accounts receivable (including related parties)		(102,529)	21,966
Other receivables		(6,883)	545
Inventory		(332,985)	72,113
Other current assets		(12,927)	13,346
Net change in liabilities related to operating activities			
Contractual liabilities		8,230	23,766
Notes Payable		-	(2,313)
Accounts payable		123,800	(34,473)
Other payables		(7,248)	15,495
Provision for liabilities		(46,332)	64,056
Other current liabilities		23,659	(616)
Other non-current liabilities		(9,745)	(7,349)
Cash inflows from operations		620,557	1,089,606
Interest received		8,715	12,121
Dividends received		3,448	3,482
Interest paid		(45,284)	(47,502)
Income tax paid		(186,349)	(123,179)
Net cash inflow from operating activities		401,087	934,528

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Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statements of Cash Flows
January 1 - December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through profit or loss		(\$ 14,851)	(\$ 36,472)
Acquisition of financial assets at amortized cost - current		(54,834)	(143,889)
Disposal of financial assets carried at amortized cost - current		87,169	128,674
Acquisition of property, plant and equipment	6(29)	(254,994)	(459,287)
Disposal of property, plant and equipment		1,402	8,857
Acquisition of intangible assets		(480)	(410)
Decrease (increase) in refundable deposits		1,074	(14,482)
Acquisition of financial assets at fair value through other comprehensive income		(249,980)	-
Financial assets measured at amortized cost - non-current changes		77,926	(125,568)
Acquisition of investments accounted for by the equity method		-	(117,733)
Proceeds from disposal of land use rights		-	133,108
Net cash outflow from investing activities		(407,568)	(627,202)
<u>Cash flows from financing activities</u>			
Change in short-term borrowings	6(30)	(66,612)	395,492
Increase in short-term bills payable	6(30)	-	49,966
Borrowing of long-term loans	6(30)	862,045	67,900
Repayment of long-term borrowings	6(30))	(545,098)	(300,031)
Principal repayment of leases	6(30)	(3,283)	(3,004)
Cash dividends paid by subsidiaries to non-controlling interests	4(3)	(91,339)	(45,108)
Cash dividends paid	6(19)(30)	(139,675)	-
Net cash inflows from financing activities		16,038	165,215
Effect of exchange rate changes		(199,941)	(119,686)
(Decrease) increase in cash and cash equivalents for the period		(190,384)	352,855
Balance of cash and cash equivalents at the beginning of the period		1,561,036	1,208,181
Balance of cash and cash equivalents at the end of the period		<u>\$ 1,370,652</u>	<u>\$ 1,561,036</u>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with them.

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : LI,YUAN-CHI

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
2021 and 2020

Unit: NT\$1,000
(Unless otherwise specified)

1. Company History

Hwa Fong Rubber Industrial Co., Ltd (hereinafter referred to as "our company") was established on May 27, 1959 with the approval of the Ministry of Economic Affairs. Our company and its subsidiaries (hereinafter referred to as "the Group") are mainly engaged in the manufacture, processing, domestic and foreign sales, import and export of rubber and plastic products.

2. Date and procedure for approval of financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 17, 2022.

3. Application of newly issued and revised standards and interpretations

(1) Effect of adopting newly issued and amended IFRSs endorsed by the Financial Supervisory Commission ("FSC")

The following table summarizes the newly issued, amended and revised IFRSs recognized by the FSC for the year 2021 and the explanations :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Effective date of issuance</u>
Amendments to IFRS 4 'Temporary Exemption from the Extension of IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Phase II "Changes in Interest Rate Indicators"	January 1, 2021
Amendments to IFRS 16, "New Coronavirus Pneumonia-Related Rent Reductions after June 30, 2021"	April 1, 2021(Note)

Note: The FSC allowed the early application on January 1, 2021.

The Group has evaluated that the above standards and explanations do not have a significant impact on The Group's financial status and financial performance.

(2) Effect of newly issued and amended IFRSs not yet adopted by the FSC

The following table summarizes the new, amended and revised IFRSs and explanations of IFRSs approved by the FSC for 2022 :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Releases</u>
Amendments to IFRS 3, "Indexing the Conceptual Framework"	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Value before reaching Intended Use".	January 1, 2022

Amendments to IAS 37, "Loss-making Contracts - Costs of Performing Contracts".
Annual Improvements for the 2018-2020 Cycle

January 1, 2022

January 1, 2022

The Group has evaluated that the above standards and explanations do not have a significant impact on our financial status and financial performance.

(3) Effect of international financial reporting standards issued by the IASB but not yet endorsed by the FSC

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRSs that have been issued by the IASB but not yet endorsed by the FSC.

The Group has evaluated that the above standards and interpretations have no significant impact on our financial status and financial performance.

4. Summary of significant accounting policies

The major accounting policies used in the preparation of these consolidated financial statements are described below. Unless otherwise stated, these policies have been applied consistently throughout the reporting period.

(1) Compliance Statement

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretative Pronouncements (hereinafter referred to as IFRSs) as endorsed by the FSC.

(2) Preparation Basis

1. The consolidated financial statements have been prepared on a historical cost basis, except for the following important items :
 - (1) Financial assets and liabilities at fair value through profit or loss (including derivative instruments).
 - (2) Financial assets at fair value through other comprehensive income or loss that are measured at fair value.
 - (3) The defined benefit obligation is recognized as the net asset less the present value of the defined benefit liability of the pension fund.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The process of applying the Group's accounting policies also requires management to exercise its judgment. Items involving a higher degree of judgment or complexity, or items involving significant assumptions and estimates in the consolidated financial statements are described in Note 5.

(3) Basis of Consolidation

1. Principles Governing the Preparation of Consolidated Financial Statements

- (1) The Group includes all subsidiaries in the entities for which consolidated financial statements are prepared. A subsidiary is an entity (including a structured entity) that is controlled by the Group and over which the Group has control when the Group is exposed to variable remuneration from participation in the entity or has rights to such variable remuneration and has the ability to affect such remuneration through its power over the entity. Subsidiaries are included in the consolidated financial

statements from the date the Group obtains control and are terminated the consolidation from the date control is lost.

- (2) Inter-company transactions, balances and unrealized gains and losses within the Group have been eliminated. The accounting policies of subsidiaries have been adjusted as necessary to conform to the policies adopted by The Group.
- (3) The components of profit or loss and other comprehensive income or loss are attributed to owners of the parent and non-controlling interests; total comprehensive income or loss is also attributed to owners of the parent and non-controlling interests, even if this results in a loss balance for non-controlling interests.
- (4) Changes in ownership of subsidiaries that do not result in a loss of control (transactions with non-controlling interests) are treated as equity transactions, i.e., as transactions with owners. The difference between the amount of the adjustment of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
- (5) When the group loses control of a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and recognized as the fair value of the originally recognized financial asset or the cost of the originally recognized investment in a related party or joint venture, and the difference between the fair value and the carrying amount is recognized in profit or loss for the period. For all amounts previously recognized in other comprehensive income or loss related to that subsidiary, the accounting treatment is the same as if the group had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income or loss would be reclassified to profit or loss upon disposal of the related assets or liabilities, the gain or loss is reclassified from equity to profit or loss when control over the subsidiary is lost.

2. Subsidiaries Included in Consolidated Financial Statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Business Type</u>	<u>Ownership (%)</u>		<u>Note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
The Company	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Manufacturing and Sales	50.42	50.42	
The Company	Hwa Fong Rubber (USA) Inc	Sales & Trading	100	100	
The Company	Hwa Fong Rubber (Hong Kong) Limited	International Trade	100	100	
The Company	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	19.85	19.85	Note1
The Company	Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Investment Holding Company	0.12	100	Note4
The Company	Hwa Fong (Viking) Holding Pte. Ltd.	Investment Holding Company	100	100	
The Company	Huazhong (Viking) Holding Pte. Ltd.	Investment Holding Company	100	100	
The Company	Hwa Fong Distribution Co. Ltd.	Investment and Sales Trading	100	100	
The Company	Hwa Fong Rubber (Suzhou) Co., Ltd.	Manufacturing and Sales	7.31	7.31	
The Company	Hwa Fong Rubber (West Coast) Co., Ltd.	Sales & Trading	100	100	Note3
Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	13.55	13.55	Note1
Hwa Fong Rubber (Viking) Holding Pte. Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	Manufacturing and Sales	92.69	92.69	
Huazhong (Viking) Holding Pte. Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	25.97	25.97	Note1
Hwa Fong Rubber (Hong Kong) Limited	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	40.63	40.63	Note1
Hwa Fong Rubber (Hong Kong) Limited	Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Investment Holding Company	99.88	-	Note4
Hwa Fong Rubber (Thailand) Public Co., Ltd.	HFT HOLDING CO.,LTD	Investment Holding Company	99.99	99.99	
Hwa Fong Rubber (Thailand) Public Co., Ltd.	PT Hwa Fong Rubber Indonesia	Manufacturing and Sales	99	99	Note2
HFT HOLDING CO.,LTD	PT Hwa Fong Rubber Indonesia	Manufacturing and Sales	1	1	Note2

Note 1 : The Company and the subsidiaries Hwa Fong Rubber (Singapore) Holding Pte.

Ltd., Huazhong (Viking) Holding Pte. Ltd., and Hwa Fong Rubber (Hong Kong) Limited jointly hold 100% equity of Hwa Fong Rubber (China) Co., Ltd.

Note 2 : On February 7, 2017, Hwa Fong Rubber (Thailand) Public Co., Ltd., a subsidiary of the Company, established PT Hwa Fong Rubber Indonesia, a subsidiary of the Company and held 99% of the shares. In addition, HFT Holding Co., Ltd, a subsidiary of the company, had 1% of the shares.

Note 3 : Due to the overall operational development of the Group, the Board of Directors approved the establishment of a subsidiary, Hwa Fong Rubber (West Coast) Co., Ltd., on November 13, 2019, and the establishment registration was completed and the investment amount was remitted on February 20, 2020.

Note 4 : In order to improve the financial structure of Hwa Fong Rubber (Singapore) Holdings Limited, on January 18, 2021, the Board of Directors resolved to increase the capital of Hwa Fong Rubber (Singapore) Holdings Limited by converting the debt of Hwa Fong Rubber (Hong Kong) Limited to Hwa Fong Rubber (Singapore) Holdings Limited in the amount of US\$7,300,000 by way of "debt to equity". The registration of the change was completed on April 28, 2021. Hwa Fong Rubber Industrial Co., Ltd. and Hwa Fong Rubber (Hong Kong) Ltd. hold 0.12% and 99.88% of Hwa Fong Rubber (Singapore) Holdings Ltd. respectively. The relevant statutory procedures have been applied to the Investment Commission of the Ministry of Economic Affairs for approval in August 2021.

3. Subsidiaries not included in the consolidated financial statements

None.

4. Adjustment and Treatment of Different Accounting Periods of Subsidiaries

None.

5. Significant Restrictions

None.

6. Subsidiaries with non-controlling interests that are significant to the Group

The Group's total non-controlling interests amounted to \$1,428,283,000 and \$1,509,829,000 as of December 31, 2021 and 2020, respectively, and the following is information about the Group's non-controlling interests and subsidiaries that are material to the Group :

		<u>Non-controlling interests</u>			
		<u>December 31, 2021</u>		<u>December 31, 2020</u>	
<u>Name of Subsidiary</u>	<u>Main Business Locations</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hwa Fong Rubber (Thailand) Public Co., Ltd.	Thailand	\$1,428,283	49.58%	\$1,509,829	49.58%

Summarized financial information of subsidiaries :

Balance sheets

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Assets	\$ 1,996,782	\$ 1,911,450
Non-current assets	1,525,910	1,706,457
Current liabilities	(581,608)	(506,455)
Non-current liabilities	(58,281)	(64,356)
Total Net Assets	<u>\$ 2,882,803</u>	<u>\$ 3,047,096</u>

Statement of Comprehensive Income

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 2,954,248	\$ 2,477,494
Net income before taxes	484,189	460,347
Income tax expense	(86,467)	(76,683)
Net income for the period	397,722	383,664
Other comprehensive income (net of tax)	(377,783)	(160,078)
Total comprehensive income or loss for the period	<u>\$ 19,939</u>	<u>\$ 223,586</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 9,793</u>	<u>\$ 110,956</u>
Dividends paid to non-controlling interests	<u>\$ 91,339</u>	<u>\$ 45,108</u>

Statement of Cash Flow

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net cash inflow (outflow) from operating activities	\$ 90,179	\$ 535,081
Net cash inflow (outflow) from investing activities	(142,441)	(95,737)
Net cash inflow (outflow) from financing activities	(173,950)	(221,517)
Effect of exchange rate changes on cash and cash equivalents	3,259	(3,162)
Increase in cash and cash equivalents	(222,953)	214,665
Cash and cash equivalents at the beginning of the period	771,123	670,892
Cash and cash equivalents at the end of the period	<u>\$ 548,170</u>	<u>\$ 885,557</u>

(4) Foreign currency exchange

Items included in the financial statements of each entity within the Group are measured using

the currency of the primary economic environment in which the entity operates (i.e., the functional currency). The consolidated financial statements are presented in the New Taiwan dollar, our functional currency, as the presentation currency. °

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction or measurement date, and translation differences arising from such transactions are recognized in profit or loss for the current period.
- (2) The balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period.
- (3) The balances of non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are recognized in profit or loss for the current period; those measured at fair value through other comprehensive income are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are recognized in other comprehensive income; those not measured at fair value are measured at the historical exchange rates at the date of initial transactions.
- (4) All exchange gains and losses are reported in "Other gains and losses" in the consolidated statement of income. °

2. Exchange of foreign operating institutions

- (1) The results of operations and financial position of all Group entities, affiliates and joint agreements whose functional currency differs from the presentation currency are exchanged into the presentation currency in the following methods :
 - A. Assets and liabilities expressed in each balance sheet are exchanged at the closing rate on that balance sheet date ;
 - B. The gains and losses shown in each consolidated statement of income are exchanged at average exchange rates for the period; and
 - C. All exchange differences resulted from the exchange are recognized as other comprehensive income.
- (2) When a foreign operation partially disposed of or sold is an affiliate or a joint agreement, the exchange differences under other comprehensive income or loss are reclassified proportionately to profit or loss as part of the gain or loss on disposal. When the Company loses significant influence over a foreign operating entity that is an affiliate or loses joint control over a foreign operating entity that is a joint agreement even though the Company retains a portion of the interest in the former affiliate or joint agreement, the disposal is treated as a disposal of the entire interest in the foreign operating entity.
- (3) When a foreign operation partially disposed of or sold is a subsidiary, the cumulative translation differences recognized in other comprehensive income or loss are reattributed to the noncontrolling interest in the foreign operation on a pro rata basis. However, when the Company loses control over a foreign operating entity that is a subsidiary even though it retains a portion of the interest in the former subsidiary, the disposal is treated as a disposal of the entire interest in the foreign operating entity.

(5) Classification standard of assets and liabilities into current and non-current

1. Assets are classified as current assets if one of the following conditions is qualified :

- (1) The asset is expected to be realized in the normal business cycle or is intended to be sold or consumed.
- (2) Those that are held primarily for trading purposes.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those that are restricted from being exchanged or used to settle liabilities for at least twelve months after the balance sheet date.

The Group classifies all assets that do not qualify as above as non-current.

2. Liabilities are classified as current liabilities if one of the following conditions is qualified :

- (1) Those that are expected to be settled in the normal business cycle.
- (2) Held primarily for trading purposes.
- (3) Expected to be settled within 12 months after the balance sheet date
- (4) The maturity date cannot be unconditionally extended to at least twelve months after the balance sheet date. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counterparties, do not affect the classification.

The Group classifies all liabilities that do not qualify as above as non-current.

(6) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to a fixed amount of cash with minimal risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments for operating purposes are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income or loss.
2. The Group uses trade date accounting for financial assets at fair value through profit or loss that qualify as customary transactions.
3. The Group recognizes the related transaction costs at initial recognition at fair value through profit or loss, and subsequently recognizes the gain or loss at fair value through profit or loss.
4. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow and the amount of dividends can be measured reliably.

(8) Financial assets at fair value through profit or loss

1. Investments in debt instruments that are not held-for-trading are recognized in other comprehensive income at the time of initial recognition as an irrevocable election, or as an investment in debt instruments that qualify for the following conditions :
 - (1) The financial assets are held under the operating model for the purpose of collecting contractual cash flows and selling them.
 - (2) The contractual terms of the financial assets generate cash flows on specific dates solely for the payment of principal and interest on the outstanding principal amount.
2. The Group uses trade date accounting for financial assets measured at fair value through other comprehensive income or loss that qualify for trading practice

3. The Group measures its fair value plus transaction costs at initial recognition and subsequently at fair value :

- (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss and is reclassified to retained earnings. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow and the amount of the dividends can be measured reliably.
- (2) Changes in the fair value of debt instruments are recognized in other comprehensive income. Prior to derecognition, impairment losses, interest income and foreign currency exchange gains or losses are recognized in profit or loss, and upon derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

(9) Financial assets measured at amortized cost

1. It means that the following conditions are qualified at the same time :
 - (1) The financial assets are held under an operating model whose objective is to collect the contractual cash flows.
 - (2) The contractual terms of the financial assets generate cash flows on specific dates solely for the payment of principal and interest on the outstanding principal amount.
2. The Group uses trade date accounting for financial assets that are measured at amortized cost in accordance with trading practice.
3. The Group measures interest income at its fair value plus transaction costs on initial recognition, and subsequently recognizes interest income and impairment loss over the liquidity period using the effective interest method under the amortization procedure, and recognizes its gain or loss in profit or loss when derecognized.
4. The Group holds time deposits that do not meet cash equivalents. Because of the short holding period, the effect of discounting is not significant and is measured by the amount invested.

(10) Accounts and notes receivable

1. The term refers to accounts and notes that have the unconditional right to receive the consideration for the transfer of goods or services in accordance with the contract.
2. Short-term accounts and notes receivable that are not interest-bearing are measured at the original invoice amount because the effect of discounting is not significant.

(11) Impairment of financial assets

At each balance sheet date, for financial assets measured at amortized cost and accounts receivable that contain significant financial components, the Group measures the allowance for losses at the expected credit loss amount over 12 months, considering all reasonable and probable information, including forward-looking information, for those financial assets whose credit risk has not increased significantly since initial recognition. For accounts receivable that do not contain significant financial components, the allowance for losses is measured at the expected credit loss amount over the period.

(12) Derecognition of financial assets

Financial assets are derecognized when the Group's contractual rights to receive cash flows from the financial assets lapse.

(13) Inventory

Inventories are measured at the lower of cost or net realizable value, and cost is carried forward on a weighted-average basis. The cost of finished goods and work in process includes raw materials, direct labor, other direct costs and production-related manufacturing costs (apportioned to normal production capacity), but excludes borrowing costs. The lower of cost or net realizable value is determined on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to be incurred to completion and related variable selling expenses.

(14) Investments/affiliated companies accounted for under the equity method

1. An affiliated company is an entity over which the Group has significant influence but not control, and in which the Group generally holds, directly or indirectly, 20% or more of the voting shares. The Group's investments in affiliated companies are accounted for using the equity method and are recognized at cost when acquired.
2. The Group recognizes its share of the post-acquisition profit or loss of an associated enterprise as profit or loss for the period, and its share of other post-acquisition comprehensive income or loss as other comprehensive income or loss. If the Group's share of losses of any associated enterprise equals or exceeds its interest in that associated enterprise (including any other unsecured receivables), the Group does not recognize further losses unless the Group has a legal or constructive obligation to, or has made payments on behalf of, that associated enterprise.
3. When there is a change in equity in a group of affiliated companies that is not profit or loss and other comprehensive income or loss and does not affect the proportionate shareholding in the affiliated companies, the Group recognizes the change in equity attributable to the Group's share of the affiliated companies as "capital surplus" in proportion to the shareholding.
4. Unrealized gains and losses arising from transactions between the Group and its affiliates have been eliminated in proportion to its interest in the affiliates; unrealized losses are also eliminated unless there is evidence that the assets transferred in the transaction are impaired. The accounting policies of the associated companies have been adjusted as necessary to conform to the policies adopted by the Group.
5. If the Group does not subscribe for or acquire new shares of a affiliated company on a pro-rata basis, and the change in the investment percentage still has a significant impact on the affiliated company, the increase or decrease in the change in the net equity is adjusted to "capital surplus" and "investments accounted for using the equity method". If the percentage of investment decreases, in addition to the above adjustments, any gain or loss previously recognized in other comprehensive income related to the decrease in the ownership interest, which is required to be reclassified to profit or loss upon the disposal of the related assets or liabilities, is reclassified to profit or loss in proportion to the decrease.
6. When the Group loses its significant influence on an affiliate, the remaining investment in the former affiliate is remeasured at fair value, and the difference between the fair value and the carrying amount is recognized in profit or loss for the current period.
7. When the Group disposes of an affiliated company, all amounts previously recognized in other comprehensive income or loss that relate to the affiliated company are accounted for on the same basis as if the Group had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income or loss would be reclassified to profit or loss upon disposal of the related assets or liabilities, the gain or loss is reclassified from equity to profit or loss when the

significant effect on the affiliated company is lost. The gain or loss is reclassified from equity to profit or loss when the significant influence on the related enterprise is lost. If there is still a significant effect on the related enterprise, only the proportionate share of the amount previously recognized in other comprehensive income or loss is transferred out in the manner described above.

8. When the Group disposes of an affiliate, capital surplus related to the affiliate is transferred to profit or loss if the Group loses significant influence on the affiliate; if the Group still has significant influence on the affiliate, the profit or loss is transferred proportionately to the disposal.

(15) Property, plant and equipment

1. Property, plant and equipment are recorded at acquisition cost and the related interest is capitalized during the period of purchase and construction.
2. Subsequent costs are included in the carrying amount of an asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced portion should be excluded. All other maintenance costs are recognized in profit or loss as incurred.
3. Property, plant and equipment are subsequently measured at cost, except for land, which is not depreciated, and are depreciated on a straight-line basis over their estimated useful lives. If the components of property, plant and equipment are significant, they are depreciated separately.
4. The Group reviews the residual value, useful life and depreciation method of each asset at the end of each financial year. If the expected value of the residual value and useful life differs from previous estimates, or if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the change is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The useful lives of each asset are as follows :
 - (1) Land improvements: 3 ~ 50 years
 - (2) House and building: 1 ~ 50 years
 - (3) Machinery and equipment: 1~30 years
 - (4) Test equipment: 2~20 years
 - (5) Transportation equipment: 1~10 years
 - (6) Office equipment: 1~10 years

(16) Lessee's lease transactions - right-of-use assets/lease liabilities

1. Leased assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the Group. When a lease contract is a short-term lease or a lease of a low-value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities are recognized at the present value of the lease payments outstanding at the commencement date of the lease, discounted at the Group's incremental loan rate, which includes :
 - (1) Fixed benefits, net of any lease incentives that may be received ;
 - (2) The purchase option is exercised at a price that is reasonably certain that the lessee will exercise the option.

Interest expense is subsequently recorded over the lease term using the interest method, which is measured at amortized cost. Lease liabilities are re-evaluated and right-of-use assets are remeasured when changes in the lease term or lease payments occur that are not contractual amendments.

3. Right-of-use assets are recognized at cost at the inception date of the lease and the cost includes :

- (1) Original measurement amount of lease liabilities ;
- (2) Any lease payments made on or before the start date ;
- (3) Any original direct costs incurred

Subsequent depreciation is provided on the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, measured using the cost model. When a lease liability is re-evaluated, the right-of-use asset is adjusted for any re-measurement of the lease liability.

(17) Investment property

Investment property is recognized at acquisition cost and subsequently measured at cost.

(18) Intangible assets.

Computer software is recognized at acquisition cost and amortized by the straight-line method over an estimated useful life of 3 ~ 5 years.

(19) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with indications of impairment at the balance sheet date and recognizes an impairment loss when the recoverable amount is less than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to dispose of it or its value in use. When no impairment loss exists or decreases in prior years, the impairment loss is reversed, provided that the carrying amount of the asset increased by the reversed impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

(20) Loans

- 1. This represents long- and short-term loans from banks. The Group measures the amount at its fair value less transaction costs on initial recognition and subsequently recognizes interest expense in profit or loss over the liquidity period using the effective interest method for any difference between the redemption price and the redemption value, net of transaction costs.
- 2. When it is probable that a portion or all of a line of credit will be drawn down, the fee is recognized as a transaction cost of the borrowing and is deferred until the expense is incurred and recognized as an adjustment to the effective interest rate; when it is not probable that a portion or all of a line of credit will be drawn down, the fee is recognized as an upfront payment and is amortized over the period to which the line of credit relates.

(21) Accounts and notes payable

- 1. Debt arising from the purchase of raw materials, goods or services on credit and bills payable arising from operating and non-operating activities are referred to as debt.
- 2. Short-term accounts payable and notes that are not interest-bearing are measured at the original invoice amount because the effect of discounting is not significant.

(22) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in the contracts are fulfilled, cancelled or expired.

(23) Provision for liabilities

Provisions for liabilities (including restructuring) are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The provision for liabilities is measured at the best estimate of the present value of the expenditures required to settle the obligation at the balance sheet date. The discount rate used is the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. No provision for future operating losses is recognized.

(24) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pension

(1) Confirmation of the contribution plan

For defined contribution plans, the amount to be contributed to the pension fund is recognized as pension cost on an accrual basis in the current period. Prepaid contributions are recognized as assets to the extent that they are refundable in cash or reduce future benefits.

(2) Defined benefit plans

A. The net obligation under the defined benefit plans is calculated by discounting the amount of future benefits earned by employees for current or past service to the present value of the defined benefit obligation as of the balance sheet date, less the fair value of plan assets. The net defined benefit obligation is calculated annually by the actuary using the projected unit benefit method, and the discount rate is determined by reference to market yields on high quality corporate bonds at the balance sheet date that correspond to the currency and period of the defined benefit plan; in countries where there is no deep market for such bonds, market yields on government bonds (at the balance sheet date) are used.

B. The re-measurement arising from defined benefit plans is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

3. Termination benefits

Termination benefits are provided when an employee's employment is terminated prior to the normal retirement date or when the employee decides to accept the Company's benefit offer in exchange for the termination of employment. The Group recognizes an expense when the offer of severance benefits can no longer be revoked or at the earlier of the recognition of related restructuring costs. Benefits that are not expected to be fully settled within 12 months after the balance sheet date are discounted.

4. Remuneration for employees and directors and supervisors

Employee compensation and remuneration to directors and supervisors are

recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual allotment amount subsequently resolved differs from the estimated amount, the difference is treated as a change in accounting estimate. In addition, the number of shares used for employee compensation is calculated based on the closing price on the day before the date of the board of directors' resolution.

(25) Income tax.

1. Income tax expense consists of current and deferred income taxes. Income taxes are recognized in profit or loss, except when they relate to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.
2. The Group calculates current income taxes based on the tax rates enacted or substantively enacted at the balance sheet date in the countries in which the Group operates and generates taxable income. Management periodically evaluates the status of income tax returns with respect to applicable income tax regulations and, when applicable, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Income tax on undistributed earnings is recognized in the year following the year in which the earnings are generated, based on the actual distribution of earnings.
3. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is not recognized if it arises from the original recognition of an asset or liability in a transaction (other than a business combination) that, at the time of the transaction, does not affect the accounting profit or taxable income (tax loss). Temporary differences arising from investments in subsidiaries and affiliated companies are not recognized if the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and the unrecognized and recognized deferred income tax assets are reassessed at each balance sheet date.
5. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and there is an intention to settle or realize the assets and liabilities simultaneously on a net basis; when there is a legally enforceable right to offset current income tax assets and liabilities, and the deferred income tax assets and liabilities are levied by the same taxable entity or by different taxable entities with the intention to settle or realize the assets and liabilities simultaneously. Deferred income tax assets and liabilities are offset when each entity intends to settle or realize the assets and liabilities on a net basis.
6. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the unused tax credits can be utilized, and the portion of unused tax credits arising from equity investments is carried forward to future periods.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or stock options are recorded as a reduction of price in equity, net of income taxes.

(27) Dividend distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's stockholders resolve to distribute the dividends. Cash dividends are recognized as a liability, while stock dividends are recognized as stock dividends to be distributed and transferred to common stock on the basis date of issuance of new shares.

(28) Revenue Recognition

1. The Group manufactures and sells rubber and plastic products. Sales revenue is recognized when control of the products is transferred to the customer, that is, when the products are delivered to the customer, the customer has discretion over the access and price of the products sold, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the products. Delivery of merchandise occurs when the product is delivered to a designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product in accordance with the sales contract or when there is objective evidence that all acceptance standards have been satisfied.
2. Sales revenue from the Group's sales of rubber and plastic products is recognized at contract prices, net of estimated discounts and price reductions. Sales discounts and price reductions to customers are generally based on 12-month cumulative sales volume. The Group estimates sales discounts and price reductions based on historical experience and recognizes revenue only to the extent that it is highly probable that there will be no material reversal in the future and updates the estimates at each balance sheet date. The estimated discounts and price reductions on sales related to sales as of the balance sheet date are recognized as refundable liabilities. The collection terms of sales transactions are usually due 30 ~ 90 days after the shipment date. The Group does not adjust the transaction prices to reflect the time value of money because the time lag between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year.
3. Accounts receivable are recognized when the merchandise is delivered to the customer because the Group has unconditional rights to the contract price from that point onward and only requires the passage of time to receive the consideration from the customer.

(29) Government Subsidies

Government subsidies are recognized at fair value when there is reasonable assurance that the enterprise will comply with the conditions attached to the government subsidy and that the subsidy will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the government grant is recognized in profit or loss on a systematic basis in the period in which the related expenses are incurred.

(30) Operations Department

The Group's operating department information is reported in a consistent manner with the internal management reports provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to the operating departments and evaluating their performance.

5. Significant accounting judgments, estimates and key sources of assumption uncertainty

The Group has used its management's judgment in determining the accounting policies to be used in preparing these consolidated financial statements and has made accounting estimates and assumptions that are based on reasonable expectations of future events under the circumstances prevailing at the balance sheet date. Significant accounting estimates and assumptions made that may differ from actual results are continually evaluated and adjusted, taking into account historical experience and other factors. These estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Please refer to the following descriptions of significant accounting judgments, estimates and assumptions that are uncertain :

(1) Important judgments in the adoption of accounting policies

No such situation.

(2) Important Accounting Estimates and Assumptions

1. Evaluation of Accounts Receivable

For the evaluation of accounts receivable, the Group uses the risk of default and the expected loss rate as the basis for assessing the allowance for losses on accounts receivable with respect to counter-parties and considers historical experience to determine the assumptions to be used in calculating impairment and the input values to be selected. The valuation of accounts receivable is based on the credit risk of the counter-parties in specific future periods and is subject to significant changes.

As of December 31, 2021, the carrying amount of the Group's accounts receivable was \$879,808,000.

2. Evaluation of Inventory

Because inventories are stated at the lower of cost or net realizable value, the Group must use judgment and estimates to determine the net realizable value of inventories at the balance sheet date. Due to the rapid changes in technology, the Group evaluates the amount of inventories at the balance sheet date that are normally worn out, obsolete or have no marketable value and reduces the cost of inventories to net realizable value. This inventory valuation is primarily based on sales order prices and is therefore subject to significant changes.

As of December 31, 2021, the carrying amount of the Group's inventories was \$1,289,258,000.

3. Assessment of impairment of tangible assets

In the asset impairment assessment process, the Group relies on subjective judgment and relies on asset use patterns and industry characteristics to determine the individual cash flows, the useful life of the assets and the likely future revenues and expenses of specific groups of assets.

As of December 31, 2021, the Group recognized an impairment loss of \$3,383,896,000 on property, plant and equipment.

6. Description of significant accounting items

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 496	\$ 6,001

Check Deposit and Demand Deposit	1,345,715	1,367,850
Time Deposits	<u>24,441</u>	<u>187,185</u>
Total	<u>\$ 1,370,652</u>	<u>\$ 1,561,036</u>

1. The credit quality of the Group's financial institutions is good and the Group has dealings with various financial institutions to diversify its credit risk and the possibility of default is expected to be low.
 2. The Group classifies time deposits with original maturities of more than three months as "financial assets measured at amortized cost - current", as described in Note 6(4).
 3. The Group's restricted deposits required for long-term and short-term loans and purchase performance guarantees are reported under "Financial assets at amortized cost - current" and "Financial assets at amortized cost - non-current", as explained in Note 8.
- (2) Financial assets measured at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Items :		
Mandatory financial assets at fair value through profit or loss		
Listed OTC stocks	\$ 54,050	\$ 37,141
Evaluation adjustments	<u>2,842</u>	<u>8,516</u>
Total	<u>\$ 56,892</u>	<u>\$ 45,657</u>

The breakdown of financial assets recognized at fair value through profit or loss is as follows :

<u>Item</u>	<u>2021</u>	<u>2020</u>
Current Items :		
Mandatory financial assets at fair value through profit or loss		
Equity Tools	<u>(\$ 3,616)</u>	<u>\$ 8,741</u>

- (3) Financial assets measured at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Items :		
Equity Tools		
Unlisted, OTC, Emerging Stocks	\$ 35,240	\$ 35,240
Evaluation adjustments	<u>(35,240)</u>	<u>(35,240)</u>
Total	<u>\$ -</u>	<u>\$ -</u>
Non-current items :		
Equity Tools		
Private placement of stocks by listed counter companies	\$ 249,980	\$ -
Evaluation adjustments	<u>(22,083)</u>	<u>-</u>
Total	<u>\$ 227,897</u>	<u>\$ -</u>

1. The Group has elected to classify equity investments in strategic investments as financial assets at fair value through other comprehensive income or loss, and the fair values of these investments were \$227,897,000 and \$0 as of December 31, 2021 and 2020, respectively.
2. The breakdown of financial assets at fair value through other comprehensive income or loss recognized in profit or loss and comprehensive income or loss is as follows :

	<u>2021</u>	<u>2020</u>
<u>Equity tools measured at fair value through other comprehensive income or loss</u>		
Changes in fair value recognized in other comprehensive income	(\$ 22,083)	\$ -

3. Without considering the collaterals or other credit enhancements held, the amount of financial assets at fair value through other comprehensive income that best represents the Group's exposure to credit risk was \$227,897,000 and \$0 as of December 31, 2021 and 2020, respectively.
 4. For information on the credit risk of financial assets measured at fair value through other comprehensive income, please refer to Note 12(2).
- (4) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Items :		
Time Deposit (over 3 months)	\$ 107,916	\$ 3,400
Restricted Time Deposits	-	143,889
Total	<u>\$ 107,916</u>	<u>\$ 147,289</u>
Non-current items.		
Restricted Time Deposits	\$ 31,776	\$ 17,936
Restricted demand deposits	115,910	210,863
Total	<u>\$ 147,686</u>	<u>\$ 228,799</u>

1. The amount of maximum exposure to credit risk at December 31, 2021 and 2020, without taking into account collateral held or other credit enhancements, that best represents the Group's holding of financial assets measured at amortized cost, is the carrying value of each class of financial assets measured at amortized cost.
 2. The Group provides pledges of financial assets measured at amortized cost as collaterals, please refer to Note 8.
 3. Please refer to Note 12(2) for information on the credit risk of financial assets measured at amortized cost.
- (5) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 43,150	\$ 34,600
Less: Allowance for losses	(82)	(82)
	<u>\$ 43,068</u>	<u>\$ 34,518</u>

Accounts receivable	\$ 1,110,732	\$ 1,030,686
Less: Allowance for losses	(230,924)	(264,013)
	<u>\$ 879,808</u>	<u>\$ 766,673</u>

1. The aging analysis of accounts receivable and notes receivable is as follows :

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>	<u>Accounts receivable</u>	<u>Notes Receivable</u>
Not overdue	\$ 782,223	\$ 43,150	\$ 99,657	\$ 34,551
Within 90 days past due	107,927	-	81,863	49
91-120 days past due	856	-	617	-
121-180 days past due	8,023	-	1,604	-
181-365 days past due	1,520	-	1,858	-
Over 1 year past due	<u>210,183</u>	<u>-</u>	<u>245,087</u>	<u>-</u>
	<u>\$ 1,110,732</u>	<u>\$ 43,150</u>	<u>\$ 1,030,686</u>	<u>\$ 34,600</u>

The above is an aging analysis based on the number of days past due.

- The balances of accounts receivable and notes receivable as of December 31, 2021 and 2020 were generated from customer contracts, and the balance of receivables from customer contracts as of January 1, 2020 was \$1,133,123,000.
- As of December 31, 2021 and 2020, the Group had \$54,859,000 and \$56,612,000 of notes and accounts receivable, respectively, which were secured by real estate and certificates of deposit provided by customers. In assessing these accounts receivable, the Group recognized an allowance for loss after considering the recoverability of the accounts receivable and the recoverable amount of the collaterals.
- The Group insures the accounts receivable and the insurance company reviews and grants the amount on a case-by-case basis. The insured amount of the outstanding accounts receivable as of December 31, 2021 and 2020 is \$351,387,000 and \$272,085,000, respectively. In evaluating these receivables, the Group has considered the collectability of the receivables and the recoverable amount of their insurance and provided for the losses accordingly.
- The amount that best represents the Group's maximum exposure to credit risk at December 31, 2021 and 2020, without taking into account collateral held or other credit enhancements, is the carrying amount of each class of notes and accounts receivable.
- Please refer to Note 12(2) for the related credit risk information of accounts receivable and notes receivable.

(6) Inventory

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 472,233	(\$ 16,429)	\$ 455,804
In-process products	101,889	(16,449)	85,440
Finished goods	642,397	(34,532)	607,865
Merchandise Inventory	77,800	(21,401)	56,399

Inventory in transit	<u>83,750</u>	<u>-</u>	<u>83,750</u>
Total	<u>\$ 1,378,069</u>	<u>(\$ 88,811)</u>	<u>\$ 1,289,258</u>

	<u>December 31, 20210</u>		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 411,521	(\$ 29,679)	\$ 381,842
In-process products	97,381	(26,835)	70,546
Finished goods	375,858	(27,787)	348,071
Merchandise Inventory	141,408	(23,234)	118,174
Inventory in transit	<u>37,641</u>	<u>-</u>	<u>37,641</u>
Total	<u>\$ 1,063,809</u>	<u>(\$ 107,535)</u>	<u>\$ 956,274</u>

The Group recognized the cost of inventories as expense in the current period :

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 4,284,677	\$ 3,542,043
Loss on decline in value of inventories (reversal of gain)	(16,298)	41,772
Less allocation of fixed manufacturing costs	9,661	25,798
Inventory loss	482	2,405
Revenue from sale of underlay	(3,321)	(1,274)
Liability provision - restructuring	-	46,684
Other	<u>13,330</u>	<u>66,006</u>
Total	<u>\$ 4,288,531</u>	<u>\$ 3,723,434</u>

1. In fiscal 2021, the Group recognized a decrease in cost of goods sold due to an increase in the net realizable value of inventories as a result of the write-down of some of the inventories for which a decline in value had been recorded.
2. Please refer to Note 6(14) for related liability provision information.

(7) Investments accounted for using the equity method

1. The carrying amounts of the Group's individual insignificant affiliates and the aggregated shares of their operating results are as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
INALWAYS CORPORATION	\$ 441,734	\$ 445,895
The Ascent (Thailand) Co., Ltd.	<u>965</u>	<u>1,108</u>
	442,699	447,003
Less: Accumulated impairment	<u>(153,319)</u>	<u>(153,319)</u>

	<u>\$</u>	<u>289,380</u>	<u>\$</u>	<u>293,684</u>
	<u>2021</u>		<u>2020</u>	
Share of profits and losses of affiliated companies and joint ventures recognized under the equity method of investment	\$	3,813	\$	2,931
Other comprehensive income (net of tax)	(	1,632)		295
Total consolidated profit or loss for the period	<u>\$</u>	<u>2,181</u>	<u>\$</u>	<u>3,226</u>

The shares of affiliates and joint ventures recognized by the equity method in the above investments are based on the audited financial statements of each investee company for the same period.

2. The fair value of the Group's investment in INALWAYS CORPORATION, which is publicly quoted, is \$236,788,000 and \$226,849,000 as of December 31, 2021 and 2020, respectively.

(Blank below)

(2) Property, plant and equipment

	<u>2021</u>					
	<u>Opening</u>	<u>Addition of</u>	<u>Reduction</u>	<u>Transfer of</u>	<u>Exchange rate</u>	<u>Ending Balance</u>
	<u>balance</u>	<u>this period</u>	<u>of this period</u>	<u>current period</u>	<u>impact number</u>	
Cost						
Land	\$ 1,080,373	\$ 93,610	\$ -	\$ -	(\$ 38,907)	\$ 1,135,076
Land Improvements	8,873	-	-	-	-	8,873
Building and construction	1,715,808	5,848	(5,264)	140,952	(81,220)	1,776,124
Machinery and Equipment	5,633,154	67,084	(79,412)	42,394	(279,735)	5,383,485
Test Equipment	98,552	260	(391)	-	(1)	98,420
Transportation Equipment	62,600	1,154	(4,434)	-	(3,140)	56,180
Office Equipment	252,077	3,336	(15,209)	-	(4,020)	236,184
Unfinished work and equipment to be tested	426,008	59,565	-	(170,673)	(48,399)	266,501
	<u>\$ 9,277,445</u>	<u>\$ 230,857</u>	<u>(\$ 104,710)</u>	<u>\$ 12,673</u>	<u>(\$ 455,422)</u>	<u>\$ 8,960,843</u>
Accumulated depreciation						
Land Improvements	(\$ 5,360)	(\$ 531)	\$ -	\$ -	\$ 1	(\$ 5,890)
Building and construction	(697,076)	(43,756)	5,264	-	30,938	(704,630)
Machinery and equipment	(3,849,122)	(141,786)	78,683	-	219,077	(3,693,148)
Testing equipment	(69,175)	(5,816)	391	-	-	(74,600)
Transportation equipment	(39,166)	(6,067)	4,404	-	2,057	(38,772)
Office Equipment	(186,837)	(6,473)	15,208	-	3,092	(175,010)
	<u>(\$ 4,846,736)</u>	<u>(\$ 204,429)</u>	<u>\$ 103,950</u>	<u>\$ -</u>	<u>\$ 255,165</u>	<u>(\$ 4,692,050)</u>
Cumulative Impairment						
Machinery and equipment	(\$ 854,642)	\$ -	\$ -	\$ -	\$ 6,546	(\$ 848,096)
Transportation equipment	(2,380)	-	-	-	19	(2,361)
Office Equipment	(34,704)	-	-	-	264	(34,440)
	<u>(\$ 891,726)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,829</u>	<u>(\$ 884,897)</u>
	<u>\$ 3,538,983</u>					<u>\$ 3,383,896</u>

	<u>2020</u>					
	<u>Opening</u>	<u>Addition of</u>	<u>Reduction</u>	<u>Transfer of</u>	<u>Exchange rate</u>	<u>Ending Balance</u>
Cost	<u>balance</u>	<u>this period</u>	<u>of this period</u>	<u>current period</u>	<u>impact number</u>	
Land	\$ 1,039,344	\$ 58,932	\$ -	\$ -	(\$ 17,903)	\$ 1,080,373
Land Improvements	8,873	-	-	-	-	8,873
Building and construction	1,669,029	73,326	(2,013)	-	(24,534)	1,715,808
Machinery and Equipment	5,670,280	75,603	(118,899)	23,516	(76,990)	5,573,510
Test Equipment	104,438	5,915	(11,801)	-	-	98,552
Transportation Equipment	125,546	4,548	(6,150)	-	(1,294)	122,650
Office Equipment	252,678	5,285	(7,797)	-	1,910	252,077
Unfinished work and equipment to be tested	<u>219,564</u>	<u>219,888</u>	<u>-</u>	<u>(3,251)</u>	<u>(10,193)</u>	<u>426,008</u>
	<u>\$ 9,089,752</u>	<u>\$ 443,497</u>	<u>(\$ 146,660)</u>	<u>\$ 20,265</u>	<u>(\$ 129,004)</u>	<u>\$ 9,277,851</u>
Accumulated depreciation						
Land Improvements	(\$ 4,803)	(\$ 557)	\$ -	\$ -	\$ -	(\$ 5,360)
Building and construction	(668,727)	(42,422)	1,938	-	12,135	(697,076)
Machinery and equipment	(3,838,561)	(149,827)	114,425	-	66,848	(3,807,115)
Testing equipment	(74,713)	(6,263)	11,801	-	-	(69,175)
Transportation equipment	(81,731)	(6,420)	5,869	-	703	(81,579)
Office Equipment	(186,980)	(4,133)	5,552	-	(1,276)	(186,837)
	<u>(\$ 4,855,515)</u>	<u>(\$ 209,622)</u>	<u>\$ 139,585</u>	<u>\$ -</u>	<u>\$ 78,410</u>	<u>(\$ 4,847,142)</u>
Cumulative Impairment						
Machinery and equipment	(\$ 810,458)	(\$ 30,548)	\$ -	\$ -	(\$ 13,636)	(\$ 854,642)
Transportation equipment	(2,340)	-	-	-	(40)	(2,380)
Office Equipment	(34,130)	-	-	-	(574)	(34,704)
	<u>(\$ 846,928)</u>	<u>(\$ 30,548)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,250)</u>	<u>(\$ 891,726)</u>
	<u>\$ 3,387,309</u>					<u>\$ 3,538,983</u>

1. Amount of property, plant and equipment loans capitalized and interest rate range :

	<u>2021</u>	<u>2020</u>
Capitalization Amount	\$ 63	\$ 213
Capitalization Rate Range	<u>1.57%</u>	<u>1.69%</u>

2. The cumulative impairment loss of \$884,965,000 recognized by the Group for the year ended December 31, 2021 represents the impairment loss recognized for the recoverable amount of each equipment that is lower than the carrying amount due to the shutdown of the tire back-end production line in the PRC.

3. The Group purchased the land in Zhenan Section and Shangmei Section in Dacun Township adjacent to the factory for the purpose of plant expansion. The Group has signed a contract with them to transfer the ownership at any time according to the laws and regulations, and the land above has been pledged to the Group. As of December 31, 2021, the details of the agricultural land not yet transferred are as follows :

<u>Place code</u>	<u>Area(square meter)</u>
Shangmei Section 39, Dacun Township	270.49
Shangmei Section 40, Dacun Township	2,237.58

As a result of the former Chairman's personal lawsuit, the above-mentioned land in Shangmei Section 39 and 40 was seized and registered by the Civil Enforcement Office of Changhua District Court, Litigation is currently in progress, please refer to Note 9(1) for the progress.

4. For information on guarantees provided by property, plant and equipment, please refer to Note 8.

(9) Lease transaction - Tenant

1. The subject assets of the Group's leases include land, buildings, buses and multifunctional machines, and the lease contracts are usually for periods ranging from 1 to 13 years. Lease agreements are individually negotiated and contain various terms and conditions, with no restrictions other than that the leased assets cannot be used as collateral for loans.
2. The Group leases dormitories and buses for a period of not more than 12 months, and the assets leased which are low value targets are multifunctional machines.
3. The carrying value of the right-of-use assets and the depreciation expense recognized were as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 39,135	\$ 40,617
Transportation equipment(utility vehicles)	<u>5,550</u>	<u>8,914</u>
	<u>\$ 44,685</u>	<u>\$ 49,531</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 1,173	\$ 1,470
Transportation equipment(utility vehicles)	3,475	3,087
	<u>\$ 4,648</u>	<u>\$ 4,557</u>

4. The additions to the Group's right-of-use assets amounted to \$465,000 and \$5,742,000 in fiscal 2021 and 2020, respectively.
5. Information on the profit and loss items related to lease contracts is as follows :

	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 161	\$ 195
Charges under short-term lease contracts	1,134	1,465
Charges for leases of low-value assets	326	333
	<u>\$ 1,621</u>	<u>\$ 1,993</u>

6. The Group's total lease cash outflow was \$4,904,000 and \$4,997,000 in fiscal 2021 and 2020, respectively.
7. As the land use right of Hwa Fong Rubber (Suzhou) Co., Ltd. was left idle without construction, the Changshu Municipal Government bought back the land use right from Hwa Fong Rubber (Suzhou) Co., Ltd. in accordance with the contract and recognized a disposal benefit of \$115,895,000 in fiscal 2020.

(10) Net investment property

	<u>2021</u>				
	<u>Opening balance</u>	<u>Addition of this period</u>	<u>Transfer of current period</u>	<u>Exchange rate impact number</u>	<u>Ending Balance</u>
Cost					
Land	<u>\$ 203,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 8,790)</u>	<u>\$ 194,356</u>
	<u>2020</u>				
	<u>Opening balance</u>	<u>Addition of this period</u>	<u>Transfer of current period</u>	<u>Exchange rate impact number</u>	<u>Ending Balance</u>
Cost					
Land	<u>\$ 218,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 15,501)</u>	<u>\$ 203,146</u>

The fair values of investment properties held by the Group as of December 31, 2021 and 2020 were approximately \$194,257,000 and \$203,042,000, respectively, based on the valuation by independent valuation experts, which is based on the market approach and is a Level 3 fair value.

(11) Short-term loans

<u>Nature of loan</u>	<u>December 31, 2021</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Guaranteed Loans	\$ 48,068	0.90%~1.92%	Land, plant and equipment
Credit Loan	648,150	1.11%~1.40%	None
Purchase Loan	31,495	0.96%~1.27%	None
	<u>\$ 727,713</u>		
<u>Nature of Loan</u>	<u>December 31, 2020</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank loan			
Guaranteed loans	\$ 211,176	0.89%~4.55%	Property, plant, equipment and time deposits
Credit Loan	532,348	1.05%~1.40%	None
Purchase Loan	55,972	1.05%~1.47%	None
	<u>\$ 799,496</u>		

1. Interest expense recognized in profit or loss was \$9,363,000 and \$12,505,000 in fiscal 2021 and 2020, respectively.
2. The above secured loans with banks were secured by property, plant and equipment and certificates of deposit, as described in Note 8.

(12) Short-term notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Short-term notes payable	\$ 50,000	\$ 50,000
Less: discount on commercial paper payable	(21)	(34)
	<u>\$ 49,979</u>	<u>\$ 49,966</u>
Issue rate	<u>1.20%</u>	<u>1.20%</u>

As of December 31, 2021, the above short-term notes payable were issued under the guarantee of China Bills Finance Corporation.

(13) Other accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 124,729	\$ 127,348
Taxes payable	32,066	41,596
Payables for equipment	20,821	35,852
Employees' remuneration payable	13,573	-
Remuneration to directors and supervisors	9,049	-
Repair and maintenance expenses payable	6,949	14,037

Packaging costs payable	7,099	4,889
Interest payable	1,483	1,386
Other payables	84,366	97,192
Total	<u>\$ 300,135</u>	<u>\$ 322,300</u>

(14) Provision for liabilities

2021	<u>Reorganization</u>
Balance as of January 1	\$ 64,056
Decrease in provision for liabilities for the period	(46,332)
Effect of exchange rate	(517)
Balance as of December 31	<u>\$ 17,207</u>

The analysis of the liability provision is as follows :

	<u>December 31, 2021</u>
Current	<u>\$ 17,207</u>

As a result of the reduction in manufacturing capacity in 2020, the Group expects to reduce 198 job opportunities. The Group has proposed a reorganization plan, which describes the number of employees affected and the voluntary severance package offered by the Group, as well as the amounts payable to employees participating in the voluntary severance package. The plan was initiated at the end of the reporting period of the consolidated financial statements for fiscal 2020, so the Group recognized a liability provision of \$64,056,000 in fiscal 2020 for expected restructuring costs, including termination costs and employee termination benefits, which is expected to be completed in fiscal 2022. The provision for the Group's liabilities was reduced by \$46,332,000 in fiscal 2021 as a result of the actual incurred liabilities.

(15) Long-term loans

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank Guaranteed Syndicated Loans	Interest will be paid monthly from July 15, 2019 to July 15, 2024, with principal repaid semi-annually	1.80%	Property, plant, equipment and demand deposits	\$ 974,700
Bank Guaranteed Loans	Interest is payable monthly from September 13, 2018 to March 31, 2035	1.40%~1.53%	Property, plant and equipment	308,669
Bank Credit Loan	Interest is payable monthly from July 13, 2021 to July 13, 2024, with principal repayment on the due date.	1.10%	NONE	150,000

Other long-term loans	Interest is payable monthly from March 16, 2021 to June 10, 2024	6.75%	Property, plant and equipment	212,645
Less: Hosting fee				(845)
				1,645,169
Less: Long-term loans due within one year or one business cycle				(90,853)
				<u>\$ 1,554,316</u>

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank Guaranteed Syndicated Loans	Interest is payable monthly and principal is repaid semi-annually from July 15, 2019 to July 15, 2024	1.80%	Property, plant, equipment and demand deposits	\$ 1,000,000
Bank Guaranteed Loans	Interest is payable monthly from September 13, 2018 to March 31, 2035	1.53%~4.43%	Property, plant and equipment	317,784
Other long-term loans	Interest is payable monthly from August 15, 2018 to August 15, 2021	8.00%	Property, plant and equipment	13,056
Less: Hosting fee				(3,603)
				1,327,237
Less: Long-term loans due within one year or one business cycle				(92,164)
				<u>\$ 1,235,073</u>

1. The Group signed a joint credit agreement of \$1,800,000 thousand on June 3, 2019 with Land Bank Corporation as the host bank and a syndicate of seven financial companies including Land Bank Corporation as the lending bank, with Land Bank Corporation as the managing bank, and the joint credit was used to repay existing borrowings and replenish working capital. In addition to other related provisions, the syndicated loan agreement includes the following restrictions :

The joint loan agreement includes, among other provisions, the following restrictions: to file annual consolidated audited financial reports audited by an accountant during the term of the joint loan and to maintain the financial ratios agreed upon by both parties, with the following financial ratio requirements :

- (1) Current ratio (current assets/current liabilities): greater than or equal to 100%.
 - (2) Debt-to-equity ratio (total liabilities/tangible net worth): less than or equal to 200%.
 - (3) Net tangible assets (total equity - intangible assets): Greater than or equal to \$3,000,000,000.
2. The Group is required to comply with certain financial ratios, such as current ratio, debt-to-equity ratio and tangible net worth, at the end of the year during the contractual renewal period in accordance with the Joint Credit Facility, as of December 31, 2021, the Group has not violated the above terms.

3. The above-mentioned syndicated loans and secured loans with banks are secured by property, plant and equipment and allowance accounts, as described in Note 8.

(16) Pension

- 1.(1) The Company has established a defined benefit pension plan in accordance with the Labor Standards Law, which is applicable to all regular employees (including appointed managers) prior to the implementation of the Labor Standards Law on July 1, 2005, and to employees who choose to continue to be subject to the Labor Standards Law after the implementation of the Labor Standards Law. For employees who are eligible to retire, pension payments are based on the length of service and the average salary for the six months prior to retirement, with two basis points for each year of service up to and including 15 years and one basis point for each year of service in excess of 15 years, subject to a maximum accumulation of 45 basis points. The Company contributes monthly 2% of salaries and wages to a pension fund, which is deposited in the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, the Company estimates the balance of the pension fund before the end of each year, and if the balance is not sufficient to pay the aforementioned amount of pension benefits to eligible employees in the following year, the Company will make a lump-sum withdrawal of the difference before the end of March of the following year

- (2) The amounts recognized in the balance sheet were as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	\$ 89,706	\$ 94,486
Fair value of plan assets	(47,768)	(47,303)
Present value of defined benefit obligation	<u>\$ 41,938</u>	<u>\$ 47,183</u>
Net defined benefit liability (other non-current liabilities in the table)		

- (3) The changes in the net defined benefit obligation were as follows :

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 94,486	(\$ 47,303)	\$ 47,183
Current service cost	1,359	-	1,359
Interest expense (income)	<u>709</u>	<u>(381)</u>	<u>328</u>
	<u>96,554</u>	<u>(47,684)</u>	<u>48,870</u>
Re-measuring number :			
Compensation on planned assets (excluding amounts included in interest income or expenses)			
Experience Adjustment	-	(456)	(456)
Re-measuring number :	<u>2,934</u>	<u>-</u>	<u>2,934</u>
	<u>2,934</u>	<u>(456)</u>	<u>2,478</u>
Contribute to retirement funds	-	(8,315)	(8,315)

Payment of pensions	(9,782)	8,687	(1,095)
December 31	<u>\$ 89,706</u>	<u>(\$ 47,768)</u>	<u>\$ 41,938</u>

	<u>2020</u>		
	<u>Contribute to retirement funds</u>	<u>Contribute to retirement funds</u>	<u>Contribute to retirement funds</u>
January 1	\$ 96,785	(\$ 45,946)	\$ 50,839
Current service cost	1,440	-	1,440
Interest expense (income)	<u>968</u>	<u>(513)</u>	<u>455</u>
	<u>99,193</u>	<u>(46,459)</u>	<u>52,734</u>
Re-measuring number :			
Compensation on planned assets (excluding amounts included in interest income or expenses)	-	(1,489)	(1,489)
Experience Adjustment	2,479	-	2,479
Re-measuring number :	<u>3,137</u>	<u>-</u>	<u>3,137</u>
	<u>5,616</u>	<u>(1,489)</u>	<u>4,127</u>
Contribute to retirement funds	-	(7,075)	(7,075)
Payment of pensions	<u>(10,323)</u>	<u>7,720</u>	<u>(2,603)</u>
December 31	<u>\$ 94,486</u>	<u>(\$ 47,303)</u>	<u>\$ 47,183</u>

- (4) The assets of the Company's defined benefit pension plan are entrusted to the Bank of Taiwan in accordance with Article 6 of the Regulations Governing the Custody and Use of Labor Pension Fund (i.e., deposit with domestic and foreign financial institutions, investment in domestic and foreign listed, over-the-counter or private placement equity securities, and investment in domestic and foreign real estate securitization products) within the proportion and amount of the entrusted items set forth in the annual investment and utilization plan of the fund. The use of the fund is supervised by the Labor Pension Fund Supervisory Committee. The minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the interest rate of two-year time deposits in local banks, and if there is any deficiency, it shall be replenished by the national treasury after approval by the competent authority. As the Company does not have the authority to participate in the operation and management of the fund, the fair value of plan assets cannot be disclosed in accordance with paragraph 142 of IAS 19. The fair value of the total assets constituting the fund as of December 31, 2021 and 2020, please refer to the annual reports on the use of the labor pension fund announced by the government.
- (5) The actuarial assumptions related to pensions are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.75%</u>	<u>0.75%</u>
Rate of Future Salary Increase	<u>2.00%</u>	<u>2.00%</u>

The assumptions for future mortality are based on published statistics and

experience in each country.

An analysis of the present value of the defined benefit obligation as a result of changes in the key actuarial assumptions used is as follows :

	<u>Discount rate</u>		<u>Rate of Future Salary Increase</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
<u>December 31, 2021</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 2,030)</u>	<u>\$ 2,106</u>	<u>\$ 8,701</u>	<u>(\$ 7,688)</u>
<u>December 31, 2020</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 2,479)</u>	<u>\$ 2,583</u>	<u>\$ 10,750</u>	<u>(\$ 9,321)</u>

The sensitivity analysis above analyzes the effect of changes in a single assumption with other assumptions held constant. In practice, changes in many assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The methodology and assumptions used in the sensitivity analysis are the same as those used in the previous period.

(6) The Group expects to pay \$8,315,000 as contribution to the retirement plan in FY2022.

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 12.1 years. An analysis of the maturity of pension payments is as follows.

Less than 1 year	\$ 38,479
1-2 years	14,108
2-5 years	18,826
More than 5 years	12,433
	<u>\$ 83,846</u>

- 2.(1) The Company and its domestic subsidiaries have established a defined contribution pension plan in accordance with the Labor Pension Act effective July 1, 2005, which is applicable to employees of the Company's nationality. The Company and its domestic subsidiaries make monthly contributions of 6% of salaries and wages to employees' individual accounts at the Labor Insurance Bureau for employees who choose to apply the Labor Pension Act.
- (2) In fiscal 2021 and 2020, the Company and its domestic subsidiaries recognized pension costs of \$13,417,000 and \$13,745,000, respectively, based on the above retirement plan.
3. (1) A subsidiary, Hwa Fong Rubber (Thailand) Public Company Limited, recognized post-employment benefits based on the pensionable remuneration and years of service in accordance with the Labor Protection Act of Thailand promulgated in 2541 (87), and recognized a net liability of \$57,969,000 and \$63,629,000 in the balance sheet as of December 31, 2021 and 2020, respectively, based on the projected unit benefit law. In accordance with the Retirement Reserve Act of 2530 (1987) and with the approval of the Ministry of Finance, the Thai subsidiary and the employees jointly set up a retirement reserve fund and each contributes 2% to 4% of

salaries and wages to the fund. When employees withdraw their pensions, they are paid from the fund account in accordance with the fund rules.

- (2) The pension cost recognized under the above pension plan was \$5,162,000 and \$5,468,000 in fiscal 2021 and 2020, respectively.
- 4.(1) The Group's mainland subsidiaries make monthly contributions to the pension insurance system in accordance with the regulations of the People's Republic of China government at a certain percentage of the local employees' total salaries. Each employee's pension is managed and arranged by the government and the Group has no further obligation other than to make monthly contributions.
- (2) The subsidiary, Hwa Fong Rubber (U.S.A.) Co., Ltd. contributes a certain percentage of local employees' salaries to the labor pension fund in accordance with the local government's retirement plan, and the company has no further obligation other than making monthly contributions.
- (3) The Group's pension costs under the above pension plan were \$13,136,000 and \$6,386,000 in fiscal 2021 and 2020, respectively.

(17) Share capital

1. The Company's paid-in capital was NT\$2,793,492,000 with a par value of NT\$10 per share and 279,349,000 shares outstanding as of December 31, 2021. The Company has received payment for all issued shares.

A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and end of the period (in thousands) is as follows :

	<u>2021</u>	<u>2020</u>
January 1	332,349	332,349
Less: Capital reduction to cover losses (	<u>53,000)</u>	<u>-</u>
December 31	<u><u>279,349</u></u>	<u><u>332,349</u></u>

2. The Company resolved at the shareholders' meeting on December 9, 2020 to reduce capital to eliminate accumulated losses of NT\$530,000 thousand and to cancel 53,000 thousand shares of common stock with a par value of NT\$10 per share, representing a capital reduction of 15.95%, in order to improve the financial structure. The capital reduction was approved by the competent authority on January 12, 2021, and the change of registration was completed on February 26, 2021.

(18) Capital Surplus

In accordance with the Company Law, capital surplus from the issuance of shares in excess of par value and capital surplus from gifts may be used to offset losses, and new shares or cash may be issued in proportion to the shareholders' original shares when the Company has no accumulated losses. In accordance with the Securities and Exchange Act, the total amount of the above capital surplus shall not exceed 10% of the paid-in capital each year. The Company may not use capital surplus to replenish capital unless there is a shortfall in capital surplus to cover capital deficit.

	<u>2021</u>		
	<u>Changes in net equity of affiliated companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 36,981	\$ 275	\$ 37,256
Recognition of changes in equity in affiliates based on shareholding	<u>34</u>	<u>-</u>	<u>34</u>
December 31	<u>\$ 37,015</u>	<u>\$ 275</u>	<u>\$ 37,290</u>

	<u>2020</u>		
	<u>Changes in net equity of affiliated companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 36,679	\$ 275	\$ 36,954
Recognition of changes in equity in affiliates based on shareholding	<u>302</u>	<u>-</u>	<u>302</u>
December 31	<u>\$ 36,981</u>	<u>\$ 275</u>	<u>\$ 37,256</u>

(19) Retained earnings

1. In accordance with the Company's Articles of Incorporation, the Company shall set aside 10% of the legal reserve each year after the Company's annual final accounts, in addition to paying income tax and making up for prior years' losses, except when the accumulated legal reserve has reached the Company's total paid-in capital. In addition, if there is any remaining balance after the appropriation of the special reserve, the remaining balance shall be added to the undistributed earnings of the previous year, subject to the approval of a special resolution by the board of directors, and reported to the shareholders' meeting. The total amount of dividends to shareholders shall be 20% to 90% of the accumulated distributable earnings, of which cash dividends shall not be less than 10% of the total dividends to shareholders.
2. If the Company makes a profit in a year, it shall set aside not less than 2% as compensation to employees and not more than 5% as compensation to directors, but shall reserve the amount to cover accumulated losses in advance. Remuneration to employees in the form of stock or cash and remuneration to directors in the form of cash shall be made by a resolution of the board of directors with two-thirds of the directors present and a majority of the directors present, and shall be reported to the shareholders. The aforementioned employee compensation in the form of stock or cash includes employees of subordinate companies who meet certain criteria and whose conditions are approved and authorized by the board of directors.
3. The legal reserve may not be used except to cover losses or to issue new shares or cash in proportion to the shareholders' original shares, provided that the amount of such reserve shall exceed 25% of the paid-in capital.
4. When distributing earnings, the Company is required by law to set aside a special reserve for the debit balance of other equity items as of the balance sheet date, and if the debit

balance of other equity items is subsequently reversed, the reversed amount may be included in available-for-distribution earnings.

5. (1) The Company's board of directors resolved on March 20, 2020 not to distribute earnings due to the accumulated deficit for the year 2019, which was recognized by the shareholders' meeting on June 12, 2020.
- (2) The Company's board of directors resolved on March 18, 2021 not to distribute earnings due to the accumulated deficit for fiscal 2020, and the resolution was approved by the shareholders' meeting on July 22, 2021
6. In accordance with the amendment to the Articles of Incorporation approved by the shareholders' meeting on July 22, 2021, the appropriation of earnings or loss can be made after the end of each semi-annual fiscal year.
7. The Board of Directors resolved the distribution of the Company's semi-annual earnings for the year 2021 as follows :

	<u>2nd half of 2021</u>	<u>1st half year 2021</u>
Date of Board Resolution	March 17, 2022	August 12, 2021
Legal reserve	<u>\$ 14,547</u>	<u>\$ 21,456</u>
Special reserve	<u>\$ 78,921</u>	<u>\$ 70,030</u>
Cash dividends	<u>\$ 139,675</u>	<u>\$ 139,675</u>
Dividend per share (NT\$)	<u>\$ 0.5</u>	<u>\$ 0.5</u>

The aforementioned legal reserve and special reserve for the appropriation of earnings for 2021, as of March 17, 2022, are subject to the resolution of the shareholders' meeting.

For information on the appropriation of earnings approved by the board of directors and resolved by the shareholders, please visit the Market Observation Post System of the Taiwan Stock Exchange.

(20) Other equity items

	<u>Unrealized evaluation</u> <u>gain or loss</u>	<u>2021</u> <u>Unrealized</u> <u>evaluation</u> <u>gain or loss</u>	<u>Unrealized</u> <u>evaluation</u> <u>gain or loss</u>
January 1	(\$ 34,251)	\$ 76,731	\$ 42,480
Evaluation Adjustment - Group	(22,083)	-	(\$ 22,083)
Evaluation adjustments - related companies	(1,632)	-	(1,632)
Foreign currency translation differences.			
-Group	-	(209,645)	(209,645)
-Group tax	-	41,929	41,929
December 31	<u>(\$ 57,966)</u>	<u>(\$ 90,985)</u>	<u>(\$ 148,951)</u>

	<u>2020</u>		
	<u>Unrealized evaluation</u>	<u>Unrealized evaluation</u>	<u>Unrealized evaluation</u>
	<u>gain or loss</u>	<u>gain or loss</u>	<u>gain or loss</u>
January 1	(\$ 34,676)	\$ 164,623	\$ 129,947
Evaluation			
Adjustment -			
Affiliates	425	-	425
Foreign currency			
translation			
differences.			
-Group	-	(109,707)	(109,707)
-Taxes of the Group	-	21,973	21,973
-Associates	-	(158)	(158)
December 31	<u>(\$ 34,251)</u>	<u>\$ 76,731</u>	<u>\$ 42,480</u>

(21) Operating income

	<u>2021</u>	<u>2020</u>
Revenue from customer contracts	<u>\$ 5,540,899</u>	<u>\$ 4,882,864</u>

1. Breakdown of revenue from customer contracts

The Group's revenue is derived from merchandise transferred at a point in time and can be subdivided into the following main geographical areas of sales :

	<u>All kinds of tires</u>				
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Total</u>
Taiwan	\$ 778,984	\$ -	\$ -	\$ 45,799	\$ 824,783
Thailand	24,525	-	-	750,253	774,778
USA	317,208	459	581,006	110,764	1,009,437
China	3,568	155,563	-	1,488	160,619
Other	1,010,208	250,228	-	2,045,944	3,306,380
Revenue from					
internal					
departmental					
transactions	(342,046)	(125,266)	-	(67,786)	(535,098)
Departmental					
Revenue	<u>\$1,792,447</u>	<u>\$ 280,984</u>	<u>\$ 581,006</u>	<u>\$2,886,462</u>	<u>\$5,540,899</u>

2020

	<u>All kinds of tires</u>				
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Total</u>
Taiwan	\$ 725,595	\$ -	\$ -	\$ 51,637	\$ 777,232
Thailand	21,108	-	-	760,149	781,257
USA	524,593	1,543	782,121	90,904	1,399,161
China	1,335	102,692	-	694	104,721
Other	823,536	56,561	-	1,574,110	2,454,207

Revenue from internal departmental transactions	(535,144)	(30,942)	-	(67,628)	(633,714)
Departmental Revenue	<u>\$1,561,023</u>	<u>\$ 129,854</u>	<u>\$ 782,121</u>	<u>\$2,409,866</u>	<u>\$4,882,864</u>

2. Contractual liabilities and refund liabilities

- (1) The Group recognized contract liabilities related to revenue from customer contracts as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities - trade receivables in advance	<u>\$ 78,580</u>	<u>\$ 70,350</u>
N	<u>\$ 17,544</u>	<u>\$ 12,075</u>

Note: The debts are generated from the discount on estimated sales and are shown as other current liabilities.

- (2) Opening contract liabilities Current recognized income:

	<u>2021</u>	<u>2020</u>
Contract liabilities - trade receivables in advance	<u>\$ 63,621</u>	<u>\$ 38,782</u>

(22) Interest income

	<u>2021</u>	<u>2020</u>
Bank Deposit Interest	<u>\$ 8,715</u>	<u>\$ 12,121</u>

(23) Other income

	<u>2021</u>	<u>2020</u>
Grant income	\$ 5,289	\$ 18,271
Other income - other	<u>62,990</u>	<u>30,949</u>
	<u>\$ 68,279</u>	<u>\$ 49,220</u>

The Group recognized government subsidy income of \$18,271,000 for operating capital and salary expenses in fiscal 2020 as a result of the application of the Ministry of Economic Affairs' "Operating Capital Relief and Revitalization Loan and Interest Subsidy for Businesses with Operating Difficulties Affected by COVID-19 (Wuhan Pneumonia)".

(24) Other interests and losses

	<u>2021</u>	<u>2020</u>
Disposal of interest in property, plant and equipment	\$ 642	\$ 1,782

Interest in disposal of land use rights	-	115,895
Foreign currency exchange gains	31,338	25,763
Gain (loss) on financial assets at fair value through profit or loss	(3,616)	8,741
(Loss) gain on financial assets		
Impairment loss on non-financial assets.	-	(30,548)
-Property, plant and equipment	(3,482)	1,941
	<u>\$ 24,882</u>	<u>\$ 123,574</u>

(25) Finance costs

	<u>2021</u>	<u>2020</u>
Interest charges.		
Bank borrowings	\$ 45,283	\$ 47,082
Lease liabilities	161	195
Less: Assets that meet the criteria	(63)	(213)
	<u>\$ 45,381</u>	<u>\$ 47,064</u>

(26) Additional information on the nature of fees

	<u>2021</u>	<u>2020</u>
Employee Benefit Costs		
Salary Costs	\$ 1,060,888	\$ 949,998
Labor and Health Insurance	56,572	51,938
Pension Costs	33,402	27,494
Other Employment Costs	33,754	87,654
Subtotal	<u>\$ 1,184,616</u>	<u>\$ 1,117,084</u>
Depreciation expense	<u>\$ 209,077</u>	<u>\$ 214,179</u>
Amortization expense	<u>\$ 512</u>	<u>\$ 535</u>

1. In accordance with the Company's Articles of Incorporation, no less than 2% of the employees' remuneration and no more than 5% of the directors' remuneration shall be appropriated in the event of a profit for the year. However, if the Company still has accumulated losses, the amount of compensation shall be reserved in advance. The aforementioned employees' remuneration shall be paid in stock or cash, including employees of subordinate companies who meet certain criteria.
2. The estimated amount of employees' compensation for 2021 is \$13,573,000 and the estimated amount of directors' compensation is \$9,049,000, which is recorded as salary expense. 2021 is based on the profitability as of the end of the period and is estimated in accordance with the Company's Articles of Incorporation.

3. Due to the Company's accumulated losses in fiscal 2020, employee compensation and director compensation have not been estimated.

Information on the remuneration of employees and directors approved by the Board of Directors of the Company is available on the Market Observation Post System.

(27) Income tax

1. Income tax expense

(1) Income tax expense components:

	<u>2021</u>	<u>2020</u>
Current Income Taxes.		
Current income arising from	\$ 174,106	\$ 169,366
Income Taxes		
	(2,852)	10,412
Prior years' income taxes	<u>171,254</u>	<u>179,778</u>
(High) Underestimated		
Total current income taxes		
	<u>29,673</u>	4,149
Deferred income taxes.	<u>29,673</u>	<u>4,149</u>
Original generation of temporary differences	<u>\$ 200,927</u>	<u>\$ 183,927</u>

(2) Income taxes related to other comprehensive income :

	<u>2021</u>	<u>2020</u>
Exchange differences between foreign operating companies	(\$ 41,929)	(\$ 21,973)
Re-measurement of defined benefit obligation	(496)	(825)
	<u>(\$ 42,425)</u>	<u>(\$ 22,798)</u>

2. Relationship between income tax expense and accounting profit

	<u>2020</u>	<u>2021</u>
Income tax on net income before income tax at statutory rate (Note)	\$ 192,650	\$ 194,011
Expenses excluded under the tax law	927	813
Tax-exempt income	(24,320)	(40,441)
Deferred income tax assets are not recognized for tax losses.	23,630	8,980
Deferred income tax assets not recognized for temporary differences	(7,687)	977
(High) Underestimation of prior years' income tax	2,852	10,412
Tax separation	<u>18,579</u>	<u>9,175</u>

Income tax expense	\$	200,927	\$	183,927
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Note: The applicable tax rate is based on the tax rate applicable to the income of the relevant country.

3. The amount of each deferred income tax asset or liability arising from temporary differences is as follows :

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>2021 Recognized in other comprehensive net income</u>	<u>Exchange Difference</u>	<u>December 31</u>
Deferred income tax assets:					
-Temporary differences.					
Foreign operating entities translation differences	\$ 9,200	-	\$ 41,929	\$ -	\$ 51,129
Unrealized gross profit on sales	5,958	(2,086)	-	-	3,872
Unrealized exchange losses	1,809	997	-	-	2,806
Loss on doubtful accounts	22,165	195	-	(2,801)	19,559
Pensions	17,462	(1,340)	-	(1,094)	15,028
Actuarial gains and losses on defined benefit plans	4,700	-	496	(580)	4,616
Loss on foreign long-term investments	30,885	13,490	-	-	44,375
Other	12,860	(1,484)	-	26	11,402
Subtotal	<u>\$105,039</u>	<u>\$ 9,772</u>	<u>\$ 42,425</u>	<u>(\$ 4,449)</u>	<u>\$152,787</u>
Deferred income tax liabilities:					
Provision for land appreciation tax	(142,398)	-	-	-	(142,398)
Foreign long-term investment income Gain	(76,720)	(40,089)	-	-	(116,809)
Other	(4,774)	644	-	127	(4,003)
Sub-total	<u>(\$223,892)</u>	<u>(\$ 39,445)</u>	<u>\$ -</u>	<u>\$ 127</u>	<u>(\$263,210)</u>
Total	<u>(\$118,853)</u>	<u>(\$ 29,673)</u>	<u>\$ 42,425</u>	<u>(\$ 4,322)</u>	<u>(\$110,423)</u>

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net income</u>	<u>Exchange Difference</u>	<u>December 31</u>
Deferred income tax assets:					
-Temporary differences.					
Foreign operating entities translation differences		\$ -	\$ 9,200	\$ -	\$ 9,200
Unrealized gross profit on sales		37	-	-	5,958
Unrealized exchange losses	(290)		-	-	1,809
Loss on doubtful accounts	(82)		-	(1,235)	22,165
Pensions	(4,179)		-	(427)	17,462
Actuarial gains and losses on defined benefit plans		-	209	(260)	4,700
Loss on foreign long-term investments	-	30,885	-	-	30,885

Other	<u>6,498</u>	<u>6,354</u>	<u>-</u>	<u>8</u>	<u>12,860</u>
Subtotal	<u>\$ 64,819</u>	<u>\$ 32,725</u>	<u>\$ 9,409</u>	<u>(\$ 1,914)</u>	<u>\$105,039</u>
Deferred income tax liabilities:					
Provision for land appreciation tax	(142,398)	-	-	-	(142,398)
Foreign operating companies' exchange differences	(12,773)	-	12,773	-	-
Actuarial gains and losses on defined benefit plans	(616)	-	616	-	-
Foreign long-term investment income Gains or losses on foreign long-term investments	(38,007)	(38,713)	-	-	(76,720)
Other	<u>(6,892)</u>	<u>1,839</u>	<u>-</u>	<u>279</u>	<u>(4,774)</u>
Sub-total	<u>(\$200,686)</u>	<u>(\$ 36,874)</u>	<u>\$ 13,389</u>	<u>\$ 279</u>	<u>(\$223,892)</u>
Total	<u>(\$135,867)</u>	<u>(\$ 4,149)</u>	<u>\$ 22,798</u>	<u>(\$ 1,635)</u>	<u>(\$118,853)</u>

4. The amount of the Group's expiration date of tax loss that has not been used and unrecognized deferred income tax assets are as follows :

December 31, 2021

<u>Year of occurrence</u>	<u>No. of declarations /approvals</u>	<u>Amount not yet credited</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final credit year</u>
<u>Hwa Fong China</u>				
2017	Approved No.	\$ 254,976	\$ 254,976	2022
2018	Approved No.	254,759	254,759	2023
2019	Approved No.	163,985	163,985	2024
2020	Approved No.	97,462	97,462	2025
2021	Estimated Number of Declaration	75,062	75,062	2026
Subtotal		846,244	846,244	
<u>Hwa Fong Suzhou</u>				
2017	Approved No.	147,166	147,166	2022
2018	Approved No.	150,736	150,736	2023
2019	Approved No.	22,446	22,446	2024
2021	Estimated Number of Declaration	20,112	20,112	2026
Subtotal		340,460	340,460	
<u>Hwa Fong Enterprise</u>				
2012	Approved No.	\$ 355	\$ 355	2022
2013	Approved No.	910	910	2023
2014	Approved No.	413	413	2024
2015	Approved No.	36,850	36,850	2025
2016	Approved No.	689	689	2026
2017	Approved No.	170	170	2027
2018	Approved No.	72	72	2028
2019	Approved No.	1,987	1,987	2029
2020	Approved No.	4,044	4,044	2030
2021	Estimated Number of Declaration	11,479	11,479	2031
Subtotal		56,969	56,969	
Total		\$1,243,673	\$ 1,243,673	

December 31, 2020

<u>Year of occurrence</u>	<u>No. of declarations /approvals</u>	<u>Amount not yet credited</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final credit year</u>
<u>Hwa Fong China</u>				
2017	Approved No	\$ 254,976	\$ 254,976	2022
2018	Approved No	254,759	254,759	2023
2019	Approved No	163,985	163,985	2024
2020	Approved No	92,825	92,825	2025
Subtotal		766,545	766,545	
<u>Hwa Fong Suzhou</u>				
2016	Approved No	\$ 235,972	\$ 235,972	2021

2017	Approved No	147,166	147,166	2022
2018	Approved No	150,736	150,736	2023
2019	Approved No	<u>22,446</u>	<u>22,446</u>	2024
Subtotal		<u>556,320</u>	<u>556,320</u>	
<u>Hwa Fong Enterprise</u>				
2011	Approved No	\$ 714	\$ 714	2021
2012	Approved No	355	355	2022
2013	Approved No	910	910	2023
2014	Approved No	413	413	2024
2015	Approved No	36,850	36,850	2025
2016	Approved No	689	689	2026
2017	Approved No	170	170	2027
2018	Approved No	72	72	2028
2019	Approved No	1,987	1,987	2029
2020	No. of declarations	<u>4,044</u>	<u>4,044</u>	2030
Subtotal		<u>46,204</u>	<u>46,204</u>	
Total		<u>\$1,369,069</u>	<u>\$ 1,369,069</u>	

5. Deductible temporary differences not recognized as deferred income tax assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Temporary differences can be reduced	<u>\$ 578,891</u>	<u>\$ 528,517</u>

6. The Company has not recognized deferred income tax liabilities for taxable temporary differences associated with certain investments in subsidiaries. The amount of unrecognized temporary differences for deferred income tax liabilities was \$64,731,000 and \$52,877,000 as of December 31, 2021 and 2020, respectively.

7. The Company's income tax is approved by the tax authorities until 2019, and the subsidiary, Sino-Forest Distribution Corporation, is approved by the tax authorities until 2019.

(28) Earnings per share

	<u>Amount after</u>	<u>2021</u> <u>Weighted average</u> <u>number of outstanding</u>	<u>Earnings per</u>
	<u>tax</u>	<u>shares (in thousands)</u>	<u>share</u> <u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income for the period attributable to ordinary shareholders of the parent			
Net income for the period	<u>\$362,015</u>	<u>279,349</u>	<u>\$ 1.30</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$362,015	279,349	
Effect of Diluted Potential			

Common Stock			
Employee			
Compensation	<u>-</u>	<u>808</u>	
Net income for the			
period attributable to			
ordinary shareholders			
of the parent plus the			
effect of potential			
ordinary shares	<u>\$362,015</u>	<u>280,157</u>	<u>\$ 1.29</u>
		<u>2020</u>	
	<u>Amount after</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>tax</u>	<u>number of outstanding</u>	<u>share</u>
		<u>shares (in thousands)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable			
to ordinary			
shareholders of the			
parent for the period	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>
<u>Diluted earnings per share</u>			
Net income for the			
period attributable to			
ordinary shareholders			
of the parent plus the			
effect of potential			
ordinary shares	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>

1. For the calculation of earnings per share for fiscal 2021 and 2020, the effect of the capital reduction to cover losses for fiscal 2021 has been adjusted retroactively, as described in Note 6(18).
2. In fiscal 2021, the calculation of diluted earnings per share assumes that all employee compensation is paid in stock during the period and is included in the weighted-average number of shares outstanding when the potential common stock has a dilutive effect.

(29) Supplemental Cash Flow Information

Investing activities that are only partially paid in cash :

		<u>2021</u>		<u>2020</u>
Acquisition of property, plant and				
equipment	\$	243,530	\$	463,762
Add: Payable for equipment at the		35,852		43,749

beginning of the period		
Prepayments for equipment at the end		
of the period (listed in the table)	16,862	20,429
Other non-current assets)	(20,821)	(35,852)
Less: Amount due for equipment at the end		
of the period	(20,429)	(32,801)
Prepayments for equipment at the		
beginning of the period (listed in the table)	<u>\$ 254,994</u>	<u>\$ 459,287</u>

(30) Changes in liabilities arising from financing activities

	<u>2021</u>					
	<u>Short-term</u>	<u>Short-term</u>	<u>Long-term loans</u>	<u>Leasing</u>	<u>Dividends</u>	<u>Total liabilities</u>
	<u>loans</u>	<u>notes payable</u>	<u>(Including long-</u>	<u>Liabilities</u>	<u>payable</u>	<u>from financing</u>
			<u>term loans due</u>			<u>activities</u>
			<u>within one year</u>			
January 1	\$799,496	\$49,966	\$ 1,327,237	\$7,548	\$ -	\$2,184,247
Changes in						
fundraising						
cash flow	(66,612)	-	316,947	(3,283)	(139,675)	107,377
Increase in the						
current period	-	-	-	-	139,675	139,675
Effect of						
exchange rate						
changes	(5,171)	-	985	(282)	-	(4,468)
Other non-cash						
changes	-	13	-	465	-	478
December 31	<u>\$727,713</u>	<u>\$49,979</u>	<u>\$ 1,645,169</u>	<u>\$4,448</u>	<u>\$ -</u>	<u>\$2,427,309</u>

	<u>2020</u>					
	<u>Short-term</u>	<u>Short-term</u>	<u>Long-term loans</u>	<u>Leasing</u>		<u>Total liabilities</u>
	<u>loans</u>	<u>notes payable</u>	<u>(Including long-</u>	<u>Liabilities</u>		<u>from financing</u>
			<u>term loans due</u>			<u>activities</u>
			<u>within one year</u>			
January 1	\$413,004	\$ -	\$ 1,567,889	\$ 5,009		\$1,985,902
Changes in						
financing cash						
flows	395,492	49,966	(232,131)	(3,004)		210,323
Effect of						
exchange rate						
changes	(9,000)	-	(8,521)	(199)		(17,720)
Other non-cash						
changes	-	-	-	5,742		5,742
December 31	<u>\$799,496</u>	<u>\$ 49,966</u>	<u>\$ 1,327,237</u>	<u>\$ 7,548</u>		<u>\$2,184,247</u>

7. Related party transactions

(1) Name and relationship of related parties

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
SUMITOMO RUBBER INDUSTRIES, LTD.	Other related parties
JIANG SIN INDUSTRIAL CO., LTD.	Other related parties (Note)

Note: The company has the same legal representative as the Company's director.

(2) Significant transactions with related parties

1. Operating income

	<u>FY 2021</u>	<u>FY 2020</u>
Merchandise Sales :		
Other related parties	\$ <u>76,474</u>	\$ <u>75,394</u>

(1) The Group's sales to related parties are mainly for finished goods and the transaction prices are based on market prices.

(2) The terms of collection with related parties are mainly T/T 60~120 days, and the terms of collection with non-related parties are mainly T/T 30~90 days or L/C, and the transactions are based on the prices and terms agreed by both parties.

2. Purchase

	<u>FY 2021</u>	<u>FY 2020</u>
Merchandise Purchase :		
Other related parties	\$ <u>6,702</u>	\$ <u>-</u>

The Company's purchases are based on normal prices and conditions and do not differ materially from those of non-affiliated parties.

3. Receivable from related parties

	<u>December 31, 2021</u>	<u>December 31, 20210</u>
Accounts receivable :		
Other related parties	\$ <u>5,634</u>	\$ <u>4,138</u>
Other receivables :		
Other related parties	<u>489</u>	<u>493</u>
Total	\$ <u>6,123</u>	\$ <u>4,631</u>

Accounts receivable represent amounts due from related parties for the sale of tires; other receivables represent amounts due from related parties for mold equipment, etc.

4. Payable to related parties

<u>December 31, 2021</u>	<u>December 31, 20210</u>
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Accounts payable.

Other related parties	\$ 4,987	\$ -
Other payables.		
Other related parties	701	892
Total	\$ 5,688	\$ 892

Accounts payable represent amounts due to related parties for raw materials; other payables represent amounts due to related parties for expenses and other payables, etc.

5. Operating Expenses

<u>Item</u>	<u>FY 2021</u>	<u>FY 2020</u>
Other Expenses	\$ 131	\$ 173
Trademark use	1,616	1,537
Total	\$ 1,747	\$ 1,710

The Group entered into a trademark license agreement with other related parties, under which the Group shall pay 2% of the net sales of the contracted products to the other related parties for the use of the trademarks during the term of the agreement.

(3) Key management compensation information

	<u>FY 2021</u>	<u>FY 2020</u>
Short-term Employee Benefits	\$ 29,814	\$ 29,503
Post-employment benefits	34	36
Total	\$ 29,848	\$ 29,539
December 31, 2021		

8. Pledged assets

The breakdown of guarantees given by the Group's assets is as follows :

<u>Asset items</u>	<u>Book Value</u>		<u>Guarantee Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2021</u>	
Property, plant and equipment restricted assets (Note 1)	\$ 1,098,169	\$ 957,966	Long-term and short-term loans
- Demand Deposit	115,910	210,863	Guarantees for restricted accounts and long-term loans under the syndicated loan program
- Time Deposit	31,776	161,825	Short-term loans, performance bonds for oil sales and purchases, court

Deposit margin (Note 2)	34,668	bonds, customs bonds and construction bonds Court bonds, lease bonds and construction bonds
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\$ 1,279,449 \$ 1,365,322

Note 1: The table is listed under "Financial assets at amortized cost - current" and "Financial assets at amortized cost - non-current".

Note 2: Listed under "Other non-current assets".

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingency

The Group acquired five parcels of land, including Lot 35 in Section 35 of Zhen'an, Taicun Township, and land lots 39 and 40 in Shangmei Section and its real estate property No. 9 in Shangtong Section in FY2013 and FY2014, which were registered under the name of the former chairman of the Board of Directors because they were agricultural land. On 4 January 2018, the Board of Directors re-elected the chairman of the Board of Directors and decided to transfer the aforesaid land to the new chairman of the Board of Directors, but found that the aforesaid land and buildings were seized by the creditors and claimed to be enforced. However, the Group is a third party under Article 15 of the Enforcement Law, which is sufficient to exclude the enforcement rights of the subject matter of the enforcement, and therefore filed a third-party objection lawsuit in fiscal 2018 to request the dismissal of the relevant enforcement proceedings and a stay of enforcement. Subsequently, on September 11, 2019, the Supreme Court decided that the Group's objection was dismissed on the grounds that the Group's registration under a borrowed name was not a question of credibility of registration under Article 43 of the Land Law. However, the Group immediately filed another subrogated debtor's objection lawsuit under Article 14 of the Enforcement Law and filed a stay of execution with the Changhua District Court in Taiwan, which ruled that the Group's provision of a guarantee of \$9,548,000 was approved and the execution should be stayed until the judgment on the subrogated debtor's objection lawsuit is confirmed, settled or withdrawn in 2019. The Group also filed a separate civil section 767 action against the former chairman for the return of ownership of agricultural land and buildings, and the parties reached a settlement in court, whereby the defendant agreed to return the ownership of the aforementioned real estate in dispute to the Group and transfer it to the name of the Group's responsible person. In March 2020, five parcels of land, including Lot 35, Anduan, Dacun Township, were transferred to the name of the Group's current chairman. The Group's subrogation to the debtor's objection under Article 14 of the Enforcement Law was dismissed by the Supreme Court in the second instance on August 5, 2021, and the case was declared definitive. As of today, the former chairman of the board of directors still has outstanding debts, and the original execution name is still enforceable to this extent. The land in Shangmei Section 39 and 40 and the real estate in the upper section 9 of the same section actually owned by the Group are still subject to auction, but the Group has a first mortgage on the land and buildings above, and the carrying amount of the aforementioned land, buildings and structures was \$15,665,000 as of December 31, 2021.

(2) Commitments

1. Capital expenditures contracted for but not yet incurred :

	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	NTD	<u>\$ 14,289</u>	<u>\$ 7,316</u>
	THB	<u>\$ -</u>	<u>\$ -</u>
	CNY	<u>\$ 4,160</u>	<u>\$ 4,021</u>
	USD	<u>\$ 270</u>	<u>\$ 1,487</u>

2. Amount of unused letters of credit issued :

	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Opened and unused letters of credit ⁰	USD	<u>\$ 1,410</u>	<u>\$ 965</u>

3. The Group's balance of guarantee notes issued for borrowing, purchase and issuance of letters of credit (including guarantee for related parties' loans) as of December 31, 2021 and 2020 :

	<u>Currency</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Promissory Note	NTD	<u>\$ 4,005,000</u>	<u>\$ 3,705,000</u>
	USD	<u>\$ 11,000</u>	<u>\$ 11,000</u>

10. Significant catastrophic losses

Not applicable.

11. Significant subsequent events

Not applicable.

12. Other

(1) Capital Management

The Group's capital management objective is to safeguard the Company's ability to continue as a going concern in order to continue to provide shareholder compensation and other stakeholder benefits. In order to maintain or adjust the capital structure, the Group may adjust or pay dividends to shareholders, reduce shareholder refunds, issue new shares or sell assets to settle liabilities. The Group, like its peers, manages capital on the basis of a gearing ratio, which is calculated as total liabilities divided by total assets.

As of December 31, 2021 and 2020, the Company's gearing ratios are as follows :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	<u>\$ 3,851,536</u>	<u>\$ 3,524,739</u>

Total assets	<u>\$ 8,323,929</u>	<u>\$ 8,049,717</u>
Debt-to-Capital Ratio	<u>46.27%</u>	<u>43.79%</u>

(2) Financial instruments

1. Types of Financial Instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss		
Mandatory financial assets at fair value through profit or loss	<u>\$ 56,892</u>	<u>\$ 45,657</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,370,652	\$ 1,561,036
Financial assets measured at amortized cost	255,602	376,088
Notes Receivable	43,068	34,518
Accounts receivable (including related parties)	885,442	770,811
Other receivables (including related parties)	33,943	27,060
	<u>\$ 2,622,301</u>	<u>\$ 2,804,181</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term loans	\$ 727,713	\$ 799,496
Short-term notes payable	49,979	49,966
Accounts payable	514,119	395,306
Other payables (including related parties)	300,836	323,192
Long-term loans (including one year or due within one business cycle)	1,645,169	1,327,237
Deposits to margin (listed as other) Non-current liabilities)	166	166
Total	<u>\$ 3,237,982</u>	<u>\$ 2,895,363</u>
Leasing Liabilities	<u>\$ 4,448</u>	<u>\$ 7,548</u>

2. Risk Management Policy

- (1) The Group's day-to-day operations are subject to a number of financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is performed by the Group's financial management department in accordance with policies approved by the Board of Directors. The Group's financial management department provides services to the businesses to manage the financial risks associated with the Group's operations by analyzing the risk exposures according to the level and magnitude of the risks. Internal auditors continuously perform audits on compliance with policies and risk limits and the Group does not engage in transactions in financial instruments for speculative purposes.

3. Nature and level of significant financial risk

(1) Market Risk

Exchange rate risk

- A. The Group operates on an international basis and is therefore exposed to exchange rate risk arising from transactions with currencies different from the functional currencies of the Company and its subsidiaries, primarily the U.S. dollar and the euro. The related exchange rate risk arises from assets and liabilities recognized in future commercial transactions and from net investments in foreign operations.
- B. The Group's operations involve certain non-functional currencies (the functional currency of the Company and some subsidiaries is the New Taiwan dollar, and the functional currencies of some subsidiaries are the Thai baht, the U.S. dollar and the Renminbi), and are therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows :

			December 31, 2021				
			Book Value		Sensitivity Analysis		
	Foreign currency (in thousands)	Exchange rate	(NT\$ 1,000)	Range of change	Effect on profit or loss	Effect on other comprehensive income and loss	
(Foreign currency: Functional currency)							
<u>Financial Assets</u>							
<u>Monetary items</u>							
USD : NTD	\$ 16,902	27.63	\$ 467,002	1%	\$4,670	\$	-
EURO : NTD	3,462	31.12	107,737	1%	1,077		-
USD : THB	21,488	33.91	593,713	1%	5,937		-
EURO : THB	1,439	38.2	44,782	1%	448		-
IDR : THB	577,126	0.002	1,143	1%	11		-
RMB : THB	283	5.3	1,222	1%	12		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 2,930	27.63	\$ 80,956	1%	\$ 810	\$	-
USD : RMB	2,069	6.4	57,166	1%	572		-
USD : THB	6,916	33.91	191,089	1%	1,911		-
			December 31, 2020				
			Book Value		Sensitivity Analysis		
	Foreign currency (in thousands)	Exchange rate	(NT\$ 1,000)	Range of change	Effect on profit or loss	Effect on other comprehensive income and loss	
(Foreign currency: Functional currency)							
<u>Financial Assets</u>							
<u>Monetary items</u>							
USD : NTD	\$ 13,398	28.43	\$ 380,905	1%	\$3,809	\$	-
EURO : NTD	1,678	34.82	58,428	1%	584		-
USD : RMB	305	6.53	8,671	1%	87		-
USD : THB	20,941	30.39	595,353	1%	5,954		-
EURO : THB	822	37.22	28,622	1%	286		-
IDR : THB	1,324,706	0.002	2,689	1%	27		-
RMB : THB	316	4.65	1,375	1%	14		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 3,342	28.43	\$ 95,013	1%	\$ 950	\$	-
USD : RMB	2,601	6.53	73,943	1%	739		-
USD : THB	4,556	30.39	129,527	1%	1,295		-

C. The total amount of exchange gain or loss (both realized and unrealized) recognized in fiscal 2021 and 2020 for the Group's monetary items with significant effect on exchange rate fluctuations was a gain of \$31,338,000 and a gain of \$25,763,000, respectively.

Price risk

A. The Group's equity instruments exposed to price risk are financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk of its investments in equity instruments, the Group diversifies its investment portfolio for control purposes.

- B. The Group invests mainly in equity instruments issued by domestic companies, and the prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments increase or decrease by 1%, with all other factors held constant, the net income after tax for fiscal 2021 and 2020 would increase or decrease by \$569 thousand and \$457 thousand, respectively, due to the gain or loss on equity instruments measured at fair value through profit or loss, and the gain or loss on other comprehensive income or loss would increase or decrease by \$2,279,000 and \$0, respectively, due to the gain or loss on equity investments classified as measured at fair value through other comprehensive income or loss. The gain or loss on other comprehensive income or loss on equity investments classified as fair value through other comprehensive income or loss would increase or decrease by \$2,279,000 and \$0, respectively.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long- and short-term loans issued at floating interest rates, which expose the Group to cash flow interest rate risk. As of December 31, 2021 and 2020, the Group's loans at floating interest rates are denominated in New Taiwan dollars.
- B. The Group's loans are measured at amortized cost with reference to market interest rates and therefore the Group is exposed to the risk of future changes in market interest rates.
- C. As of December 31, 2021 and 2020, net income before income taxes would increase or decrease by \$2,649 thousand and \$2,444 thousand, respectively, if interest rates increased or decreased by 0.125% with all other factors held constant. This is mainly due to the change in interest expense as a result of floating rate loans.

(2) Credit Risk

- A. The Group's credit risk is the risk of financial loss arising from the failure of customers or counterparties to financial instruments to meet their contractual obligations, primarily from the failure of counterparties to settle accounts receivable on collection terms and from financial assets classified as financial assets carried at amortized cost.
- B. The Group has adopted a policy that requires credit confirmation procedures before entering into credit transactions with customers. To reduce credit risk, the collection status of accounts receivable and other receivables is continuously evaluated. Since the Group has a large customer base, does not transact significantly and moderately with a single customer and has a diversified sales territory, there is no significant concentration of credit risk on receivables.
- C. The Company's financial management department manages the credit risk of bank deposits and other financial instruments in accordance with the Company's policies. The Corporation's counter-parties are determined by internal control procedures and are creditworthy banks and financial institutions with investment grade before accepting counter-parties.
- D. The Group uses the premise assumptions provided in IFRS 9 that a default is deemed to have occurred when contractual payments are more than 90 days overdue in accordance with the contractual payment terms.
- E. The Group uses the assumptions provided in IFRS 9 as the basis for determining

whether there has been a significant increase in the credit risk of a financial instrument since original recognition :

When the contractual payments are more than 30 days past due according to the contractual terms, the credit risk of the financial assets is considered to have increased significantly since the original recognition.

- F. The Group uses a simplified approach to estimate expected credit losses for all notes and accounts receivable, which is a measure of expected credit losses over the life of the contract. For this purpose, these notes and accounts receivable are grouped by common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract, and forward-looking information has been incorporated.
- G. The Group eliminates amounts that are not reasonably expected to be recoverable from financial assets after recourse procedures, but the Group continues to pursue recourse legal procedures to preserve the rights of debts.
- H. The Group estimates the allowance for losses on notes and accounts receivable (including related parties) for December 31, 2021 and 2020 by adjusting the loss rate established based on historical and current information for a specific period to take into account future-looking considerations as follows :

	<u>Weighted average expectation</u>		<u>Allowance for</u>
<u>December 31, 2021</u>	<u>Credit Loss Ratio</u>	<u>Total book value</u>	<u>losses</u>
Not overdue	0%~1%	\$ 831,007	\$ 6,060
Within 90 days past due	0%~12%	107,927	13,200
Overdue 91-120 days	0%~12%	856	43
Overdue 121-180 days	0%~12%	8,023	-
Overdue 181-365 days	100%	1,520	1,520
Past due more than 1 year	100%	210,183	210,183
		<u>\$ 1,159,516</u>	<u>\$ 231,006</u>

	<u>Weighted average expectation</u>		<u>Allowance for</u>
<u>December 31, 2020</u>	<u>Credit Loss Ratio</u>	<u>Total book value</u>	<u>losses</u>
Not overdue	1%~5%	\$ 738,346	\$ 7,293
Within 90 days past due	10%	81,912	8,191
Overdue 91-120 days	10%	617	62
Overdue 121-180 days	100%	1,604	1,604
Overdue 181-365 days	100%	1,858	1,858
Past due more than 1 year	100%	245,087	245,087
		<u>\$ 1,069,424</u>	<u>\$ 264,095</u>

- I. The changes in the Group's allowance for losses on accounts receivable on a simplified basis are as follows :

	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 264,095	\$ 282,654
Reversal of impairment loss	(12,102)	(8,811)
Effect of exchange rate	(20,987)	(9,748)
December 31	<u>\$ 231,006</u>	<u>\$ 264,095</u>

J. The Group's investments in debt instruments and other receivables carried at amortised cost are rated for credit risk as follows :

<u>December 31, 2021</u>				
	<u>Measured by</u>	<u>Those with</u>	<u>Impaired</u>	<u>Total</u>
	<u>12 months</u>	<u>significantly</u>	<u>creditors</u>	
		<u>increased credit</u>		
		<u>risk as measured</u>		
		<u>by duration</u>		
Financial assets				
measured at				
amortized cost	\$ 255,602	\$ -	\$ -	\$255,602
Other receivables	\$ 33,454	\$ -	\$37,591	\$ 71,045
<u>December 31, 2020</u>				
	<u>Measured by</u>	<u>Those with</u>	<u>Impaired</u>	<u>Total</u>
	<u>12 months</u>	<u>significantly</u>	<u>creditors</u>	
		<u>increased credit</u>		
		<u>risk as measured</u>		
		<u>by duration</u>		
Financial assets				
measured at				
amortized cost	\$ 376,088	\$ -	\$ -	\$376,088
Other receivables	\$ 26,567	\$ -	\$37,492	\$ 64,059

1. The Group's financial assets measured at amortized cost are time deposits and restricted deposits with original maturities of more than three months. The expected loss rate is assessed to be insignificant and therefore the allowance for losses is \$0 as of December 31, 2021 and 2020.
2. The Group recorded the following changes in the allowance for losses on other accounts receivable :

	<u>2021</u>	<u>2020</u>
	<u>Credit impairment</u>	<u>Credit impairment</u>
	<u>by duration</u>	<u>by duration</u>
January 1	\$ 37,492	\$ 37,435
Exchange rate impact		
number	99	57
December 31	\$ 37,591	\$ 37,492

(3) Liquidity risk

- A. Cash flow forecasts are performed by each of the Group's operating entities and are compiled by the Group Finance Department. The Group Finance Department monitors forecasts of the Group's liquidity requirements to ensure that it has sufficient funds to meet its operational needs so that the Group does not breach the relevant borrowing limits or terms, taking into account the Group's debt

financing plans, compliance with debt terms, compliance with internal balance sheet financial ratio targets and the requirements of external regulatory acts.

- B. The Group had unused borrowing facilities amounting to \$2,337,104,000 and \$2,858,207,000 as of December 31, 2021 and 2020, respectively.
- C. The following table presents the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date; derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

December 31, 2021.

<u>Non-derivative financial liabilities</u>	<u>Within 6 months</u>	<u>Within 6 months- 1 year</u>	<u>Within 1-2 years</u>	<u>Within 3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short-term loans	\$ 628,824	\$ 100,500	\$ -	\$ -	\$ -	\$ 729,324
Short-term notes payable	49,979	-	-	-	-	49,979
Accounts payable	514,119	-	-	-	-	514,119
Other accounts payable (including related parties)	300,836	-	-	-	-	300,836
Leasing Liabilities	1,561	1,243	1,370	160	199	4,533
Long-term loans (including those due within one year or one business cycle)	60,949	60,115	293,730	813,690	489,881	1,718,365
Deposited Margin	-	-	-	-	166	166

December 31, 2020.

<u>Non-derivative financial liabilities</u>	<u>Within 6 months</u>	<u>Within 6 months- 1 year</u>	<u>Within 1-2 years</u>	<u>Within 3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Short-term loans	\$ 750,136	\$ 54,316	\$ -	\$ -	\$ -	\$ 804,452
Short-term notes payable	49,966	-	-	-	-	49,966
Accounts payable	395,306	-	-	-	-	395,306
Other accounts payable (including related parties)	323,192	-	-	-	-	323,192
Leasing Liabilities	1,947	1,610	2,696	1,338	239	7,830
Long-term loans (including those due within one year or one business cycle)	59,220	56,143	105,706	1,139,662	45,057	1,405,788
Deposited Margin	-	-	-	166	-	166

The Company does not expect the timing of cash flows for the maturity analysis to be significantly earlier or the actual amounts to be significantly different.

(3) Fair value information

1. The levels of valuation techniques used to measure the fair value of financial and non-financial instruments are defined as follows :

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

that are available to the enterprise at the measurement date. An active market is a market in which transactions in assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investments in listed stocks are included in this category.

Level 2 : Observable inputs of assets or liabilities, directly or indirectly, other than those included in Level 1 quotations.

Level 3 : The unobservable input value of the asset or liability.

2. Please refer to Note 6(10) for the fair value of investment properties carried at cost.
3. The carrying amounts of the Group's financial instruments that are not measured at fair value include cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, other financial assets, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including those due within one year or one business cycle) and guarantee deposits, which are reasonable approximations of fair value.
4. The Group classifies financial and non-financial instruments measured at fair value on the basis of the nature, characteristics, risks and fair value hierarchy of assets and liabilities, and the related information is as follows :

- (1) The Group classifies its assets and liabilities by nature and the related information is as follows :

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repeatably fair value</u>				
Mandatory financial assets at fair value through profit or loss				
Equity Tools	\$ 56,892	\$ -	\$ -	\$ 56,892
Financial assets measured at fair value through other comprehensive income or loss				
Equity Tools	-	-	227,897	227,897
Total	<u>\$ 56,892</u>	<u>\$ -</u>	<u>\$ 227,897</u>	<u>\$ 284,789</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repeatably fair value</u>				
Mandatory financial assets at fair value through profit or loss				
Equity Tools	<u>\$ 45,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,657</u>

- (2) The methods and assumptions used by the Group to measure fair value are described below :

- A. The Group used the quoted market price as the fair value input for Level 1, and the closing price of the listed company's stock according to the characteristics of the instrument.
- B. The fair values of financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair values obtained through valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the date of

the consolidated balance sheet (e.g., over-the-counter (OTC) reference yield curves, Reuters average quoted commercial paper rates).

C. The outputs of the evaluation models are predicated on estimates and the evaluation techniques may not reflect all relevant factors for the Group's holdings of financial instruments and non-financial instruments. Therefore, the pre-estimated values of the evaluation models are adjusted appropriately for additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value model management policy and related control procedures, management believes that evaluation adjustments are appropriate and necessary to properly represent the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and adjusted appropriately based on current market conditions.

5. There is no transfer between Level 1 and Level 2 in FY 2021 and FY 2020.

6. There are no transfers in or out from Level 3 in fiscal 2021 and 2020.

7. Quantitative information regarding significant unobservable inputs from valuation models used for Level 3 fair value measurements and the sensitivity analysis of changes in significant unobservable inputs are described below :

	<u>December 31, 2021</u>	<u>Evaluation</u>	<u>Significantly</u>	<u>Range</u>	<u>Relationship</u>
	<u>Fair Value</u>	<u>Techniques</u>	<u>Unobservable</u>	<u>(weighted</u>	<u>between input</u>
			<u>Input Value</u>	<u>average)</u>	<u>value and fair value</u>
Non-Derivative Equity Tools :					
Private Equity (listed counter company)	\$ 227,897	Market Price Law	Lack of marketability discount	22.60%	The higher the marketability discount, the lower the fair value

(4) Impact evaluation of the COVID-19 outbreak

Due to the impact of the COVID-19 epidemic and the government's promotion of various epidemic prevention measures, as of December 31, 2021, the Group's operations are assessed not to be significantly affected by the epidemic and related epidemic prevention measures, and the Group has taken measures to prevent the spread of the epidemic from affecting the Company's operations and is continuously managing the related issues.

13. Disclosure of Notes

(1) Information about significant transactions

1. Loaning funds to others: Please refer to Statement 1.
2. Endorsement and guarantee for others: Please refer to Statement 2 (attached).
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliated companies and joint ventures): Please refer to Statement 3 (attached).
4. Accumulated purchase or sale of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to Statement 4 (attached).
8. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please refer to Statement 5 (attached).
9. Derivative transactions: None.
10. Business relationships and significant transactions between the parent company and subsidiaries: Please refer to Statement 6 (attached).

(2) Information about the investee business

Name of investee company, location and other related information (excluding Mainland China investee company): Please refer to Statement 7. °

(3) Mainland Investment Information

1. Basic information: Please refer to Statement 8.
2. Significant transactions directly or indirectly through a third-party business with an investee company in Mainland China: None.

(4) Information on major shareholders

Information on major shareholders: Please refer to Statement 9 (attached). °

14. Department Information

(1) General Information

The management of the Group has identified the reportable segments based on the reporting information applicable to the chief operating decision maker in making decisions. The Group's chief operating decision maker operates from a geographical perspective and is currently divided into the Taiwan, Thailand, United States and China divisions, while the Group's revenue is primarily from the manufacture and sale of rubber or plastic products.

(2) Measurement of departmental information

The Group's operating segment's profit or loss is measured on a pre-tax basis and is used as the basis for performance evaluation. The accounting policies of the operating segment are the same as the summary of significant accounting policies described in Note 4.

(3) Information on segment profit or loss, assets and liabilities

Reportable segment information provided to the chief operating decision maker is as follows :

<u>FY 2021</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External Revenue	\$1,792,447	\$2,886,462	\$ 581,006	\$ 280,984	\$5,540,899
Internal departmental revenue	342,046	67,786	-	125,266	535,098
Departmental revenue	<u>\$2,134,493</u>	<u>\$2,954,248</u>	<u>\$ 581,006</u>	<u>\$ 406,250</u>	<u>\$6,075,997</u>
Departmental income or loss	<u>\$ 251,791</u>	<u>\$ 484,189</u>	<u>\$ 82,682</u>	<u>(\$ 61,822)</u>	<u>\$ 756,840</u>

<u>FY 2020</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External Revenue	\$1,561,023	\$2,409,866	\$ 782,121	\$ 129,854	\$4,882,864
Internal departmental revenue	535,144	67,628	-	30,942	633,714
Departmental revenue	<u>\$2,096,167</u>	<u>\$2,477,494</u>	<u>\$ 782,121</u>	<u>\$ 160,796</u>	<u>\$5,516,578</u>
Departmental income or loss	<u>\$ 311,564</u>	<u>\$ 460,347</u>	<u>\$ 65,046</u>	<u>(\$ 96,594)</u>	<u>\$ 740,363</u>

Information on total segment assets and liabilities is not disclosed because the measurement amounts of the Group's assets and liabilities are provided for operational decisions.

(4) Reconciliation of departmental profit and loss

1. Intersegment sales are accounted for on a fair-trade basis. External revenue reported to the chief operating decision maker is measured in a manner consistent with revenue in the income statement.
2. A reconciliation of segment income to income before income taxes for the continuing operations segment for fiscal 2021 and 2020 is as follows :

	<u>FY 2021</u>	<u>FY 2020</u>
Reportable Departmental Revenues	\$ 6,075,997	\$ 5,516,578
Elimination of intersegment revenue	(535,098)	(633,714)
Income from continuing operations	<u>\$ 5,540,899</u>	<u>\$ 4,882,864</u>

3. A reconciliation of segment profit or loss to income before income taxes for the fiscal years 2021 and 2020 for the continuing operations segment is as follows :

	<u>FY 2021</u>	<u>FY 2020</u>
Reportable segment profit or loss	\$ 756,840	\$ 740,363

Profit or loss of other operating segments	<u>4,762</u>	<u>5,265</u>
Total operating segments	761,602	745,628
Elimination of inter-segment profit or loss	<u>(1,574)</u>	<u>218</u>
Income before income tax for continuing operations	<u>\$ 760,028</u>	<u>\$ 745,846</u>

(5) Information by product and labor

Revenues from external customers are mainly derived from sales of rubber and plastic products

The breakdown of revenue balance is as follows :

	<u>FY 2021</u>	<u>FY 2020</u>
Bicycle Tires	\$ 1,605,072	\$ 1,071,210
Motorcycle Tires	2,480,759	2,347,014
Agricultural and industrial tires	1,065,900	800,203
Truck Tires	137,455	121,510
Radial Tire	181,141	510,313
Others	<u>70,572</u>	<u>32,614</u>
Total	<u>\$ 5,540,899</u>	<u>\$ 4,882,864</u>

(6) Regional Information

The Group's geographical information for FY2021 and FY2020 is as follows :

	<u>FY 2021</u>		<u>FY 2020</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	\$ 810,269	\$ 1,513,814	\$ 763,410	\$ 1,481,980
Thailand	750,254	1,469,896	760,149	1,643,888
U.S.A.	513,858	64,563	800,971	70,774
China	160,140	626,291	104,128	651,393
Others	<u>3,306,378</u>	<u>-</u>	<u>2,454,206</u>	<u>-</u>
Total	<u>\$ 5,540,899</u>	<u>\$ 3,674,564</u>	<u>\$ 4,882,864</u>	<u>\$ 3,848,035</u>

The Group's revenue by region is calculated based on the country of sales. Non-current assets represent property, plant and equipment, investment property, intangible assets, right-of-use assets and refundable deposits, but exclude financial instruments and deferred income tax assets.

(7) Important Customer Information

The Group has no single customer whose sales accounted for more than 10% of the consolidated income statement operating revenue in fiscal 2021 and 2020. No single customer accounted for more than 10% of the consolidated statement of income. Therefore, no disclosure is required.

(Blank below)

6. The financial turnover difficulties of the Company and its affiliated enterprises in the most recent year and as of the publication date of the annual report and its impact on the financial position of the Company: None

VII. Analysis of financial status, financial performance and risk management

1. Comparative analysis of financial status

Unit: NT \$thousands

Items \ Year	2020	2021	differences	
			Amount	%
Current assets	3,574,161	3,831,614	257,453	7.20%
Real estate, plant and equipment	3,538,983	3,383,896	-155,087	-4.38%
Intangible assets	1,173	1,105	-68	-5.80%
Other assets	935,400	1,107,314	171,914	18.38%
The total assets of	8,049,717	8,323,929	274,212	3.41%
Current liabilities	1,947,618	1,925,586	-22,032	-1.13%
Non-current liabilities	1,577,121	1,925,950	348,829	22.12%
The total amount of liabilities	3,524,739	3,851,536	326,797	9.27%
Equity that is attributable to the owner of the parent company	3,015,149	3,044,110	28,961	0.96%
equity	3,323,492	2,793,492	-530,000	-15.95%
Capital reserves	37,256	37,290	34	0.09%
Retained earnings	-388,079	270,793	658,872	-169.78%
Other equity	42,480	-148,951	-191,431	-450.64%
Storage stock	-	-	-	-
Uncontrolled equity	1,509,829	1,428,283	-81,546	-5.40%
Total equity	4,524,978	4,472,393	-52,585	-1.16%
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows: 1. Non-current liabilities: Mainly due to the increase in the treasury credit loan of Agricultural Bank of Taiwan and the Suzhou plant's lease loan of Sunny International Leasing Co., Ltd. 2. Retained earnings: The main reason is that our company turned from in loss to profitable in 2021. 3. Other equity: Mainly due to changes in currency exchange differences resulting from the translation of financial statements of foreign operating agencies.				

2. The comparative analysis of financial performance

Unit: NTD \$thousands of

Items \ Year	2020	2021	differences	
Operating income	4,882,864	5,540,899	658,035	13%
Operating margin	1,159,430	1,252,368	92,938	8%
Operating profit and loss	605,064	699,720	94,656	16%
Non-operating income (expenses)	140,782	60,308	-80,474	-57%
Pre-tax net profit	745,846	760,028	14,182	2%
Net profit of continuing business units for the current period	561,919	559,101	-2,818	-1%
Loss of the closed business unit	-	-	-	-
Current net profit (loss)	561,919	559,101	-2,818	-1%
The net profit that belongs to the owner of the parent company	371,601	362,015	-9,586	-3%
Net profit that is attributable to non-controlled Equity	190,318	197,086	6,768	4%
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows:				
1. Non-operating income (expenditure):				
The main reason is that in 2020, the local government of China exercised the right of land repurchase to buy back the land of the Suzhou plant, so the non-operating income was higher than that in 2021 .				

3. Review and analysis of cash flow

(1) Liquidity analysis for the last two years

Item \ Year	2020	2021	Difference%
Cash flow ratio (%)	20.83	46.11	-54.83%
Flow fair ratio (%)	66.33	76.8	-13.71%
Cash reinvestment ratio (%)	1.46	14.68	-90.05%
The main reasons for the increase or decrease of the changes in each subject are as follows:			
1. Decrease in cash flow ratio and cash reinvestment ratio:			
The main reason is that the inventory of our company in 2021 was higher than that in 2020 by 330 million, which made the net cash flow from operating activities lower than that in 2020.			

(2) Analysis of cash flow in the coming year

Unit: thousand NTD

Beginning cash balance (1)	Expected net cash flow from operating activities for the full year (2)	Expected cash outflow for the full year (3)	Estimated cash remaining (insufficient) amount (1)+(2)-(3)	Remedies for insufficient cash	
				Investment plan	financial plan
1,370,652	439,190	569,923	1,239,919	—	—
1. Estimated changes in cash flow in the next year: Operating activities: Mainly estimated that the Company's revenue will increase and its profit will be stable. Investment activities: The Company's machinery and equipment are replaced with new ones and the production capacity is expanded. Financing activities: mainly for issuing cash dividends and repaying bank borrowings. 2. Remedial measures and liquidity analysis for projected cash shortfalls: Not applicable.					

4.Impact on financial operations due to major capital expenditures

(1)Use of major capital expenditures and sources of funds

Unit: thousand NTD

Project	Actual or expected source of funds	Actual or expected date of completion	Total funds needed	Actual or expected funds application	
				2021	2022
Add and renew equipment	Bank loans and private capital	2021	391,180	391,180	
Add and renew equipment	Bank loans and private capital	2022	346,285		346,285

(2)Expected benefits to yield

1. Mainly will increase the daily production capacity of tires.
2. Other expected benefits: Continue to expand production capacity, improve equipment automation, and increase market share in the global tire market.

5. The investment transfer policy of the latest year, the main reasons for the profit or loss, the improvement plan and the investment plan for the next year

Unit: NT \$1,000

Explanation Items	Investment gains (losses)	policy	The main cause of profit or loss	Improvement plan	Investment plan for the next year
Hwa Fong (Thailand)	200,446	Trade with ASEAN region	Well utilize international division of labor to gain cost advantage, strengthen international competitiveness, and obtain raw materials nearby.	Expand the market of ASEAN economies and expand the OEM of bicycle tires of well-known brands to increase revenue and profit.	No
Hwa Fong (Hong Kong)	(25,969)	Trade business with mainland China	Sales volume of Hwa Fong (China) and Hwa Fong (Suzhou) decreased.	No	No
Hwa Fong (China)	(6,919)	Investment business in mainland China	Sales continued to shrink due to the continued downturn in the mainland auto market and market competition factors, as well as COVID- 19.	Plan international division of labor or cross-plant cooperation, maximize equipment turnover rate or provide nearby sales services to provide profitability of the Company.	No
Hwa Fong (Suzhou)	(1,470)	Investment business in mainland China	Sales continued to shrink due to the continued downturn in the mainland auto market and market competition factors, as well as COVID- 19.	Plan international division of labor or cross-plant cooperation, maximize equipment turnover rate or provide nearby sales services to provide profitability of the Company.	No
Hwa Fong distribution	(3,439)	Increase non- business income	Major increases in investment and large industrial corporations.	In the future, we will carefully evaluate the investment transfer of the subsidiary and strengthen the supervision subsidiary's compliance with the internal control system.	No

6. Risk management and assessment for the most recent year and up to the publication date of the annual report

(1) Impact of interest rate, exchange rate fluctuation and inflation on profit and loss of the Company and countermeasures in the future:

1. Interest rates:

The Company engages in short-term and long-term borrowings, which are of floating-rate liabilities. Therefore, changes in market interest rates will cause changes in the effective interest rates of short-term and long-term borrowings, which will cause fluctuations in its future cash flows. The Company evaluates that the operating environment in which the interest rate is stable in recent years should not lead to significant risk of interest rate. If interest rates increase or decrease by 0.125% basis points, with all other variables being held equal, net profit before tax for the years 2021 and 2020 will decrease or increase by \$2,649 thousand and \$2,444 thousand respectively.

2. The exchange rate:

The Company conducts transactions denominated in foreign currencies, mainly in US dollars and Euros. The Company's exchange rate risks mainly arise from cash and approximately cash, accounts receivable and other receivables, borrowings, accounts payable and other payables denominated in the functional currencies of the Group, resulting in foreign currency conversion gains and losses when converted. On December 31, 2021 and December 31, 2020, net profit before tax will increase or decrease by \$9,499 and \$7,777, respectively, if the New Taiwan dollar depreciates or appreciates by 1% against the United States dollar and the euro, given all other factors being held equal.

3. Inflation:

As for the recent global economic situation, the US government passed tax cuts and infrastructure expansion measures, and the European Central Bank continued to implement monetary easing policy, the above factors are expected to lead to gradual economic growth in the US and European countries. Rubber tire owner to raw materials: raw rubber, synthetic rubber price short-term affected by the adjusting of inventory, prices fluctuated slightly, affected by the supply and the global economic situation, the future price should experience fluctuations in a small scale, the Company at any time to master low raw material sourcing and purchasing time, and continuously develop new products, a niche product, and engage in cost optimization.

(2) policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement guarantees, and derivative commodity trading, the main causes of profits or losses, and future countermeasures. In order to manage financial risks, the Company has developed internal management methods and operating procedures, including "Endorsement Guarantee Operating Procedures", "Capital Lending and Operating Procedures of Others", "acquisition or disposal of assets processing procedures", the Company is prohibited to engage in high-risk and highly leveraged investment, and the capital will not be lending to others. The endorsement guaranty is limited to the endorsement guaranty for the subsidiary. Derivative trading is primarily a hedging activity to avoid fluctuations in the exchange rate of net assets denominated in foreign currencies. In addition to complying with the provisions of laws and regulations, the future measures should be taken in accordance with the assessment and selection of good financial products by the designated units.

(3) Future R&D plans and estimated R&D costs: details of future major R&D plans are shown on page 4.

It is estimated that it will invest 37,311 thousand in research and development in 2022. It is responsible that its research and development units will carry out all the plans according to the schedule under sufficient funds and human resources for research and development.

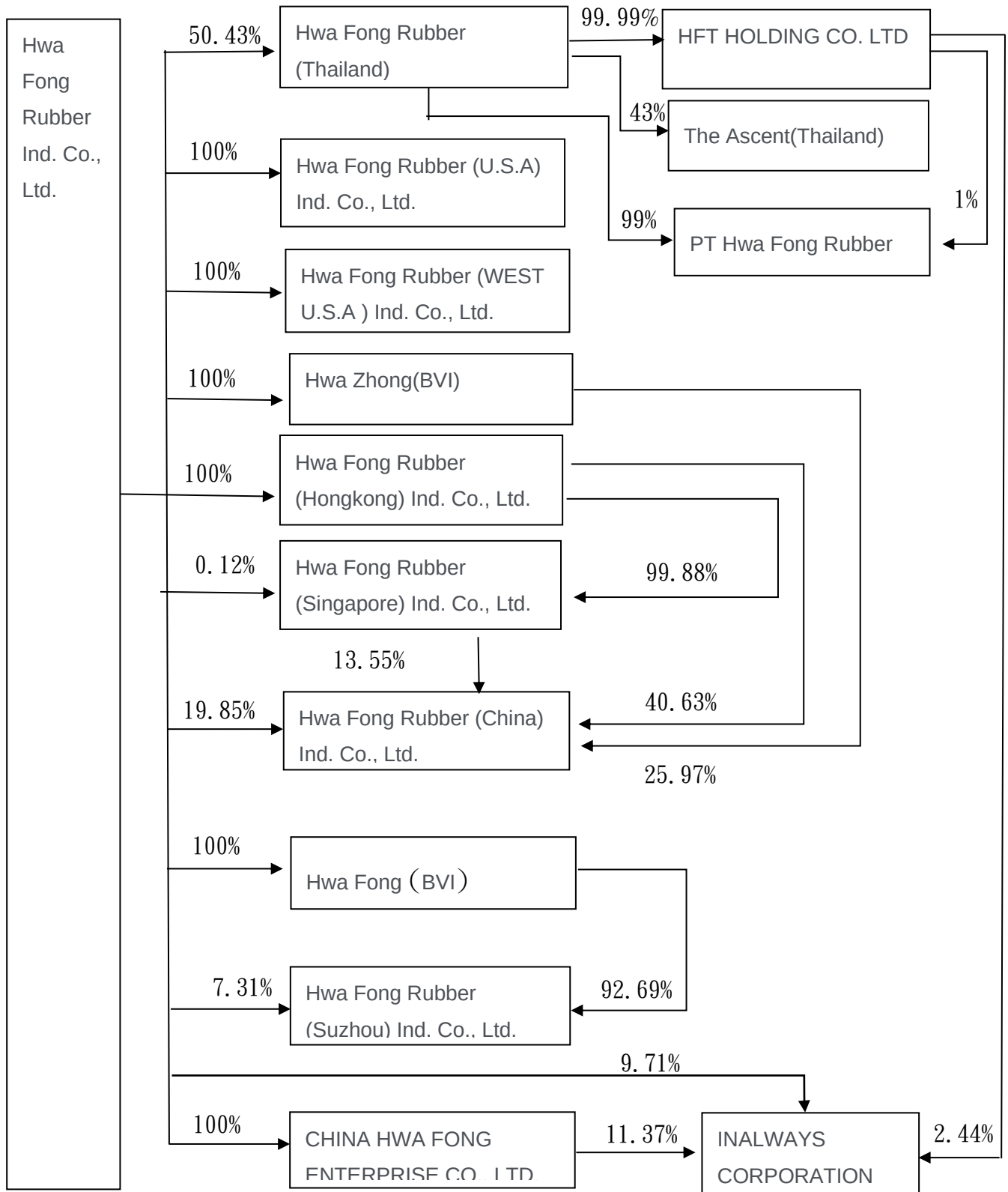
- (4) Impact of major policy and legal changes at home and abroad on the financial business of the Company and corresponding measures: None.
- (5) Impact of technological change on financial business of the Company and corresponding measures: Not applicable.
- (6) Impact of corporate image change on corporate crisis management and countermeasures: The Company adheres to the business principles of professionalism and integrity, fulfils social responsibilities, attaches great importance to corporate image and risk control, and there are no foreseeable crises at present.
- (7) Expected benefits, possible risks and countermeasures of the acquisition: None.
- (8) Expected benefits and possible risks of plant expansion: Increase turnover and increase operating profit.
- (9) Risks with concentrated purchasing or selling and corresponding measures:
The production of tire main raw materials 80% concentrated in natural rubber, synthetic rubber, carbon smoke and curtain yarn, without diversified sources of purchase, good command over market demand, its suppliers such as Formosa Taffeta Co., Ltd., TSRC, Linyuan Advanced, which are highly well known, of good reputation of the big manufacturers the Company over the years to maintain a good supply relationship with, so there is no risk.
The Company has a large customer base and it promotes the sales in North America through the United States subsidiary delivery warehouse, and does not significantly focus on a single customer or a single sales region for transactions, so there is no risk of abnormal concentration of sales customers.
- (10) The impact, risk and countermeasures on the Company caused by the mass transfer or replacement of equity rights of directors, supervisors or shareholders holding more than ten percent of the shares: None.
- (11) Impact, risks and countermeasures of the change of management right on the Company: None.
- (12) litigation and non-litigation
1. Lawsuits, non-litigation or administrative disputes that have been decided or are currently pending in the Company during the most recent two years and as at the date of the Annual Report and whose outcome is likely to have a material effect on shareholders' equity or securities prices: No Lawsuits, non-litigation or administrative disputes that have significant impact.
2. Directors, supervisors, general managers, substantive responsible persons, major shareholders holding more than 10% of the shares, in the last two years and as of the date of the publication of the annual report, the occurrence of the circumstances stipulated in Article 157 of the Securities and Exchange Law and the current situation of the Company: None.
- (13) Other major risks and countermeasures: None.
7. Other important matters: None.

VIII. Special Records

1. Information of related enterprises

(1) Business report of combined affiliated enterprises

1. Enterprise organization chart



2. Basic information of related enterprises

December 31, 2021

Company name	The set up time	address	Paid-up capital	Main business or Production project
Hwa Fong Rubber (Thailand) public (stock) company	1991.02.19	317 SOI 6C MOO4 BANGPOO ESTATE SAMUTPRAKARN 10280 THAILAND	Considered a 658,434,300	Rubber products processing and trading
Hwa Fong Rubber (USA) Co., LTD.	1992.02.25	14290 LOCH RIDGE BLVD, COVINGTON, GEORGIA 30014 U.S.A	USD 12,500,000	The sale and sale of all kinds of tire products
Hwa Fong Rubber (Hong Kong) Co., LTD.	1992.04.18	UNIT 1805-6 18/F GREENFIELD TOWER CONCORDIA PLALA 1 SCIENCE MUSEUM RD TST KL	USD 30,000	Trade, manufacturing and investment
Hwa Fong Rubber (Singapore) Holding limited company	1996.12.18	190 MIDDLE ROAD #17-05 FORTUNE CENTRE SINGAPORE 188979	SGD 9,722,230	Investment, trade, manufacturing, sales and management planning, technology and other services
Hwa Fong Rubber (China) Co., LTD.	1993.04.28	1 Xingye Road, Yanjiang Industrial Zone, Changshu Economic Development Zone, Jiangsu Province, China	USD 53,900,000	Manufacturing, processing and trading of all kinds of tire products
Hwa Fong Rubber (Suzhou) Co., Ltd	2003.04.07	1 Xingye Road, Yanjiang Industrial Zone, Changshu Economic Development Zone, Jiangsu Province, China	USD 72,460,000	Production of various radial tires, sales of their products
HwaFong (Viking) Holding company limited by shares	1998.10.13	OMC CHAMBERS,P.O. BOX3152, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 70,000,000	Investment, trade, manufacturing, sales and management planning, technology and other services
Hwa Zhong(Viking) Holding company limited by shares	2004.04.08	OMC CHAMBERS,P.O. BOX3152, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 14,000,000	Investment, trade, manufacturing, sales and management planning, technology and other services
CHINA HWA FONG ENTERPRISE CO., LTD	2009.08.10	No. 300, Section 2, Zhongshan Road, Dacun Village, Changhua County	NTD 269,191,410	Cloth handicrafts, clothing, shoes, hats, umbrella, garment accessories, electrical appliances, tyres, electronic materials, Lord, alcohol and tobacco, beverage, food and other goods, fertilizer, cosmetics, building materials, computer and transactional machine equipment wholesale and retail trade, international trade, real estate sales leasing, b Gu Wenye medicine, no store retail trade, investment, management, landscape, interior design industry, biological technology services,Market research and public opinion survey, valuation or auction of monetary claims of financial institutions, repair of electrical and electronic products
HWA FONG Rubber (West U.S.A) Co., LTD.	2020.2.20	15348 VALLEY BLVD. CITY OF INDUSTRY, CA 91746	USD 1,000,000	The sale of all kinds of tire products

3. The same shareholder information of persons presumed to have control and affiliation: no presumed control and affiliation.

4. Industries covered by the business of the overall relationship enterprise:

- (1) Rubber, plastic products manufacturing and processing and domestic and foreign sales.
- (2) Import and export business related to the above items.
- (3) Investment, trade, manufacturing, sales and management, planning, technology and other services.
- (4) Operation of the related business mentioned above.

The division of labor between the affiliated enterprises, if the businesses are related to each other:

- (1) Hwa Fong Rubber Industries Co., Ltd. manufactures finished tires and sells to Hwa Fong Rubber (USA) Co., Ltd.
- (2) Hwa Fong Rubber (China) co., LTD products are sold to Hwa Fong rubber (USA) co., LTD through Hwa Fong (HK) co., LTD.
- (3) Hwa Fong Rubber (Thailand) Public manufactures finished tires and sells to Hwa Fong Rubber (USA) Co., Ltd.
- (4) Hwa Fong Rubber (Suzhou) co., LTD manufactures finished tires and sells to Hwa Fong Rubber (USA) co., LTD through Hwa Fong (Hong Kong) co., LTD.

5. Information of directors, supervisors and general managers of related enterprises

December 31, 2021

An enterprise name	Title (Note 1)	Name or Representative	Holding shares (Note 2.3)	
			equity	stake
Hwa Fong Rubber (Thailand) Public (stock) company	DIRECTOR PRESIDENT	Shen Kuo-Jung, Chiu Shih-Chien, Wu Pin-Yi, Yan Ming-Shan, Yan Ya-Nan, Yan Zhi-Zhe, Zhuang Jing-Yao, Zhang Tai-Shan, Siu Jin-Long, Mr. Monsiam Sinworapun, Mr. Pornthep Suratroongrojkul, Mrs. Syuan Wen, Shen Kuo-Jung	332,000,000	50.42%
Hwa Fong Rubber (U.S.A.) Co., LTD.	DIRECTOR PRESIDENT	Shen Kuo-Jung Chiu Shih-Chien Yan Ming-Shan Wu Pin-Yi Lin Wen-Cheng Shen Kuo-Jung	500	100%
Hwa Fong Rubber (Hong Kong) Co., LTD.	DIRECTOR	Wu Pin-Yi Lin Wen-Cheng Lee Yuan-Chi	1,000,000	100%
Hwa Fong Rubber (Singapore) Holding limited company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	9,722,230	100%
Hwa Fong Rubber (China) Co., LTD.	Chairman/General Manager director director The supervisors	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
Hwa Fong Rubber (Suzhou) Co., LTD.	Chairman/General Manager director director The supervisors	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
Hwa Fong (Viking) A holding company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	35,000	100%
Hwa Zhong (Viking) A holding company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	32,000	100%
China Hwa Fong Enterprise Co., Ltd	Chairman of the board of directors director director The supervisors	Shen Kuo-Jung Chang Tai-shan Wu Pin-Yi Lee Yuan-Chi	26,919,141	100%
Hwa Zhong Rubber (West U.S.A.) Co., LTD.	DIRECTOR PRESIDENT	Shen Kuo-Jung Shen Kuo-Jung	1,000,000	100%

Note 1: If the affiliated enterprise is a foreign company, the corresponding positions are listed.

Note 2: If the invested company is a joint stock limited company, fill in the shareholding ratio, if not then the amount of capital contribution and the proportion of capital contribution shall be filled in and indicated.

Note 3: if the director or supervisor is a legal person, the relevant information of the representative disclosed shall be added.

6. Operation Overview of the Affiliated Enterprises Unit: NT \$thousands of

An enterprise name	Capital	Total cost of the asset	The total amount of liabilities	Net worth	Operating income	Business operation interests	Current profit and loss (after tax)	Earnings per share (after tax)	The current profits and losses note
Hwa Fong Rubber (Thailand) public . Co	618,471	3,522,692	639,889	2,882,803	2,954,248	433,003	397,722	0.64	The denomination is 1 baht per share
Hwa Fong Rubber (U.S.A.) Co., Ltd	432,814	803,092	111,852	691,241	581,006	65,760	59,267	-	-
Hwa Fong Rubber (Hong Kong) Co., Ltd	799	67,249	614,841	-547,592	126,622	-187,401	-25,969	-	-
Hwa Fong Rubber (Singapore) co. Ltd	203,771	-	44,780	-44,780	-	-	184,083	-	-
Hwa Fong Rubber (China) Co., Ltd	1,621,790	269,266	599,781	-330,515	279,629	-68,164	-34,856	-	-
Hwa Fong Rubber (Suzhou) Co., Ltd	2,002,070	682,156	446,803	235,353	-	-33,622	-20,103	-	-
Hwa Fong (Viking) holding Co., Ltd	1,934,100	444,073	-	444,073	-	-55	-13,872	-	-
Hua Zhong (Viking) holding Co., Ltd	434,837	-	85,835	-85,835	-	-	-9,052	-	-
China Hwa Fong Enterprise Co., Ltd	269,191	195,559	100	195,459	-	-686	-3,439	-	-
Hwa Fong Rubber (west U.S.A.) Co., Ltd	30,150	29,208	-	29,208	-	-117	1,495	-	-

Note 1: The assets and liabilities account is based on the year-end exchange rate (USD/TWD 27.63; RMB/TWD 4.319; THB/TWD 0.8147)

The profit and loss accounts are based on the average exchange rate (USD/TWD 27.9605; RMB/TWD 4.3162; THB/TWD 0.8621)

Note 2: Capital is calculated at the exchange rate at the time of investment.

(2) Consolidated Financial Statements of Affiliated Enterprises: Please refer to this annual report for details.

(3) Relationship report: None.

2. Private placement of securities for the most recent year and as of the publication date of the annual report: None.
3. For the most recent year and as of the date of the Annual Report, the Subsidiaries held or disposed of The Company's shares: None.
4. Other necessary supplementary notes: None.
5. For the most recent year and as of the date of publication of the annual report, if the occurrence of section 36, paragraph 3 & paragraph 2 of the Securities and Exchange Act Matters determined to have a major impact on shareholders' equity or securities prices: None.



Hwa Fong Rubber Industry Co. Ltd

Chairman Shen Kuo-Jung





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HWA FONG RUBBER

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