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ANNUAL REPORT 2023

SAND MASTER



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 106420, Taiwan

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 : Wu Song yuan ,Xu Jian ye Accountants

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

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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.31,2023

Looking back on 2023, the global transition into a post-pandemic era has brought about volatility in investment markets, fueled by the Federal Reserve's decisions to combat inflation through interest rate hikes in the United States. Simultaneously, the AI chip war ignited by the two major powers, China and the U.S., and the ever-present geopolitical tensions, coupled with the challenges posed by the collapse of Chinese real estate giants on the financial system, resemble a butterfly effect, triggering sensitivity worldwide. In addition, unpredictable environmental factors and a treacherous political and economic situation have challenged the operational ability and core competitiveness of enterprises.

2023 Operating Results

2023 consolidated net operating revenue of the Company was NT\$ 4,674,300 thousand, compared with the consolidated net operating revenue of the year 2022 of NT\$ 5,414,345 thousand, decreased by NT\$ 740,045 thousand; the consolidated net profit after tax was NT\$ 531,253 thousand, and compared with the consolidated net profit after tax of the year 2022 of NT\$ 444,345 thousand, increased by NT\$ 86,908 thousand.

In 2023, the Company's net operating revenue amounted to NT\$ 2,096,650 thousand, which decreased by 5.81% compared to NT\$ 2,225,968 thousand in 2022. However, operating costs decreased by NT\$ 238,819 thousand compared to 2022, resulting in an increase in net gross profit by NT\$ 103,775 thousand, or 20.12%. Operating expenses decreased by NT\$ 45,830 thousand or 14.51%, compared to the previous year. Operating net profit was NT\$ 349,524 thousand, representing a increase of approximately NT\$ 149,605 thousand, or 74.83%, compared to the previous fiscal year. In summary, despite a decrease in net revenue compared to previous year, under the company's actively managed costs, optimized production efficiency, and benefited from the collective efforts of all employees, the net profit after tax of annual operating results was NT\$ 422,342 thousand, which increased by NT\$ 127,854 thousand, or 43.42% compared to last year.

2023 Production and Sales Situation & Operation Statement of the Company are as follows:

(1) Production and Sales Situation :

Unit : Thousand

Item \ Year	2023 Production volume	2023 Sales Volume	2022 Sales Volume	Sales Volume Increase (Decrease)	%
Bicycle Tires	632	680	1,642	-962	-58.59%
Agricultural/ industrial tire	1,283	1,225	1,520	-295	-19.41%
Motorcycle Tires	2,369	2,350	2,273	77	3.39%
Truck/Auto Tires	48	44	23	21	91.30%
Radial Tires	20	26	66	-40	-60.61%
Other Rubber Products	0	317	419	-102	-24.34%

(2) Operation Statement:

Unit : Thousands of NTD

Year Financial Indicator	2023 Amount	2022 Amount	Increase (Decrease) amount	%
Operating revenue	2,096,650	2,225,968	(129,318)	-5.81%
Operating costs	1,474,645	1,713,464	(238,819)	-13.94%
Operating margin - net income	619,647	515,872	103,775	20.12%
Operating expenses	270,123	315,953	(45,830)	-14.51%
Operating net profit	349,524	199,919	149,605	74.83%
Non-operating income and expenses	174,506	190,485	(15,979)	-8.39%
Net income (loss) before tax	524,030	390,404	133,626	34.23%
Net income (loss)	422,342	294,488	127,854	43.42%

(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 1,702,701 thousand, the net cash inflow from operating activities for the whole year is NTD 530,882 thousand, the net cash outflow from investment activities is NTD 1,113,225 thousand, the net cash inflow from financing activities is NTD 878,064 thousand, the impact of exchange rate changes on cash and cash equivalents inflow was NTD 27,834 thousand, the current period cash and cash equivalents increased by NTD 793,877 thousand, and the cash balance at the end of the period was NTD 2,496,578 thousand.

2. Profitability Analysis

Items	Year ended Dec.31,2023	Year ended Dec.31,2022
Return on assets (%)	7.16	5.97
Return on equity (%)	10.83	9.61
Ratio of pre-tax net profit to paid-in capital (%)	28.05	22.17
Net profit rate (%)	11.37	8.21
Earnings per share (NTD)	1.51	1.05

(4) Research & Development

The Company's research and development policies include:

- (1) Collaborate with international material manufacturers to develop new materials.
- (2) Develop innovative products as the core of our R&D strategy.
- (3) Continue to research towards the development goals of energy-saving, low rolling resistance, and lightweight.
- (4) Develop new products in line with the purchase of new equipment.
- (5) Develop products with a highly competitive edge.

Our R&D work focuses on both the development of new products and the optimization of existing ones, striving to create the maximum benefit in the most economical way. We use environmentally-friendly raw materials and optimize energy and material usage, as well as

recycle materials to minimize environmental impact. Due to our high regard for green and sustainable development, we will continue to develop towards environmentally-friendly and sustainable directions, contributing to the protection of Earth's resources.

In terms of product development, we lay out high-performance rubber materials, bio-rubber materials, and other materials. Our R&D team continuously innovates and researches new products that meet international regulations, and accelerates the development speed to timely introduce niche new products that meet market demand and have competitiveness' expenditures and achievements in the last two years.

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, 2023	23,485	1.12%	New Product: 1. Development of low rolling resistance and high wet grip tires suitable for electric vehicles. 2. Continuous development of environmentally friendly, energy-saving, and durable tires. 3. Development of lightweight and energy-saving tires. 4. Development of all-terrain ADV motorcycle tires with full functionality. Improvement of material cost: 1. Development of recycled and eco-friendly rubber material formulas. 2. Continuous development of new raw materials to replace existing ones. 3. Development of new silica-based materials for low rolling resistance and high wet grip. Process Improvement: 1. Improve manufacturing precision in every process and minimize material waste in all stages. 2. Increase equipment utilization rate and reduce finished product cost. 3. Maximize the utilization of newly developed specifications, processes, materials, and production lines to reduce changeover costs and material losses. 4. Promote equipment function to reduce the use of labors.
Dec.31, 2022	31,450	1.41%	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. Improvement of material cost: 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.
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2. R&D Plan for the year 2024

New Product:

1. Continue to conduct research and development towards the performance with low-rolling resistance and high traction on wetland in keeping with demands of the energy-saving cars (including EV), and to strive for decreasing the sense of gap while driving on sunny or rainy days for the purpose of gaining balance in performance.
2. Develop economical, eco-friendly, and wear-resistant tires with low fuel consumption in response to consumption deflation.
3. Value sustainable development of earth resources, and develop lightweight and energy-saving tires.
4. Develop the tires for cars like large UTV with multi-functional aide.

Improvement of material cost:

1. Development of sustainable materials.
2. Strive for development of new materials to meet the new regulatory requirements of specific market in 2025.
3. Enhance fundamental research and test of innovative rubber materials.

Process Improvement:

1. Improve manufacturing precision in every process and minimize material waste in all stages.
2. Increase equipment utilization rate and reduce finished product cost.
3. Maximize the utilization of newly developed specifications, processes, materials, and production lines to reduce changeover costs and material losses.
4. Improve the functions of equipment for labor-saving development, shared consumables, and simplification of production processes and work process in order to reduce consumption of materials and energy when wires are replaced.

2. Summary of the Business Operation Plan for 2024

(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	13,500	Based on the evaluation of The Company's internal operation meeting
Motorcycle tires	12,348	
Agro-industrial tires	2,037	
Truck tires	276	
Radial tires	10	
Total	28,171	

(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. In response to market changes, adjust production directions, actively improve manufacturing schedules and operation environments, and increase production efficiency.
2. Develop niche-type products with differentiation and high-added value, plan, research and develop tires for electric vehicles in order to catch up with market trends, and exploit market demands.
3. Grasp trends of raw materials prices, continue to develop qualified and good raw materials suppliers, reduce purchasing cost, and create greater profit by taking advantage of the Group's purchase.
4. Based on price competition situations and international raw materials prices, flexibly adjust selling prices, and try to achieve the win-win results between customers' satisfaction and maximization of the company's profit.
5. Continue to improve production technology, reduce losses, actively make efforts in research, development and innovation, and put emphasis on saving energy in order to correspond to market trends.
6. Face challenges of the operation environment in the tire industry, meet customers' needs to continue to enhance the company's governance capability, and strengthen coordination between production and sale with a view to improving customers' service and the company's competitiveness.
7. In response to drastic changes in the market, continue to exploit new markets, and increase the market share.
8. Develop the global cross border e-commerce, and make use of the non-physical channels to expand different sales channels, and further broaden sales network.
9. Operate network video and audio, develop community media to publicize brands and products, and connect overseas subsidiaries to develop marketing promotion of global localized network communities and members for reinforcing the DURO brand.
10. Actively seek external cooperation and investment opportunities in order to expand the Group's operation territory and scale.

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

1. Having suffered from trade sanctions of the US Anti-Dumping and Countervailing Duties Policy since 2021, the Company's OEM factories in Southeast Asia produced tires of sedans and light trucks for supply and sale in the United States. Accordingly, the said two products continued to supply and consolidate the US market. The US ATV/UTV market was still in great demands. Seeing that such kinds of products have grown for recent years, in addition to huge growth in 2023, customers still kept optimistic about their development in 2024. Based on the current demands, the Company also adjusted the production capacity to satisfy customers' expectation.

2. The market of bicycle tires was currently in a situation of oversupply with a high level of stock. As a result, the current demands were weak, and order demands and production schedule were severely affected, so were development of related new products and demand progress. Therefore, whether the bicycle tire market can be restored to the previous level was still in doubt, and we should respond to the situation with deliberation.
3. Many countries in Central and South America have one by one imitated the relevant quality regulations, as required by the developing countries, so the sale cost in the said region will increase. However, the introduction of new regulations will still experience a period of transition and run-in. In order to respond to the subsequent market demands, we will check the conditions of existing products, and plan whether adjustments shall be made or a whole series of products which comply with the regulations shall be developed.
4. Under the influence of inflation of global prices, the consumption behaviors in the terminal market were relatively prudent, leading to increase of sensitivity on product cost performance. However, in order to cope with changes of the terminal market, importers adjusted the brand mix or requested the existing brands on agency for price reduction, one after the another, in order to maintain competitiveness. Hence the price competition in the whole tire market will be extraordinarily drastic.

(5) The overall environment impact to business operation:

Looking ahead to 2024, the global environment remains fraught with numerous uncertainties, with unclear economic prospects for both the United States and mainland China. The monetary policy directions of major economies continue to influence fluctuations in global financial markets. Geopolitical risks and climate change in various regions affect the supply and demand as well as the prices of energy and agricultural raw materials, continuing to impact the pace of global economic recovery.

In parts of the Middle East and Europe, the supply order has gradually returned to its original order after the pandemic. However, the crisis in the Red Sea towards the end of 2023 led to shipping detours, increasing transportation and time costs. This has further exacerbated inflation, adding challenges to inventory management. Adjustments in orders and shipments will require greater flexibility, although our existing sales strategy in the European market remains unchanged. We aim to enhance the overall value proposition of our products and services, strengthen the development and sales channels of high-profit products, and promote the development of related electric vehicle products.

In regards to the American market, in 2021, due to the United States' anti-dumping tariff policies, our company outsourced the production of car and light truck tires to Southeast Asian contract manufacturers for supply to the U.S. market, ensuring the continuous availability of these products to meet market demand. Additionally, in response to increased demand for ATV/UTV, we have adjusted and increased production capacity to meet customer needs. The Company has also made positive internal improvements, such as reducing waste to avoid an increase in deadweight costs. The R&D department has also contributed to the development of new tire patterns and specifications, with the aim of significantly increasing the Company's overall competitiveness.

In the face of various international political and economic situations and rising costs, the Company has continued to invest in equipment and talent, while seeking to expand its global market beyond its existing one. We aim to sustain our international competitiveness by increasing our capacity utilization rate, developing high-value-added tires, and continuing to invest in research and development. We are determined to overcome the overall economic difficulties in 2024 and deliver returns to our shareholders, thereby fulfilling their support and expectations.

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) INC. and Hwa Fong Rubber (Hong Kong) , 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 Pte 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 HFR Holding Corp.
- 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 Hwa Zhong (B.V.I.) Holding Corp. and Hua You (B.V.I.) Holding Corp.
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 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. Masahiro Oku was appointed as the technical director of the Company.
 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.
- 2022 : The company will conduct a public offering of 72,647,674 ordinary shares through private placement.
 Mr. Shen Kuo-Jung was elected as chairman and Mr. Chiu Shih-Chien was elected as vice chairman in June.

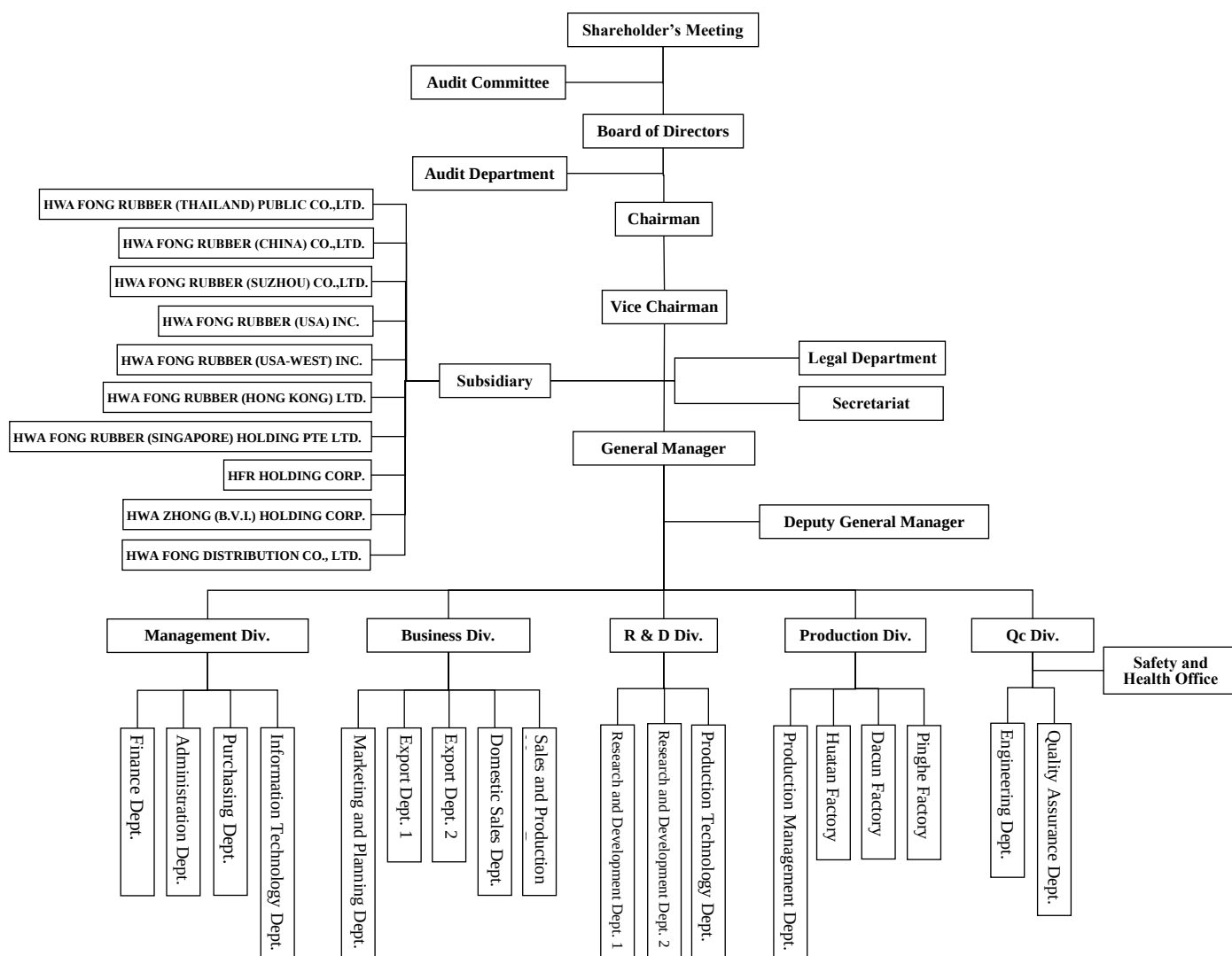
III : Corporate Governance Report

1. Company Organization

(1) Organizational Structure

Hwa Fong Rubber Ind. Co., Ltd

Organizational Chart



(2) The function of each main department

1. Audit Department: Responsible for establishing the company's audit system and assisting the general manager in checking the operation of each department and the implementation of company policies.
2. Legal Department: Responsible for contract review, external legal disputes, and internal legal consultation.
3. Secretariat: Responsible for planning and arranging the work schedule and tracking the signing of documents.
4. Finance Department: Responsible for financial, tax, accounting processing, cost calculation, financial analysis operations, and operational capital management.
5. Administration Department: Responsible for human resources, general affairs management, company factory management, and environmental protection.

6. Purchasing Department: Responsible for procurement-related matters for raw materials and materials.
7. Information Technology Department: Responsible for maintaining information software and hardware, network management, and planning and implementing new systems.
8. Marketing and Planning Department: Responsible for product management planning, brand promotion, website and social media planning and maintenance.
9. Export Department 1: Responsible for promoting and selling tires or rubber products to international market.
10. Export Department 2: Responsible for promoting and selling tires or rubber products to international market.
11. Domestic Sales Department: Responsible for promoting and selling tires or rubber products to domestic market.
12. Sales and Production Management Department: Responsible for planning and adjusting production, shipping and inventory of product to make orders delivered properly.
13. Research and Development Department 1: Responsible for mixing raw materials and developing new compound recipe technologies.
14. Research and Development Department 2: Responsible for new product development and design control, and the development of new material technologies.
15. Production Technology Department: Responsible for establishing, reviewing, and issuing production-related technical standards, assisting in tire quality maintenance, and effectively reducing defect rates.
16. Production Management Department: Responsible for planning and managing production and sales plans, transportation arrangements, and finished product inventory.
17. Huatan Factory: Responsible for the manufacture of rubber materials and management of raw material warehouses.
18. Dacun Factory: Responsible for the production of outer tires.
19. Pinghe Factory: Responsible for the production of bicycle tires.
20. Safety and Health Office: Responsible for planning, supervising, and implementing safety and health measures.
21. Engineering Department: Responsible for planning, installing and maintaining production equipment and developing automation engineering.
22. Quality Assurance Department: Responsible for the company's quality assurance system, quality improvement education and training, and improvement activities.

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

Job title (Note 1)	Nationality or place of registration	Name	Gender	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.14,2022	3 years	May 14,2014	8,884,210	3.18	8,884,210	3.18	-	-	-	-	-	-	-	-	-	-
			Male 71-80	Jun.14,2022	3 years	May 14,2014	670,392	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 Mediera Corporation. Director of KAO FONG Industrial Co., Ltd. Director of KAO FONG Machinery Industry (Huain) Company, Chairman of H&D Venture Capital Investment Corporation, Chairman of BMB Venture Capital Investment Corporation, Director of Howin Precision Co., Ltd., Chairman of Optihealth Medical Supplies Co.,LTD., Director of Lien Wei Biotechnology Co., Ltd.	-	-	-	-
Vice Chairman	Republic of China	Representative of Feng Tsuan Co., Ltd.: Chiu Shih-Chien	-	Jun.14,2022	3 years	May 14,2014	8,884,210	3.18	8,884,210	3.18	-	-	-	-	-	-	-	-	-	-
			Male 51-60	Jun.14,2022	3 years	Dec.22,2017 (Jan.19,2018 to Apr.26,2018 (suspend))	-	-	-	-	-	-	-	-	Master of Statistics, National Cheng Kung University	Vice Chairman of Mediera Corporation., Director of Dyaco International Inc. Consultant of Jian Sin Industrial Co., Ltd. Director of Optihealth Medical Supplies Co.,LTD., Director of Lien Wei Biotechnology Co., Ltd.	-	-	-	-
Director	Republic of China	Representative of Feng Tsuan Co., Ltd.: Lin Wen-Cheng	-	Jun.14,2022	3 years	May 14,2014	8,884,210	3.18	8,884,210	3.18	-	-	-	-	-	-	-	-	-	-
			Male 51-60	Jun.14,2022	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.14,2022	3 years	May 14,2014	8,884,210	3.18	8,884,210	3.18	-	-	-	-	-	-	-	-	-	-
			Female 31-40	Jun.14,2022	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 Mediera Corporation. Supervisor of Lien Wei Biotechnology Co., Ltd.	-	-	-	-

Apr.21,2024

Job title (Note 1)	Nationality or place of registration	Name	Gender	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.14,2022	3 years	May 14,2014	8,884,210	3.18	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male 31-40	Jun.14,2022	3 years	Jan.4,2018 (Jun.17,2016 - Jan.3,2018 suspend)	121,876	0.04	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	Male 51-60	Jun.14,2022	3 years	Jan.1,2020	-	-	-	-	-	-	-	-	B.A. in International Relations, Ritsumeikan University Master of Business Administration, UNIVERSITY OF WESTMINSTER	Executive Officer General Manager (Department Head), International Business Development & Administration Department, Sumitomo Rubber Industries, Ltd.	-	-	-	
Director	Republic of China	Representative of Feng Investment Co., Ltd.: Yan Ming-Shan	-	Jun.14,2022	3 years	Sep.14,2011	639,764	0.23	639,764	0.23	-	-	-	-	-	-	-	-	-	
			Male 81-90	Jun.14,2022	3 years	May 2,2018	4,290,985	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 Feng Investment Development Co., Ltd.: Yan, Ruel-Sian	-	Jun.14,2022	3 years	Jun.16,2009 (Sep.14,2011 - Jun.16,2016 suspend)	3,460,024	1.24	4,121,151	1.48	-	-	-	-	-	-	-	-	-	
			Male 41-50	Jun.14,2022	3 years	Aug.12,2014 (May.27,2015 - Jun.16,2016 suspend、Mar.26,2018 - Apr.3,2018 suspend)	1,576,571	0.56	2,401,571	0.86	-	-	-	-	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-II 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	of Tsai Hong-Wen	Male 41-50	Jun.14,2022	3 years	Jun.17,2016	-	-	-	-	-	-	-	-	Ph.D., 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	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-Goang	Male 51-60	Jun.14,2022	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.14,2022	3 years	Jun.21,2019	10,000	0.04	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	BaiYang CPA Firm Accountant Director of Jullit Enterprise Co., Ltd. Independent Director of Samebest 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.21,2024

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 10.44%	
	3. Northern trust CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST 5.90%	
	4. Custody Bank of Japan, Ltd.(Trust account) 3.66%	
	5. Northern trust CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS 2.69%	
	6. National Mutual Insurance Federation of Agricultural Cooperatives 2.41%	
	7. NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY 2.28%	
	8. Sumitomo Mitsui Banking Corporation 1.69%	
	9. NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT 1.55%	
	10.SSBTC CLIENT OMNIBUS ACCOUNT 1.50%	
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.21,2024

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)	16.62%
	2. Custody Bank of Japan, Ltd.(Trust Account)	9.44%
	3. Nippon Life Insurance Company	3.17%
	4. BBH/BBH + CO SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH) FOR SIMPLEX VALUE CREATION FUND JPY A CLT A/C	2.39%
	5. SUMITOMO LIFE INSURANCE COMPANY	1.99%
	6. The Master Trust Bank of Japan, Ltd. (Trust Account J)	1.61%
	7. STATE STREET BANK AND TRUST COMPANY 505001	1.56%
	8. STATE STREET BANK WEST CLIENT - TREATY 505234	1.56%
	9. Kochi Shinkin Bank	1.45%
	10.CEP LUX - ORBIS SICAV	1.44%
Sumitomo Mitsui Banking Corporation	1. The Master Trust Bank Japan, Ltd.(Trust Account)	16.63%
	2. Custody Bank of Japan, Ltd. (Trust Account)	6.17%
	3. JPMorgan Securities Japan Co., Ltd.	1.92%
	4. STATE STREET BANK WEST CLIENT - TREATY 505234	1.85%
	5. NATSCUMCO	1.64%
	6. SSBTC CLIENT OMNIBUS ACCOUNT	1.61%
	7. Barclays Securities Japan Limited	1.38%
	8. JP MORGAN CHASE BANK 385781	1.30%
	9. STATE STREET BANK AND TRUST COMPANY 505001	1.10%
	10.Goldman Sachs Securities Co., Ltd. BNYM	1.04%

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 21, 2024

Qualifications Name	Professional qualifications and experience (Note1)		Condition for interdependency (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 Mediera Corporation and director of Kao Fong Machinery Co., Ltd - No matters related to Article 30 of the Company Act.	- With work experience required for business, legal, financial, accounting or corporate business. - Currently work as vice chairman of the Company, vice chairman of Mediera 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: Chiu Shih-Chien	- 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.	- 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: 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.	- 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 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: Liao Chen Hsuan -Yu	- 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 Mediera Corporation and director of Jian Sin Industrial Co., Ltd. - No matters related to Article 30 of the Company Act.	- 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 Mediera 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.	- 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 (Thailand) Public Co., Ltd. - No matters related to Article 30 of the Company Act.	- 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
Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruel-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.	- 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	- With work experience required for business, legal, financial, accounting or corporate business. - 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-Goang	- With work experience required for business, legal, financial, accounting or corporate business. - 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, Independent director of Kung Long 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, director of Jui Li Enterprise Co., Ltd. And Independent Director of Samebest 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 own 100,000 shares which accounts for 0.04% of total stocks. My 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

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-Goang	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.21,2024

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 Mediera 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 Mediera Corporation Supervisor of Lien Wei Biotechnology Co., Ltd.	-	-	-	

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.31,2023													Unit : Thousands of NTD							
Job title	Name	Directors' remuneration						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)		The proportion of the four items A, B, C and D in the net profit after tax (Note 11)		Salaries, bonuses and special expenses, etc. (E) (Note 5)				Retirement pension (F)		Employee compensation (G) (Note 6)		
		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	In this Company	All companies in the financial report (Note 7)	Cash amount
Chairman	Feng Tsuan Co., Ltd. Representative Director: Shen Kuo-Jung	8,328	8,804	-	-	-	-	50	138	1.98	2.12	-	-	1,646	-	1,646	-	2.37	2.51	N/A
Vice chairman	Feng Tsuan Co., Ltd. Representative Director: Chiu Shih-Chien	7,900	8,165	-	-	-	-	50	160	1.88	1.97	-	-	1,631	-	1,631	-	2.27	2.36	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	-	-	-	-	-	-	40	150	0.01	0.10	2,790	2,790	670	-	670	-	0.84	0.94	N/A
director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsiang-Yu	-	-	-	-	-	-	40	40	0.01	0.01	-	-	-	-	-	-	0.01	0.01	N/A
director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	-	-	-	-	-	-	1,010	1,164	0.24	0.34	-	-	-	-	-	-	0.24	0.34	N/A
director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Shan	-	-	-	-	-	-	1,010	1,010	0.24	0.24	-	-	-	-	-	-	0.24	0.24	N/A
director	Sumitomo Rubber Industries Co., Ltd. Director representative : Sakashita Shingo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
Independent Director	Tsai Hong-Wen	500	500	-	-	-	-	40	40	0.13	0.13	-	-	-	-	-	-	0.13	0.13	N/A
Independent Director	Yang Wen-Guang	530	530	-	-	-	-	50	50	0.14	0.14	-	-	-	-	-	-	0.14	0.14	N/A
Independent Director	Huang Chiu-Chia	530	530	-	-	-	-	50	50	0.14	0.14	-	-	-	-	-	-	0.14	0.14	N/A
director	Feng Tsuan Co., Ltd	-	-	-	-	-	-	-	-	5,459	5,459	-	-	-	-	-	-	1.29	1.29	N/A
director	Sheng Ta Investment Co., Ltd.	-	-	-	-	-	-	-	-	910	910	-	-	-	-	-	-	0.22	0.22	N/A
director	Teng Feng Investment	-	-	-	-	-	-	-	-	910	910	-	-	-	-	-	-	0.22	0.22	N/A
director	Sumitomo Rubber Industries Co., Ltd.	-	-	-	-	-	-	-	-	910	910	-	-	-	-	-	-	0.22	0.22	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, Wu Pin-Yi, Tsai Hong-Wen, Yang Wen-Goang, Huang Chu-Chia, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd., Yan Ming-Shan, Yan Ruei-Sian	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Wu Pin-Yi, Tsai Hong-Wen, Yang Wen-Goang, Huang Chu-Chia, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd., Yan Ming-Shan, Yan Ruei-Sian	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Tsai Hong-Wen, Yang Wen-Goang, Huang Chu-Chia, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd., Yan Ming-Shan, Yan Ruei-Sian	Lin Wen-Cheng, Liao Chen Hsuan-Yu, Tsai Hong-Wen, Yang Wen-Goang, Huang Chu-Chia, Sheng Ta Investment Co., Ltd., Teng Feng Investment Development Co., Ltd., Sumitomo Rubber Industries Co., Ltd., Yan Ming-Shan, Yan Ruei-Sian
NTD 1 Million (inclusive) ~ NTD 2 Million (not included)				
NTD 2 Million (inclusive) ~ NTD 3.5 Million (not included)				
NTD 3.5 Million (inclusive) ~ NTD 5 Million (not included)				
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				
	14	14	14	14
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, 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-subsidary reinvestment business or the parent company, the remuneration received by The Company's directors from the out-of-subsidary 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-subsidary 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.31,2023 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	3,242	3,242	108	108	1,650	1,650	1,330	-	1,330	-	1.50%	1.50%	None
Deputy General manager	Jiang Ting-Ji	1,747	1,747	103	103	1,043	1,043	670	-	670	-	0.84%	0.84%	None
Deputy General manager	Wu Pin-Yi	1,249	1,249	77	77	373	373	150	-	150	-	0.44%	0.44%	None

* 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	Jiang Ting-Ji
NTD 2 Million (inclusive) ~ NTD 3.5 Million (not included)		
NTD 3.5 Million (inclusive) ~ NTD 5 Million (not included)	Wu Pin-Yi	Wu Pin-Yi
NTD 5 Million (inclusive) ~ NTD 10 Million (not included)	Wang Jiaw-Chyi	Wang Jiaw-Chyi
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	3	3

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.31,2023													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 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)		In The Company	All the companies in the financial report (Note 5)				
							Cash amount	Stock amount			Cash amount	Stock amount		
Chairman	Shen Kuo-Jung	8,328	8,804	-	-	50	138	1,646	-	-	2.37%	2.51%	None	
Vice Chairman	Chiu Shih-Chien	7,900	8,165	-	-	50	160	1,631	-	-	2.27%	2.36%	None	
General manager	Wang Jiaw-Chyi	3,242	3,242	108	108	1,650	1,650	1,330	-	-	1.50%	1.50%	None	
Deputy General Manager	Wu Pin-Yi	1,747	1,747	103	103	1,043	1,043	670	-	-	0.84%	0.84%	None	
Deputy General Manager	Jiang Ting-Ji	1,249	1,249	77	77	373	373	150	-	-	0.44%	0.44%	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.31,2023 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 (%)
M a n a g e r	General manager	Wang Jiaw-Chyi	-	2,682	2,682	0.63
	Deputy General Manager	Jiang Ting-Ji				
	Deputy General Manager	Wu Pin-Yi				
	Division Director	Chiang Jung-Tsung				
	Division Director	Zhang Jia-yuan				
	Division Director	Shi Qing-Chang				
	Deputy Division Director	Ku Te-Cheng				
	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.31,2022	33,323	11.32%	35,019	11.89%
Year ended Dec.31,2023	35,154	8.32%	36,887	8.73%

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 5 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)	Remarks
Chairman	Feng Tsuan Co., Ltd. Representative of the Chairman: Shen Kuo-Jung	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Vice Chairman	Feng Tsuan Co., Ltd. Deputy Director Representative: Chiu Shih-Chien	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	3	2	60%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan-Yu	4	1	80%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Sumitomo Rubber Industries Co., Ltd. Representative Director: Shingo Sakashita	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Independent director	Tsai Hong-Wen	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Independent director	Yang Wen-Goang	5	0	100%	Reelected at Jun. 14, 2022 shareholders meeting
Independent director	Huang Chu-Chia	5	0	100%	Reelected at Jun. 14, 2022 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: The company has established an audit committee and is not subject to the provisions of Article 14-3 of the Securities and Exchange Act.

(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:

(1) The Company has established independent directors, audit committees and remuneration committees in accordance with regulations.

(2) 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 2023 were all excellent, and were submitted to the board of directors of the Company on March 13, 2024 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.31,2023
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.14,2022 to Jun.13,2025

(c) The audit committee met 5 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)	Yang Wen-Goang	5	0	100%	Jun. 14, 2022 inaugurated
Independent director	Tsai Hong-Wen	5	0	100%	Jun. 14, 2022 inaugurated
Independent director	Huang Chu-Chia	5	0	100%	Jun. 14, 2022 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 .15th, 2023 (3rd meeting, 2nd Session)	(1) The Company's 2022 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 2022. (3) The Company's 2022 annual director's remuneration and staff remuneration distribution Plan. (4) The Company endorsed the guarantee quota for subsidiaries in 2023. (5) Revision of the Company's "Capital Lending and Operating Procedures of Others". (6) The Company's 2022 internal control statement and the effectiveness of the internal control system. (7) internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of March 15, 2023.
April .20th, 2023 (4th meeting, 2nd Session)	(1) Subsidiary, Hwa Fong Rubber (Suzhou) Co., LTD. planned to dispose of its land and factory.	All members present agreed to pass.	Approved by all the directors present on the date of April 20, 2023.

May 10th, 2023 (5th meeting, 2nd Session)	(1) The Company's consolidated financial report for the first quarter of 2023. (2) Proposed capital loan to a subsidiary of the Company.	All members present agreed to pass.	Approved by all the directors present on the date of May 10, 2023.
August 9th, 2023 (6th meeting, 2nd Session)	(1) The Company's consolidated financial report for the second quarter of 2023. (2) The Company's proposal for the first distribution of earnings in 2023. (3) Proposal of reorganization of the Company's joint credit agreements.	All members present agreed to pass.	Approved by all the directors present on the date of August 9, 2023.
November 8th, 2023 (7th meeting, 2nd Session)	(1) The Company's consolidated financial report for the third quarter of 2023. (2) Proposal to append the Company's internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of November 8, 2023.

(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	
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	V		
(1) Does the Company have internal procedures in place to deal with shareholder-related suggestions, doubts, disputes and litigation and follow the procedures?	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) Does the Company keep a list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders?	V		(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) Has the Company established and implemented the risk control and firewall mechanism with related enterprises?	V		(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) Does the Company have in place internal regulations to prohibit its insiders from trading securities using information undisclosed in the market?	V		(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	V	V	
(1) Whether the board of directors propose diversity in its membership			(1) The directors of the Company have expertise in different fields, which will be helpful to the development and operation of the Company.
(2) In addition to the remuneration committee and audit committee, does the Company voluntarily set up other kinds of functional committees?			(2) The Company has no other functional committees except the Remuneration Committee and Audit Committee set up in accordance with the law.
(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?	V		(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/investor/corporate-governance/).
(4) Does the Company regularly evaluate the independence of the certification accountant?	V		(4) The Company regularly inspects the competence of the certification accountant and evaluates the independence of the certification accountant.
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.
			Additional functional committees shall be established as necessary, on the basis of the future operation status and the scale of the Company.

Evaluation items	Practical Operation		Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	
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		—
6. Does the Company appoint a professional stock affair agency to handle its Board of Shareholders?	V		—
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	—
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		—
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 Name	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
Independent Director (convener)	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, director of Jui Li Enterprise Co., Ltd. and Independent Director of Samebest 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.	1
Independent Director	Tsai Hung-Wen	- With work experience required for business, legal, financial, accounting or corporate business ° - 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-Goang	- With work experience required for business, legal, financial, accounting or corporate business ° - 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, Independent director of Kung Long 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

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 14, 2022 to June 13, 2025.
- (3) The Remuneration Committee has met 2 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	Huang Chu-Chia	2	0	100%	June.14, 2022 Reelected
Member	Yang Wen-Goang	2	0	100%	June.14, 2022 Reelected
Member	Tsai Hung-Wen	1	1	50%	June.14, 2022 Reelected
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) Implementation Status of Sustainable Development and Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons, and Implementation Status of Climate-Related Information :

(1) Implementation Status of Sustainable Development and Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation items	Operation		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
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	1.The Company completed establishment of the “ESG Sustainability Committee” in 2023, in charge of promoting the sustainable development decision-making; the general manager played a leading role in team establishment and function division. 2.Department managers serve as executive committee members, responsible for coordinating and planning the company's overall corporate social responsibility policies, strategies, themes, goals, and the compilation and publication of the annual sustainability report. 3.After completing and disclosing the compilation and publication of the previous year's sustainability report each year, the company will report the results and implementation effectiveness to its board of directors. 4.The company plans to hold an annual meeting every year, convened by the General Manager to explain the implementation status of promoting corporate social responsibility and stakeholder consultation and communication, as well as the measures taken by relevant leading departments of each team.
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.

Evaluation items	Operation			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation	
(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.	—
(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.	—

Evaluation items	Operation			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation	
(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 operational environmental hazard control assessment in accordance with the laws, conducts safety and health education for the employees, conducts fire drills, and provides appropriate and sufficient tools of protection to the employees; we also obtain verification of the ISO 45001 occupational safety and health management system, valid till October 18, 2025. In 2023, the employee's occupational disaster cases totaled 17 (including 7 traffic cases), accounting for 3.13% of the total employee number. We investigated the reasons for happenings, proposed improvement countermeasures to be submitted for approval, reviewed, and tracked the cases. Improvement on all the occupational disaster cases had been completed, and there were no fire accidents in the said year.	—
(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.	—
(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.	—

Evaluation items	Operation			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation	
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	Currently, the Company had prepared the sustainability report, for which we are planning to obtain the third party's assurance or assurance opinions.	—
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 <u>Set up waste management and personnel for planning, prioritizing waste reduction and resource reuse ,and to reduce the impact on the environment.</u>	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.
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(II) Implementation Status of Climate-related Information

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The Company's ESG Sustainability Committee has been completely organized, and the general manager played a leading role in its operation, annually conducted the risk analysis and decision-making on significant issues, based on the GRI standards, undertook assessment and identification in terms of all collected internal and external information, and included the conclusions into the bases of the company's sustainable management policies. In addition, the implementation status of the ESG-related issues was reported, along with the operation report, to the Board of Directors' meeting for control and review.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Short-term risks: The domestically-levied carbon fee/carbon tax, appreciation of electricity charges, and foreign collection of carbon tax resulted in rise of raw materials cost. The unpredictable natural disasters and changeable extreme climate lead to possible losses of stop production. Short-term opportunities: Develop or expand low-carbon and low-pollution material, use raw materials which comply with the international environmental protection regulation, and promote the business's positive image. Medium-term risks: Collection of foreign carbon tax, and use of green electricity for the manufacturing industry accounting for 15% power consumption in 2030.

Item	Implementation Status
	Long-term risks: The customers' behavior changes and the stricter environmental protection regulations in the sale market.
3. Describe the financial impact of extreme weather events and transformative actions.	Storm or flood events, caused by the extreme weather might result in damage of the company's equipment, or even as worse as stop production, increase of operational cost; or such issues as collection of the carbon fee (tax), etc. will all further affect the company's financial profit.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The ESG Sustainability Committee will set the scenario, propose climate-related issues for discussion, then summon related units to identify and evaluate the impact extent and financial impact, made by the climate risks and opportunities, conduct substantial risk analysis and response countermeasures on significant issues, and include the conclusions into the bases of the company's sustainable operation policies.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Currently, the scenario analysis of climate change has not been adopted.
1. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. 6.	Currently, the scenario analysis of climate change has not been adopted.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Currently, the scenario analysis of climate change has not been adopted.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset	Establishment of the climate-related targets is still under evaluation and planning.

Item	Implementation Status												
should be specified.													
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	Currently, the Company is conducting the greenhouse gas inventory, strategies and targets, control mechanism, internal verification, and external verification planning. The expected schedules and plans are as follows: <table border="1" data-bbox="496 91 1082 936"> <thead> <tr> <th>Work Items</th><th>Estimated Time of Completion</th></tr> </thead> <tbody> <tr> <td>Complete the parent company's greenhouse gas inventory</td><td>December 2026</td></tr> <tr> <td>Complete the subsidiaries' greenhouse gas inventory</td><td>December 2027</td></tr> <tr> <td>Establish the verification planning of the parent company and the subsidiaries</td><td>June 2027</td></tr> <tr> <td>Complete the parent company's external verification</td><td>December 2028</td></tr> <tr> <td>Complete the subsidiaries' external verification</td><td>December 2029</td></tr> </tbody> </table>	Work Items	Estimated Time of Completion	Complete the parent company's greenhouse gas inventory	December 2026	Complete the subsidiaries' greenhouse gas inventory	December 2027	Establish the verification planning of the parent company and the subsidiaries	June 2027	Complete the parent company's external verification	December 2028	Complete the subsidiaries' external verification	December 2029
Work Items	Estimated Time of Completion												
Complete the parent company's greenhouse gas inventory	December 2026												
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Establish the verification planning of the parent company and the subsidiaries	June 2027												
Complete the parent company's external verification	December 2028												
Complete the subsidiaries' external verification	December 2029												

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? (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? (3) Has the Company formulated a policy to prevent the conflict of interests, and provided appropriate channels for feedbacks, and implemented it? (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? (5) Does the Company regularly conduct internal and external training on ethical management?	V	V	(1) The Company has a "Credit Management Policy" to prevent dishonest transactions. (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) 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) 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) 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	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, 13 2024

As for the year ended on Dec 31, 2023 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, 2023 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 13, 2024 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:

Date	Resolutions Item	Resolution result	Status of implementation
June 16th, 2023	Acknowledgement items: 1.Acknowledgement of the 2022 operating report and financial statements.	Resolution passed as proposed	Executed per resolution
	Discussion items: 1.Approve the amendment of the “Regulations Governing Loaning of Funds”. 2.Approve the amendment of the “Procedures for Election of Directors”.	Resolution passed as proposed	Executed per resolution

(2) Important resolutions of the board of directors:

Item	Date	Major Resolutions	Resolution Results and Implementation Status
Board Meetings	March 15th, 2023	1.Approval of the annual business report, individual financial statements, and consolidated financial statements of the Company for the year 2022. 2. Approval of the second half year profit distribution plan for the year 2022 of the Company. 3. Approval of the director and employee remuneration distribution plan for the year 2022 of the Company. 4. Application for financing credit line from financial institutions by the Company. 5. Approval of the endorsement and guarantee limit for the subsidiaries of the Company for the year 2022. 6. Revision of the “Procedure for Lending Funds to Other Parties and or Guarantee” of the Company. 7. Revision of the “Procedures for Election of Directors” of the Company. 8. Revision of the “Rules of Procedure for Board of Director Meetings” of the Company. 9. Revision of the “Corporate Governance Best Practice Principles” of the Company. 10. Approval of the 2022 internal control statement and effectiveness of the internal control system of the Company. 11. Approval of the annual performance bonus for the executives of the Company for the year 2022. 12. Proposal for the convening of the 2023 Annual General Meeting of the Company.	The entire proposal has been approved by resolution and has been fully executed.
Board Meetings	April 20th, 2023	1. Proposal for disposal of Land and facilities by subsidiary Hwa Fong Rubber (Suzhou) Co., Ltd.	The proposal has been approved by resolution and has been fully executed.
Board Meetings	May 10th, 2023	1. Approval of the Q1 consolidated financial statements of the Company for the year 2023. 2.Application for financing credit line from financial institutions by the Company. 3. Proposal for funding for the Company's subsidiaries.	The entire proposal has been approved by resolution and has been fully executed.
Board Meetings	August 9th, 2023	1. Approval of the Q2 consolidated financial statements of the Company for the year 2023. 2.Application for financing credit line from financial institutions by the Company. 3. Dividend distribution for the first half of the year 2023 of the Company. 4.Proposal of reorganization of the Company's joint credit agreements. 5. Proposal of capital increase of Hwa Fong Rubber (Hong Kong) Co., Ltd. 6. Proposal of appointment of the Company's chief cyber security officer and cyber security personnel.	The entire proposal has been approved by resolution and has been fully executed.
Board Meetings	November 8th, 2023	1. Approval of the Q3 consolidated financial statements of the Company for the year 2023. 2.Application for financing credit line from financial institutions by the Company. 3. Proposal for the operating budget of the Company for the year 2024. 4. Regular assessment of the independence of the Company's auditor. 5.The proposal for the initial drawing of joint credit limit amount, of which commitment items, resolved by the Board meeting, should be issued. 6. Append the Company's internal control system. 7. Approval of the 2024 internal audit plan of the Company.	The entire proposal has been approved by resolution and has been fully executed.

Item	Date	Major Resolutions	Resolution Results and Implementation Status
		8. Review and approval of the monthly salary and remuneration of the Company's managers.	
Board Meetings	March 13th, 2024	1. Approval of the annual business report, individual financial statements, and consolidated financial statements of the Company for the year 2023. 2. Approval of the second half year profit distribution plan for the year 2023 of the Company. 3. Approval of the director and employee remuneration distribution plan for the year 2023 of the Company. 4. Revision of the "Rules of Procedure for Shareholders Meetings." of the Company. 5. Revision of the "Rules of Procedure for Board of Director Meetings" of the Company. 6. Revision of the "Audit Committee Charter" of the Company. 7. Application for financing credit line from financial institutions by the Company. 8. Approval of the 2023 internal control statement and effectiveness of the internal control system of the Company. 9. Proposal of appointment of the company's chief accounting officer and the chief corporate governance officer. 10. Approval of the annual performance bonus for the executives of the Company for the year 2023. 11. Discuss the proposal of the monthly remuneration of the Company's newly-appointed managers. 12. Proposal for the convening of the 2024 Annual General Meeting of the Company.	Agendas 6 to 12 have been implemented. Agendas 2 and 3 are currently in progress. Agendas 1、4、5 will be separately reported to and recognized and discussed at the 2024 shareholders' meeting.

(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:

Apr.30,2024

Title	Name	Date of appointment	Date of resignation/ dismissal	Reason for resignation/ dismissal
Accounting officer/ Corporate governance officer	Lee Yuan-Chi	May.1,2018	Jan.31,2024	Position adjustment

Note: Relevant persons of the company include the chairman of the board, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, R&D supervisor, etc.

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	Wu Song-Yuan /Xu Jian-Ye	Financial Statements for the First Quarter to the end of year 2023	3,350	324 ^{Note 1}	3,674	—

*Note1: 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 2023 (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	-		-	
	Representative of the chairman: Shen Kuo-Jung	-	-	-	-
	Deputy Chairman Representative: Chiu Shih-Chien	-	-	-	-
	Representative of the director: Lin Wen-Cheng	-	-	-	-
	Representative of the director: Wu Pin-Yi	-	-	-	-
	Director representative: Liao Chen Hsuan-Yu	-		-	-
Director	Sumitomo Rubber Industries Co. Ltd	-	-	-	-
	Representative of the director: Shingo Sakashita	-	-	-	-
Director	Sheng Ta Investment Co., Ltd	81,000	-	20,000	-
	Representative of the director: Yan Ming-Shan	-		-	-
Director	Teng Feng Investment and Development Co. Ltd	247,000	-	-	-
	Representative of the director: Yan Ruei-Sian	25,000	-	-	-
Independent director	Tsai Hong-Wen	-	-	-	-
Independent director	Yang Wen-Goang	-	-	-	-
Independent director	Huang Chu-Chia	-	-	-	-
Major shareholder	Sumitomo Rubber Industries Co. Ltd	-	-	-	-
The general manager	Wang Jiaw-Chyi.	-	-	-	-
Deputy general manager	Wu Pin-Yi	-	-	-	-
Deputy general manager	Jiang Ting-Ji	-	-	-	-

(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. 21, 2024

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%	-	-	-	-	-	-	-
Yu Guo Enterprise Co., Ltd Representative: Zhang Shu-Man	11,149,268	3.99%							
Capital Securities Corporation. Trustee of Capital Securities (Hong Kong) Co., Ltd. Client Qun yi Securities Custody Co., Ltd. Investment Account	9,743,113	3.49%	-	-	-	-	-	-	-
Mediera Corporation. Representative: Shen Kuo-Jung	9,454,628	3.38%							
Feng Zuan Co., Ltd Representative: Shen Kuo-Jung	8,884,210	3.18%	-	-	-	-	-	-	-
Jian Sin Industrial Co., Ltd. Representative: Wu Ming-Tsan	7,948,000	2.85%							
Guo Zhi-Fen	7,694,825	2.75%	271,431	0.10%	-	-	-	-	-
Yan Da-Jun	5,998,166	2.15%	-	-	-	-	-	-	-
Yan Sheng-Feng	5,988,575	2.14%	-	-	-	-	-	-	-
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 surplus 35,660,160	-	Note (14)

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 (1) No. 00988 was approved and approved for public issuance.

Note (2) Approval No. 02035 of Taiwan Finance (1) on July 27, 1991.

Note (3) Taiwan Caizhen (1) 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 (1) on January 11, 1995.

Note (6) Approval No. 38013 of Taiwan Finance (1) on June 28, 1995.

Note (7) Approval No. 40318 of Taiwan Finance (1) 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 (1) 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 (1) on July 11, 2001.

Note (14) Approval No. 0910138404 of Taiwan Finance (1) 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	Unissued shares	Total (shares)	
Common stock	279,349,134	720,650,866	1,000,000,000	Listed company stock

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

(2) Shareholder structure

April 21, 2024

Shareholder structure The number	Government agencies	Financial institutions	Other legal persons	Personal	Foreign institutions and foreigners	Combined
The number of	0	1	227	28,482	53	28,763
Held number of shares	0	455,000	79,843,372	155,900,704	43,150,058	279,349,134
Holding ratio	0.00%	0.16%	28.58%	55.81%	15.45%	100.00%

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

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

April 21, 2024

Ownership levels	The number of shareholders	Held number of shares	Holding ratio
1 ~ 999 Shares	21,926	963,609	0.36%
1,000 ~ 5,000 Shares	4,577	10,152,446	3.63%
5,001 ~ 10,000 Shares	989	8,023,579	2.87%
10,001 ~ 15,000 Shares	289	3,697,252	1.32%
15,001 ~ 20,000 Shares	232	4,336,451	1.55%
20,001 ~ 30,000 Shares	188	4,795,732	1.72%
30,001 ~ 40,000 Shares	108	3,850,223	1.38%
40,001 ~ 50,000 Shares	76	3,502,659	1.25%
50,001 ~ 100,000 Shares	151	10,709,016	3.83%
100,001 ~ 200,000 Shares	96	13,191,707	4.72%
200,001 ~ 400,000 Shares	53	15,350,054	5.50%
400,001 ~ 600,000 Shares	22	10,642,460	3.81%
600,001 ~ 800,000 Shares	10	6,943,798	2.49%
800,001 ~ 1,000,000 Shares	8	7,022,113	2.51%
More than 1,000,001 Shares	38	176,168,035	63.06%
Total	28,763	279,349,134	100.00%

(4) List of Major Shareholders

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

April 21, 2024

Major Shareholder Name	Number of shares held	Holding ratio
Sumitomo Rubber Industries Co. Ltd	28,428,574	10.18%
Yu Guo Enterprise Co., Ltd	11,149,268	3.99%
Capital Securities Corporation. Trustee of Capital Securities (Hong Kong) Co., Ltd. Client Qun yi Securities Custody Co., Ltd. Investment Account	9,743,113	3.49%
Mediera Corporation.	9,454,628	3.38%
Feng Zuan Co., Ltd	8,884,210	3.18%
Jian Sin Industrial Co., Ltd.	7,948,000	2.85%
Guo Zhi-Fen	7,694,825	2.75%
Yan Da-Jun	5,998,166	2.15%
Yan Sheng-Feng	5,988,575	2.14%
Han Yuan Xin Ran Enterprise Co., Ltd	5,738,627	2.05%
Total number of shares:279,349,134	101,027,986	36.17%

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

Year			2022	2023	March 31st, 2024
Items					
Share price (note 1)	The Highest		16.90	15.45	18.10
	The lowest		13.70	13.70	14.20
	Average		15.02	14.51	16.35
Net worth per share (note 2)	Before the distribution		11.50	12.35	12.06
	After the distribution		11.10	11.55	-
EPS	Weighted average number of shares		279,349,134	279,349,134	279,349,134
	Earnings per share (Note 3)	Before the adjustment	1.05	1.51	0.48
		After the adjustment	-	-	-
A share Dividends.	Cash dividends.		0.90	1.20	-
	Stocks with no compensation	Surplus allotment	-	-	-
		Capital reserve allotment	-	-	-
		Accumulated unpaid dividends (note 4)	-	-	-
Return on investment analysis	PE ratio (Note 5)		14.23	9.56	-
	Ratio of dividend/price to dividend ratio (note 6)		16.60	12.03	-
	Cash dividend yield (note 7)		6.02%	8.32%	-

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 was determined by the Board of Directors:

The Company's semi-annual earnings distribution proposal for the 2023 was determined by the Board of Directors as follows:

	<u>2023 2nd half</u>	<u>2023 1st half</u>
Determined date of BOD	3/13/2024	8/9/2023
Statutory surplus reserve	\$ 24,200	\$ 17,997
Special surplus reserve	\$ (6,321)	\$ (2,968)
Cash dividend	\$ 223,480	\$ 111,740
Dividend per share (NTD)	\$ 0.8	\$ 0.4

(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 not processed any bonus shares distribution, so it is 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 13, 2024

(2) Types and amount of payment

A. Remuneration of NTD\$13,647,000 for employees and NTD\$8,188,000 for directors.

B. There is no difference between the above resolutions and the amount of costs recognized in the year 2023.

3. Distribution of remuneration to employees and remuneration to directors and supervisors in 2022.

A. Remuneration of NTD\$10,167,000 for employees and NTD\$6,100,000 for directors and supervisors.

B. There is no difference between the above resolutions and the amount of costs recognized in the year 2022.

(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 of our company is the production and sale of various types of bicycle tires, motorcycle tires, bias and radial tires, agricultural and industrial tires, sand tires, bus and truck tires, and other rubber products.
2. The Company's current commodities and services and their proportion

Unit: Thousands Of NTDS\$

Product project	Year 2023	
	Operating income	Operating Ratio (%)
Bicycle	688,456	14.73%
The locomotive	2,566,945	54.92%
Agricultural and industrial	1,170,511	25.04%
Truck	124,169	2.66%
Radiation layer tire	36,171	0.77%
other	88,048	1.88%
A combined	4,674,300	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 81.32% of its revenue. Radial tire products are sold by proportion of 0.60%. In response to declined demands for bicycle tires in the market, the adjustment of supply origin and product contents leads to reduction of proportion of revenue from bicycle tires. Since 2021, the United States has imposed double anti-dumping measures on tire products, such as passenger car tires, SUV tires, and light truck tires, which has continued to affect the sales of radial tires. The company has attempted to adjust its product mix to maintain its revenue stream despite the declining business proportion. The Company has made use of the overseas OEM mode to produce such products in specifications for the passenger car and sport utility vehicle tires for sale in the US market, of which revenue began to be injected effective 2023.

- (2) In response to the needs of human progress and social advancement, the company has a diversified and complete range of rubber tire products, including various functional bicycle tires, high-speed motorcycle tires, passenger car tires, and truck tires. Recently, the company has launched various innovative products, such as E-BIKE electric-assisted bicycle tires, foldable bicycle tires, tubeless bicycle tires, motorcycle hot melt tires, beach tires, and small racing tires, to maximize the company's profits.

(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

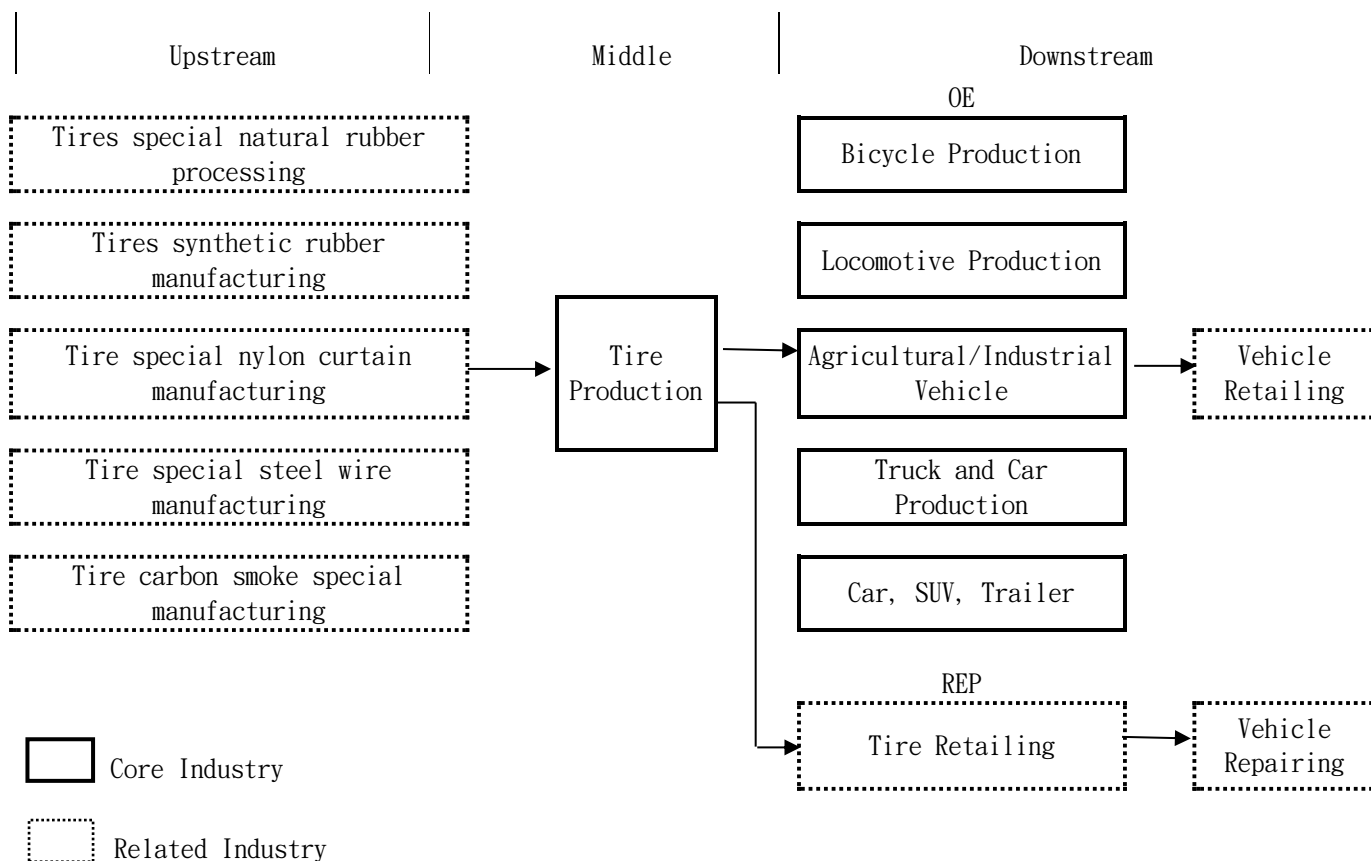
(2) Industry overview

1. Industry Overview and Development

In 2023, the sales amount of global tire manufacturers was US\$262.2 billion, representing a total produce of 2.4 billion cover tires for various vehicles and mobility devices.

Accompanied with return of supply chains to a normal level one by one, demand and supply of the market in 2023 was also gradually restored in a stable state. However, the global tire manufacturing cost was still ceaselessly confronted with challenges. In addition to rising cost of partial raw materials, the relevant packaged cost also relatively increased in response to future green energy and carbon reduction, and being one of supply chains of green products. Looking forward to 2024, demands in OE and RE market will be kept stably in the same level or even in slight growth.

2. Connectivity of upstream, middle and downstream industries



3. Product development trends and competition

Rubber tires can be divided into bicycle tires, motorcycle tires, agricultural and industrial vehicle tires, car tires, and radial layer tires. Among them, the world's largest producers of bicycle tires, electric-assisted bicycle tires, folding bikes, and motorcycle tires are China, followed by Asian countries such as India, Japan, Taiwan, and Thailand.

- (1) Since the post-pandemic, the bicycle demands have been reshuffled; the mid-and-low-level commuter-used bicycles with the supposed biggest demands were reduced; in addition, the terminal stock in the market is still in a high level, so that the digestion time is prolonged to as many as 24 months, and the momentum of overall bicycle market further declines. It is expected that the market will successively recover in 2025.
- (2) The global motorcycle industry also successively warms up after the pandemic with the overall sales volume gradually returned to the previous level. Above all, the replenishing force in the RE market is so obvious as to facilitate a short-term increase of the overall sales volume. However, in response to the green energy development, the global electric motorcycles still enjoy a growth by 20% or more, accounting for about 10% of the entire motorcycle market.

(3) The production value of ATV tires (radiated layer) rebounded, benefited from emergence of the car market in the emerging countries such as Vietnam, India, etc. However, from 2020 to 2022, none of the car markets in all countries can escape from the pandemic impact, except that in Taiwan, which bucked the trend. In 2023, the car sales volume in Taiwan was 476,987, the highest sales record for recent 18 years in Taiwan. Since Taiwan joined the WTO, along with influence of the China-US trade war, the competition of the export-oriented tire market in Taiwan has been even fierce. Furthermore, under the influence of relevant weakness as a result of the US anti-dumping and countervailing duties, the domestic tire manufacturers are required to develop more high value-added products in order to exploit the market space; in terms of prices, the prices of tire-related raw materials kept rising under the pressure of freight cost.

(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, ECO 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) Developing products that meet market demand, such as Mud Terrain SUV tires and E-bike tires
- (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 2023		The year in 2022	
	The sales amount	Percentage (%)	The sales amount	Percentage (%)
Taiwan	685,005	14.65%	792,485	14.64%
Chinese mainland	91,601	1.96%	132,292	2.44%
The United States	717,911	15.36%	575,489	10.63%
Thailand	778,592	16.66%	681,716	12.59%
Other Regions	2,401,191	51.37%	3,232,363	59.70%
Combined	4,674,300	100.00%	5,414,345	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 67th in the global market in 2023.

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) Commercial Vehicle Tires, and Radial Tires for Cars/Light Trucks: Due to the government's subsidy policy for replacing old cars with new ones, it has stimulated the sales of new cars in the domestic market. In the post-sales tire repair market, since cars need to replace tires every 2-3 years according to domestic traffic regulations, the post-sales tire repair market is more prosperous. In response to the US's impending anti-subsidy and anti-dumping trade sanctions on imported tires from Taiwan and other four Asian countries, the company has adjusted its market sales plan. It has found contract factories in Southeast Asia to produce sedan and light truck tires and began supplying them to the US for sales in 2022. This is to alleviate the damage caused by the US's anti-subsidy and anti-dumping measures on imported tires from Taiwan and to strengthen global sales strategies outside the US to achieve balanced development.

4. Competitive Niches:

(1) Deep cultivation of technical quality:

The Company has 77 years of professional experience in tires, has been under the technical guidance of Sumitomo of Japan for 39 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.

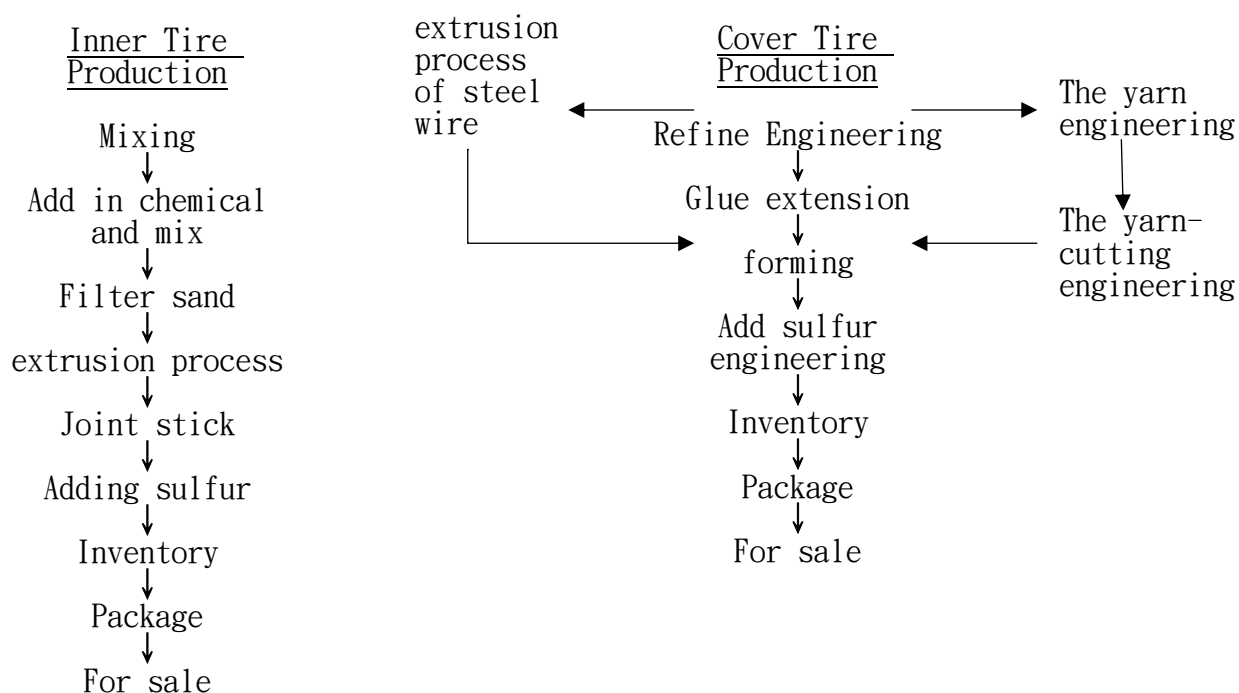
- (2) Solid customer base:
The Company's product design is jointly developed with customers (including Japanese, Taiwan, American and European), the scope of cooperation includes drawing design, in-factory testing, real vehicle testing, etc., so we have established a rich and good relationship with customers.
 - (3) Product quality is excellent, well received by customers:
For 77 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 36 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) Public 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.
 - 5) In the era of global inflation, consumers are more careful in choosing tire products, and DURO, a high-quality mid-range brand, is closer to the needs of the market users.
 - (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, the rubber production status is not stable for recent two years, so the price fluctuated sharply.

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 2022				In 2023				Year 2024 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	889,752	100		Net purchase	788,591	100		Net purchase	162,278	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 2022				In 2023				Year 2024 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	5,414,345	100		Net sales	4,674,300	100		Net sales	1,153,666	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	The year 2023			The year 2022		
Production Quantity	Output	Production volume	Production value	Output	Production volume	Production value
Main Commodities						
Bicycle tire	38,117	9,707	520,877	37,894	21,066	1,060,756
The locomotive tire	21,273	10,802	1,924,823	21,545	9,838	1,914,996
Agricultural and industrial tires		1,693	730,153		2,071	816,917
Truck tires		48	79,460		21	38,581
Radial layer outer tire	484	20	20,256	600	54	64,812
Combined	59,874	22,270	3,275,569	60,039	33,050	3,896,062

(6)Sales volume of the most recent two years

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

The year	The year 2023		The year 2022	
Sales quantity	The amount	value	The amount	value
The main products				
Bicycle tire	10,963	688,456	24,520	1,513,692
The locomotive tire	11,143	2,566,945	10,719	2,409,779
Agricultural and industrial tires	1,786	1,170,511	2,370	1,186,570
Truck tires	51	124,169	30	107,422
Radiation layer outer tire	58	36,171	66	118,518
other	3,576	88,048	8,603	78,364
Combined	27,577	4,674,300	46,308	5,414,345

III.Data of employees in the most recent two years and as of the publication date of the annual report

April 30th, 2024

The annual		The year 2022	The year 2023	As of publication date
The number Of employees	staff	491	474	475
	Indirect labor	198	115	90
	Direct labor	1,938	1,547	1,710
	Commmbined	2,627	2,136	2,275
The average age		42.80	39.80	40.20
Average years of service		11.54	7.55	7.80
Record of formal schooling ratio	Doctorate	0.04%	0.05%	0.04%
	Master	0.76%	0.80%	0.70%
	College and University	13.09%	14.04%	13.32%
	High School	34.11%	36.84%	33.23%
	Other	52.00%	48.27%	52.70%

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) Organize birthday parties every month. |
| (7) Staff health inspection. | (8) Group insurance. |

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 pension 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 Land Bank and other 9 banks	2023.12 ~ 2028.12 (5-year period)	NTD \$ 2.0 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, 2024 Financial Information (Note 3)
		2019	2020	2021	2022	2023	
Current assets		3,328,962	3,574,161	3,831,614	3,722,630	4,367,859	4,447,913
Real Estate, Plant and Equipment (Note 2)		3,387,309	3,538,983	3,383,896	3,352,587	2,708,959	2,669,263
Intangible assets		1,218	1,173	1,105	803	1,631	1,516
Other assets (Note 2)		689,920	935,400	1,107,314	990,870	864,797	805,332
The total assets of		7,407,409	8,049,717	8,323,929	8,066,890	7,943,246	7,924,024
Current liabilities	Before the Distribution	1,649,784	1,987,324	1,925,586	1,635,008	1,577,893	1,692,009
	After the distribution	1,685,327	1,987,996	2,178,294	1,855,181	1,887,723	1,692,009
Non-current liabilities		1,577,151	1,577,121	1,925,950	1,652,496	1,334,414	1,328,834
The total amount of liabilities	Before the Distribution	3,226,935	3,564,445	3,851,536	3,287,504	2,912,307	3,020,843
	After the distribution	3,263,478	3,565,117	4,104,244	3,507,677	3,222,137	3,020,843
Equities that belong to the owner of the parent company		2,736,299	3,015,149	3,044,110	3,212,079	3,449,531	3,369,544
Other Equities		3,323,492	3,323,492	2,793,492	2,793,492	2,793,492	2,793,792
Capital reserves		36,954	37,256	37,290	37,290	37,174	37,174
Surplus Reserved	Before the Distribution	(754,094)	(388,079)	362,279	390,586	589,073	499,202
	After the distribution	(754,094)	(388,079)	222,604	278,846	365,593	499,202
Other Equities		129,947	42,480	(148,951)	(9,289)	29,792	39,676
Capital reserves		-	-	-	-	-	-
Uncontrolled equities		1,444,175	1,509,829	1,428,283	1,567,307	1,581,408	1,533,637
The total amount of equities	Before distribution	4,180,474	4,524,978	4,472,393	4,779,386	5,030,939	4,903,181
	After distribution	4,144,931	4,485,272	4,219,685	4,559,213	4,721,109	4,903,181

* 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, 2024 Financial Information (Note 2)
	2019	2020	2021	2022	2023	
Operating income	5,264,937	4,882,864	5,540,899	5,414,345	4,674,300	1,153,666
Operating margin	975,571	1,159,430	1,252,368	1,076,030	1,025,817	284,510
Operating profit and loss	365,506	605,064	699,720	571,266	455,121	168,034
Non-operating income and expenses	(72,794)	140,782	60,308	47,945	328,532	69,334
Pre-tax profit	292,712	745,846	760,028	619,211	783,653	237,368
Continuing business unit Net profit	148,280	561,919	559,101	444,345	531,253	197,525
Loss of the closed business unit	-	-	-	-	-	-
Current net profit (loss)	148,280	561,919	559,101	444,345	531,253	197,525
Other gains and losses for the current period (net profit after tax)	113,870	(170,131)	(380,706)	261,099	52,019	(12,441)
Total consolidated profit and loss for the period	262,150	391,788	178,395	705,444	583,272	185,084
Net profit that is attributable to Owner of parent company	10,891	371,601	362,015	294,488	422,342	133,608
Net profit that is attributable to non-controlled interest	137,389	190,318	197,086	149,857	108,911	63,917
The total consolidated profit and loss that belongs to the owner of the parent company	67,955	280,832	168,602	447,319	461,048	143,492
Total consolidated gains and losses that are attributable to non-controlled interests	194,195	110,956	9,793	258,125	122,224	41,592
EPS	0.04	1.33	1.30	1.05	1.51	0.48

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* 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)				
		2019	2020	2021	2022	2023
Current assets		1,087,991	1,359,513	1,517,411	1,371,696	1,340,773
Real Estate, Plant and Equipment (Note 2)		1,336,914	1,426,963	1,465,953	1,400,265	1,354,068
Intangible assets		-	-	-	-	1,102
Other assets (Note 2)		2,912,372	3,366,893	3,487,175	3,660,959	4,028,937
The total assets		5,337,277	6,153,369	6,470,539	6,432,920	6,724,880
Current liabilities	Before the Distribution	557,196	924,336	1,045,617	977,107	986,207
	After the distribution	557,196	924,336	1,185,292	1,088,847	1,209,687
Non-current liabilities		2,043,782	2,213,884	2,380,812	2,243,734	2,289,142
The total amount of liabilities	Before the Distribution	2,600,978	3,138,220	3,426,429	3,220,841	3,275,349
	After the distribution	2,600,978	3,138,220	3,566,104	3,332,581	3,498,829
Equities that is attributable the owner of the parent company		2,736,299	3,015,149	3,044,110	3,212,079	3,449,531
Capital Stock		3,323,492	3,323,492	2,793,492	2,793,492	2,793,492
Capital reserves		36,954	37,256	37,290	37,290	37,174
Surplus Reserved	Before the Distribution	(754,094)	(388,079)	362,279	390,586	589,073
	After the Distribution	(754,094)	(388,079)	222,604	278,846	365,593
Other Equities		129,947	42,480	(148,951)	(9,289)	29,792
Storage of stocks		-	-	-	-	-
Uncontrolled Equities		-	-	-	-	-
The equities The total amount	Before the Distribution	2,736,299	3,015,149	3,044,110	3,212,079	3,449,531
	After the distribution	2,736,299	3,015,149	2,904,435	3,100,339	3,226,051

* 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)				
	2019	2020	2021	2022	2023
Operating income	2,182,612	2,096,167	2,134,493	2,225,968	2,096,650
Operating margin	477,007	589,573	550,790	512,504	622,005
Operating profit and loss	178,812	280,598	240,918	199,919	349,524
Non-operating income and expenses	(106,439)	180,535	213,636	190,485	174,506
Pre-tax profit	72,373	461,133	454,554	390,404	524,030
Continuing business unit (Net profit of the period.)	10,891	371,601	362,015	294,488	422,342
Loss of the closed business unit	-	-	-	-	-
Current net profit (loss)	10,891	371,601	362,015	294,488	422,342
Other gains and losses for the current period (net after tax)	57,064	(90,769)	(193,413)	152,831	38,706
Total consolidated profit and loss for the period	67,955	280,832	168,602	447,319	461,048
Net profit is attributable to Owner of parent company	10,891	371,601	362,015	294,488	422,342
Net profit is attributable to non-controlled equities	-	-	-	-	-
The total consolidated profit and loss belongs to the owner of the parent company	67,955	280,832	168,602	447,319	461,048
Total consolidated gains and losses that are attributable to non- controlled equities	-	-	-	-	-
EPS	0.04	1.33	1.30	1.05	1.51

* 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
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
2022	PWC Taiwan	Wu Song-Yuan, Xu Jian-Ye	No reserved opinion or other matters
2023	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, 2024(Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	43.56	43.79	46.27	40.75	36.66	38.12
	Ratio of long-term funds to real estate, plant and equipment	169.98	172.43	189.08	191.85	234.97	233.47
Solvency %	Current ratio	201.78	183.51	198.98	227.68	276.82	262.88
	Quick ratio	138.16	134.17	131.50	161.64	210.65	205.99
	Interest Coverage Ratio	(3.50)	16.85	17.75	11.97	16.04	27.39
Management ability	Receivables Turnover Rate (times)	4.80	4.43	6.39	6.47	5.08	5.25
	Average number of cash days	76	82	57	56	72	70
	Inventory turnover rate (times)	4.02	3.56	3.65	3.40	3.23	3.34
	Payable turnover rate (times)	9.40	9.00	9.38	10.20	10.78	10.60
	Average number of sales days	91	102	100	107	113	109
	Property, plant and equipment turnover (per unit)	1.57	1.41	1.60	1.61	1.54	1.72
	Total assets turnover ratio (times)	0.72	0.63	0.68	0.66	0.58	0.58
profitability	Return on assets (%)	2.76	7.76	7.27	5.97	7.16	10.32
	Return on equity (%)	3.64	12.91	12.43	9.61	10.83	15.91
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	8.81	22.44	20.01	22.17	28.05	33.99
	Net profit ratio (%)	2.82	11.51	10.09	8.21	11.37	17.12
	Earnings per share (yuan)	0.03	1.33	1.30	1.05	1.51	0.48
The cash flow	Cash Flow Ratio (%)	25.10	47.98	20.83	54.33	33.64	48.65
	Cash Flow Allowable Ratio (%)	74.86	82.36	74.11	115.62	121.84	124.61
	Cash Reinvestment Ratio (%)	3.28	7.71	3.06	4.04	1.86	6.94
Degree of leverage	Operating leverage	1.62	1.35	1.30	1.37	1.44	1.26
	Financial leverage	1.22	1.08	1.07	1.11	1.13	1.06

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)

- Ratio of long-term funds to real estate, plant and equipment: Mainly due to the Company's disposal of the land and equipment in the Suzhou Factory, the net amount of real estate, plant and equipment was NT\$643,628 thousand less than that of the last year.
- Quick ratio: This mainly resulted in the Company's disposal of the land and equipment in the Suzhou Factory, so cash and cash equivalents were NT\$793,877 thousand more than that of the last year.
- Interest coverage ratio, return on equity, ratio of net profit before tax to paid-up capital, net profit ratio, and earnings per share (NT\$): Mainly due to the Company's disposal of the land and equipment in the Suzhou Factory, the non-operating income was higher than that last year, so were the pre-tax profit and the after-tax profit.
- Cash flow ratio, and cash reinvestment ratio: Mainly due to decrease of the overall bicycle demands in the current period, and rise of cost of raw materials, etc., which began to be reflected on the selling price effective Q4 of 2022, the operating income declined, leading to decrease of the net cash flow from the operational activities.
- Net cash flow adequacy ratio: Mainly because the amount of the real estate, plant and equipment purchased in the last two years was over half less than that in the previous years, the total amount of the average capital expenditure in the last five years was lower.

* 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)		Financial analysis of the last five years				
Analysis Item (Note 3)		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	48.73	51.00	52.95	50.07	48.70
	Ratio of long-term funds to real estate, plant and equipment	357.55	366.44	370.06	389.63	423.81
Solvency %	Current ratio	195.26	147.08	145.12	140.38	135.95
	Quick ratio	143.53	114.52	109.96	103.48	100.11
	Interest coverage Ratio	3.70	17.75	16.57	13.12	16.67
Management ability	Receivables Turnover Rate (times)	7.15	6.42	6.56	7.30	6.79
	Average number of cash days	51	55	56	50	54
	Inventory turnover rate (times)	5.51	4.77	4.35	4.51	4.23
	Payable turnover rate (times)	16.19	13.30	12.69	12.27	11.39
	Average number of sales days	66	76	84	81	86
	Property, plant and equipment turnover (per unit)	1.59	1.52	1.48	1.55	1.52
	Total assets turnover ratio (times)	0.40	0.36	0.34	0.35	0.32
profitability	Return on assets (%)	0.59	6.08	5.37	4.96	6.83
	Return on equity (%)	0.40	13.00	11.95	9.41	12.68
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	2.18	13.87	16.27	13.98	18.76
	Net profit ratio (%)	0.50	1.12	16.96	13.23	20.14
	EPS (NTD\$)	0.04	1.33	1.30	1.05	1.51
The cash flow	Cash Flow Ratio (%)	66.07	37.40	31.64	44.38	67.84
	Cash flow adequacy ratio (%)	99.89	134.72	123.57	145.10	179.60
	Cash Reinvestment Ratio (%)	6.14	5.61	3.10	2.40	6.41
Degree of leverage	Operating leverage	1.60	1.00	1.37	1.45	1.25
	Financial leverage	1.18	1.11	1.14	1.19	1.11

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. Return on assets, return on equity, ratio of net profit before tax to paid-up capital, and earnings per share (NT\$):
Mainly because the Company's expenses in sales, management, and research & development in 2023 was lower than that of the last year owing to the manpower structure adjustment, the operating income was NT\$149,605 higher than that of the last year.
2. Cash reinvestment ratio and net cash flow adequacy ratio: Mainly because the recovery of the Company's other receivables (including related parties) increased, the net cash inflow from the operational activities was NT\$235,339 thousand higher than that of the last year.

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 × (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 2023, 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 2024



Convenor of the Audit Committee:

Wen-Goang Yang

The Republic of China, March 13, 2024

The latest annual individual financial report

Hwa Fong Rubber Industry Co. Ltd

Individual financial report

December 31, 2023 and December 31, 2022
(with audit report)

INDEPENDENT AUDITORS' REPORT

(2024) No. Financial Auditing- 23004903

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, 2023 and 2022, and the related individual statements of income, changes in equity, and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, 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 parent company only 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. for FY 2023.

These matters have been considered in the process of examining the parent company only financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on them individually.

The key audited items in the parent company only financial statements for the year ended December 31, 2023 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, 2023, accounts receivable and allowance for doubtful accounts amounted to NT\$158,268 thousand and NT\$1,813 thousand, 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. 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.
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, 2023, the inventory and allowance for impairment loss were NT\$326,904 thousand and NT\$12,261 thousand, 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.

Other Matter– Reference to other accountants' audit

The financial statements of certain equity-method investees included in the parent company only financial statements of Hwa Fong Rubber Industrial Co., Ltd. have not been audited by us, but by other auditors. Accordingly, our opinion on the financial statements referred to above is based on the reports of the other auditors. The equity method investments in these investees amounted to NT\$1,005,361 thousand and NT\$936,850 thousand as of December 31, 2023 and 2022, respectively, accounting for 14.95% and 14.56% of total individual assets. The comprehensive income of the aforementioned companies for the years ended December 31, 2023 and 2022 were NT\$59,079 thousand and NT\$128,832 thousand, respectively, accounting for 12.81% and 28.80% of the comprehensive income of Hwa Fong Rubber Industrial Co., Ltd.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Hwa Fong Rubber Industrial Co., Ltd.'s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

parent company only 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 parent company only financial statements for 2023 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-YUAN

CPA

HSU,CHIEN-YEH

Financial Supervisory Commission

Certified Registration

Financial-Supervisory-Securities-Auditing- 1090350620

Financial-Supervisory-Securities-Auditing- 1050035683

March 13. 2024

Hwa Fong Rubber Industrial Co., Ltd
Parent Company Only Balance Sheets
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

ASSETS		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 615,211	9	\$ 478,078	8
1150	Notes receivable, net	6(4)	23,958	-	24,239	-
1170	Accounts receivable, net	6(4)	156,455	2	203,065	3
1180	Accounts receivable - related parties, net	7(2)	143,482	2	62,571	1
1200	Other receivables		3,352	-	7,342	-
1210	Other receivables - related parties	7(2)	44,843	1	233,733	4
130X	Inventory	6(5)	314,643	5	346,896	5
1470	Other current assets	7(2)	38,829	1	15,772	-
11XX	Total current assets		1,340,773	20	1,371,696	21
Non-current assets						
1517	Financial assets at fair value through other comprehensive income or loss - non-current	6(2)	267,793	4	233,786	4
1535	Financial assets measured at amortized cost - non-current	6(3) & 8	62,189	1	96,469	2
1550	Investments accounted for using equity method	6(6)	3,616,781	54	3,234,067	50
1600	Property, plant and equipment	6(7) & 8	1,354,068	20	1,400,265	22
1755	Right-of-use assets	6(8)	891	-	1,333	-
1780	Intangible assets		1,102	-	-	-
1840	Deferred income tax assets	6(23)	79,559	1	80,985	1
1900	Other non-current assets	6(25) & 8	1,724	-	14,319	-
15XX	Total non-current assets		5,384,107	80	5,061,224	79
1XXX	Total assets		\$ 6,724,880	100	\$ 6,432,920	100

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd
Parent Company Only Balance Sheets
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

LIABILITIES AND EQUITY		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
CURRENT LIABILITIES						
2100	Short-term borrowings	6(9)	\$ 361,354	5	\$ 423,854	7
2130	Contract liabilities - current	6(17)	28,218	-	14,477	-
2170	Accounts Payable		123,384	2	133,335	2
2180	Accounts payable - related parties	7(2)	819	-	1,312	-
2200	Other payables	6(10)	110,812	2	107,274	2
2220	Other payables - related parties	7(2)	102	-	467	-
2230	Current income tax liabilities		50,155	1	39,143	1
2280	Lease liabilities - current	6(8)	350	-	1,015	-
2320	Long-term liabilities due within one year or one business cycle	6(11)	279,390	4	230,100	3
2399	Other current liabilities - other	6(17) & 8	31,623	1	26,130	-
21XX	Total current liabilities		986,207	15	977,107	15
NON-CURRENT LIABILITIES						
2540	Long-term borrowings	6(11) & 8	1,000,000	15	1,079,090	17
2570	Deferred income tax liabilities	6(23)	266,373	4	266,599	4
2580	Lease liabilities - non-current	6(8)	562	-	337	-
2640	Net defined benefit liabilities - non-current	6(12)	16,584	-	24,710	1
2650	Loans from investments accounted for using equity method	6(6)	979,998	15	848,866	13
2670	Other non-current liabilities - other		25,625	-	24,132	-
25XX	Total non-current liabilities		2,289,142	34	2,243,734	35
2XXX	Total liabilities		3,275,349	49	3,220,841	50
Equity						
Share Capital						
3110	Common stock capital	6(13)	2,793,492	41	2,793,492	43
Capital Surplus						
3200	Capital Surplus	6(14)	37,174	1	37,290	1
Retained earnings						
3310	Legal surplus reserve	6(15)	84,765	1	50,031	1
3320	Special surplus reserve		6,321	-	112,404	2
3350	Undistributed earnings (deficit to be covered)		497,987	7	228,151	3
Other equity						
3400	Other equity	6(16)	29,792	1	9,289	-
3XXX	Total equity		3,449,531	51	3,212,079	50
Significant Contingent Liabilities and Unrecognized Contractual Commitments						
Significant subsequent events						
3X2X	Total liabilities and equity	11	\$ 6,724,880	100	\$ 6,432,920	100

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

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd
Parent Company Only Statements of Comprehensive Income
January 1 - December 31, 2023 and 2022

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

		2023		2022	
Item	Item	Amount	%	Amount	%
4000 Operating Income	6(17) &7(2)	\$ 2,096,650	100	\$ 2,225,968	100
5000 Operating Costs	6(5) (22) &7(2)	(1,474,645)	(70)	(1,713,464)	(77)
5900 Gross profit		622,005	30	512,504	23
5920 Realized gain (loss) on sales		(2,358)	-	3,368	-
5950 Operating profit		619,647	30	515,872	23
Operating expenses	6(22) &7(2)				
6100 Marketing expenses		(131,400)	(6)	(126,094)	(6)
6200 Management Fees		(115,238)	(6)	(143,759)	(6)
6300 Research and development expenses		(23,485)	(1)	(31,450)	(1)
6450 Expected credit impairment loss	12(2)	-	-	(14,650)	(1)
6000 Total operating expenses		(270,123)	(13)	(315,953)	(14)
6900 Operating profit		349,524	17	199,919	9
Non-operating income and expenses					
7100 Interest income	6(18)	8,865	-	2,301	-
7010 Other income	6(19) &7(2)	52,128	3	57,474	3
7020 Other gains and losses	6(20)	15,523	1	75,298	3
7050 Finance costs	6(21)	(33,432)	(2)	(32,203)	(2)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	131,422	6	87,615	4
7000 Total non-operating income and expenses		174,506	8	190,485	8
7900 Net profit before tax		524,030	25	390,404	17
7950 Income tax expense	6(23)	(101,688)	(5)	(95,916)	(4)
8200 Net profit for the period		\$ 422,342	20	\$ 294,488	13

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd
Parent Company Only Statements of Comprehensive Income
January 1 - December 31, 2023 and 2022

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

Item		Note	2023		2022	
			Amount	%	Amount	%
Other comprehensive income (net)						
Items not reclassified to profit or loss						
8311	Remeasurement of defined benefit obligation	6(12)	(\$ 469)	-	\$ 7,733	1
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6(2)	34,007	2	5,889	-
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		(700)	-	4,318	-
8349	Income tax relating to items that are not reclassified	6(23)	94	-	(1,546)	-
8310	Total amount of items not reclassified to profit or loss		<u>32,932</u>	<u>2</u>	<u>16,394</u>	<u>1</u>
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		7,217	-	170,547	8
8399	Income tax relating to items that may be reclassified	6(23)	(1,443)	-	(34,110)	(2)
8360	Total amount of items that may be reclassified subsequently to profit or loss		<u>5,774</u>	<u>-</u>	<u>136,437</u>	<u>6</u>
8300	Other comprehensive income (net)		<u>\$ 38,706</u>	<u>2</u>	<u>\$ 152,831</u>	<u>7</u>
8500	Total comprehensive profit or loss for the current period		<u>\$ 461,048</u>	<u>22</u>	<u>\$ 447,319</u>	<u>20</u>
Basic EPS						
9750	Basic EPS	6(24)	<u>\$ 1.51</u>		<u>\$ 1.05</u>	
Diluted EPS						
9850	Diluted EPS	6(24)	<u>\$ 1.51</u>		<u>\$ 1.05</u>	

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

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd
Parent Company Only Statements of Changes in Equity
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

	Note	Share capital - Common Stock	Retained			earnings		Other		equities	
			Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Equity	
2022											
Balance on 1 January 2022		\$ 2,793,492	\$ 37,290	\$ 21,456	\$ 70,030	\$ 270,793	(\$ 90,985)	(\$ 57,966)	\$	3,044,110	
Net profit for the year 2022		-	-	-	-	294,488	-	-		294,488	
Other comprehensive income for the period	6(16)	-	-	-	-	13,169	136,437	3,225		152,831	
Total comprehensive income for the period		-	-	-	-	307,657	136,437	3,225		447,319	
Appropriation and distribution of earnings for the six months ended December 31, 2021	6(15)	-	-	-	-	-	-	-		-	
Legal reserve		-	-	14,547	-	(14,547)	-	-		-	
Special reserve		-	-	-	78,923	(78,923)	-	-		-	
Cash dividends		-	-	-	-	(139,675)	-	-		(139,675)	
Appropriation and distribution of earnings for the six months ended June 30, 2022	6(15)	-	-	14,028	-	(14,028)	-	-		-	
Legal reserve		-	-	-	(36,549)	36,549	-	-		-	
Cash dividends		-	-	-	-	(139,675)	-	-		(139,675)	
Balance on December 31, 2022		\$ 2,793,492	\$ 37,290	\$ 50,031	\$ 112,404	\$ 228,151	\$ 45,452	(\$ 54,741)	\$	3,212,079	
2023											
Balance on 1 January 2023		\$ 2,793,492	\$ 37,290	\$ 50,031	\$ 112,404	\$ 228,151	\$ 45,452	(\$ 54,741)	\$	3,212,079	
Net profit for the year 2023		-	-	-	-	422,342	-	-		422,342	
Other comprehensive income for the period	6(16)	-	-	-	-	375	5,774	33,307		38,706	
Total comprehensive income for the period		-	-	-	-	421,967	5,774	33,307		461,048	
Changes in associates accounted for using equity method	6(14)	-	(116)	-	-	-	-	-		(116)	
Appropriation and distribution of earnings for the six months ended December 31, 2022	6(15)	-	-	-	-	-	-	-		-	
Legal reserve		-	-	16,737	-	(16,737)	-	-		-	
Special reserve		-	-	-	(103,115)	103,115	-	-		-	
Cash dividends		-	-	-	-	(111,740)	-	-		(111,740)	
Appropriation and distribution of earnings for the six months ended June 30, 2023	6(15)	-	-	17,997	-	(17,997)	-	-		-	
Legal reserve		-	-	-	(2,968)	2,968	-	-		-	
Special reserve		-	-	-	-	(111,740)	-	-		(111,740)	
Cash dividends		-	-	-	-	-	-	-		-	
Balance on December 31, 2023		\$ 2,793,492	\$ 37,174	\$ 84,765	\$ 6,321	\$ 497,987	\$ 51,226	\$ 21,434	\$	3,449,531	

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

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : CHEN,
CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

	Note	January 1 - December 31, 2023	January 1 - December 31, 2022
<u>Cash flows from operating activities</u>			
Net profit before tax for the period		\$ 524,030	\$ 390,404
Adjusted Items			
Profit and loss items			
Depreciation expense	6(7)(8)(22)	85,939	92,446
Amortization expense	6(22)	138	147
Expected credit impairment loss	12(2)	-	14,650
Gain on disposal of property, plant and equipment	6(20)	(865)	(4,271)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	(131,422)	(87,615)
Interest expense	6(21)	33,432	32,203
Interest income	6(18)	(8,865)	(2,301)
Realized loss (gain) on sales		2,358	(3,368)
Changes in assets/liabilities related to operating activities			
Changes in assets/liabilities related to operating activities			
Notes receivable, net		281	15,374
Accounts receivable (including related parties)		(34,301)	14,721
Inventories		32,253	16,575
Other receivables (including related parties)		192,880	(23,743)
Other current assets		(23,057)	1,684
Net change in liabilities related to operating activities			
Contract liabilities - current		13,741	(3,453)
Accounts payable (including related parties)		(10,444)	(9,990)
Other payables		1,330	(20,019)
Net defined benefit liabilities		(8,595)	(9,495)
Other current liabilities		5,494	(2,258)
Cash inflows from operations		674,327	411,691
Dividends received		109,960	121,789
Interest received		8,865	2,301
Interest paid		(33,319)	(32,099)
Income tax paid		(90,826)	(70,014)
Net cash inflow from operating activities		669,007	433,668
<u>Cash flows from investing activities</u>			
Disposal of financial assets measured at amortized cost		34,281	129,085
Acquisition of investments accounted for using equity method	6(6)	(223,720)	-
Acquisition of property, plant and equipment	6(25)	(25,625)	(39,377)
Disposal of property, plant and equipment		-	21,130
Decrease in refundable deposits		1,478	25,569
Acquisition of intangible assets		(1,240)	-
Net cash inflow (outflow) from investing activities		(214,826)	136,407
<u>Cash flows from financing activities</u>			
Changes in short-term borrowings	6(26)	(62,500)	(138,078)
Borrowings of long-term borrowings	6(26)	1,050,000	100,000
Repayment of long-term borrowings	6(26)	(1,079,800)	(223,334)
Change in short-term bills payables	6(26)	-	(49,979)
Repayment of lease principal	6(26)	(1,268)	(2,464)
Increase in guaranteed deposits received	6(26)	-	216
Cash dividends paid	6(15)(26)	(223,480)	(279,350)
Net cash outflow from financing activities		(317,048)	(592,989)
Increase (decrease) in cash and cash equivalents for the period		137,133	(22,914)
Balance of cash and cash equivalents at the beginning of the period		478,078	500,992
Balance of cash at the end of the period		\$ 615,211	\$ 478,078

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

Chairman : SHEN,KUO-JUNG

Manager : WANG,CHIAO-CHI

Accounting Manager : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd
Notes to the Parent Company Only Financial Statements
2023 and 2022

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 13, 2024.

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 2023 and the explanations :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Releases</u>
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 Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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

(2) Effect of not adopting newly issued and amended IFRSs endorsed by the FSC

The following table summarizes the new, amended and revised IFRSs and explanations of IFRSs approved by the FSC for 2024:

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 16 "Lease Liabilities in Sale and Leasebacks"	January 1, 2024
Amendments to IAS 1 "Current or Noncurrent Classification of Liabilities"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual provisions".	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

Except as explained as follows, 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) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Comparative Information of the Initial Application of IFRS 17 and IFRS 9"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

Except as explained as follows, the Company has evaluated that the above standards and interpretations do not have a significant effect on the Company's consolidated financial position and consolidated financial performance.

4. Summary of significant accounting policies

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

(1) Compliance Statement

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

(2) Preparation Basis

1. The parent company only 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 and issued into effect 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 parent company only 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 parent company only 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. Time deposits that meet the above definition and are held to meet short-term cash commitments for operating purposes are classified as cash equivalents.

(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 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.

- (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 equity method – subsidiaries and associates

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 equal 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. An associate is an entity over which the Company has significant influence, but does not control. Generally, the Company directly or indirectly holds over 20% of ownership with voting rights of associates' shares. Investments in associates shall be accounted for by equity method, and recognized by cost at acquisition.
6. An investment in an associate is adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income accordingly. If the Company's share of losses of an associate equal or exceeds its interest in the associate (including any other unsecured receivables), the Company discontinues recognizing its share of further losses, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.
7. When there are changes in equity of associates, which are not related to profit or loss and other comprehensive income, and the percentage of ownership to the associates is not affected, the Company classified the share of changes in equity of associates in proportion to the percentage of ownership as "capital surplus."
8. The Company's share of unrealized profits or losses arising from transactions between the Company and associates are eliminated. Unless transactions provide evidence of an impairment loss of the assets transferred, the unrealized losses shall be eliminated as well. Appropriate adjustments of accounting policies of the associates have been made to be uniform with the accounting policies of the Company.
9. 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 parent company only 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 parent company only 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 : 5~10 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
- Employee compensation and remuneration to directors 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, affects neither accounting profit nor taxable income (tax loss), and does not give rise to equal taxable and deductible temporary differences. 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 parent company only 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, 2023, the carrying amount of the Company's accounts receivable was \$156,455 thousand.

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, 2023, the carrying amount of the Company's inventories was \$314,643 thousand.

6. Description of significant accounting items

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 52	\$ 28
Check Deposit and Demand Deposit	584,514	416,300
Time Deposit	<u>30,645</u>	<u>61,750</u>
Total	<u>\$ 615,211</u>	<u>\$ 478,078</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's restricted deposits required for long-term and short-term borrowings 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, 2023</u>	<u>December 31, 2022</u>
Current Items :		
Equity Instruments		
Unlisted, OTC, Emerging Stocks	\$ 440	\$ 440
Valuation adjustment	(440)	(440)
Total	<u>\$ -</u>	<u>\$ -</u>
Non-current items :		
Equity Instruments		
Private placement of stocks by listed counter companies	\$ 249,980	\$ 249,980
Valuation adjustment	<u>17,813</u>	<u>(16,194)</u>
Total	<u>\$ 267,793</u>	<u>\$ 233,786</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 \$267,793 thousand and \$233,786 thousand as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
<u>Equity instruments measured at fair value through other comprehensive income or loss</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ 34,007</u>	<u>\$ 5,889</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 \$267,793 thousand and \$233,786 thousand of December 31, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Non-current items :		
Restricted Time Deposit	\$ 8,850	\$ 12,250
Restricted demand deposits	<u>53,339</u>	<u>84,219</u>
Total	<u>\$ 62,189</u>	<u>\$ 96,469</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 \$62,189 thousand and \$96,469 thousand as of December 31, 2023 and 2022, respectively.
2. The Company 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.

(4) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 24,040	\$ 24,321
Less: Allowance for losses	(82)	(82)
	<u>\$ 23,958</u>	<u>\$ 24,239</u>
Accounts receivable	\$ 158,268	\$ 204,878
Less: Allowance for losses	(1,813)	(1,813)
	<u>\$ 156,455</u>	<u>\$ 203,065</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Not overdue	\$ 139,610	\$ 24,040	\$ 190,487	\$ 24,321
Within 90 days	18,358		13,224	-
91-120 days	8	-	1,167	-
121-180 days	-	-	-	-
181-365 days	-	-	-	-
More than one year	292	-	-	-
	<u>\$ 158,268</u>	<u>\$ 24,040</u>	<u>\$ 204,878</u>	<u>\$ 24,321</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, 2023 and 2022 were generated from customer contracts, and the balance of receivables from customer contracts as of January 1, 2022 was \$249,160 thousand.
- As of December 31, 2023 and 2022, the Company had \$34,766 thousand and \$31,600 thousand 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.
- 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, 2023 and 2022, respectively, 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.

(5) Inventory

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 150,007	(\$ 7,360)	\$ 142,647
In-process products	27,938	(160)	27,778
Finished goods	147,404	(4,625)	142,779

Merchandise Inventory	1,128	(116)	1,012
Inventory in transit	<u>427</u>	-	<u>427</u>
Total	<u>\$ 326,904</u>	<u>(\$ 12,261)</u>	<u>\$ 314,643</u>

		<u>December 31, 2022</u>	
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 208,653	(\$ 14,135)	\$ 194,518
In-process products	34,250	(160)	34,090
Finished goods	123,789	(9,725)	114,064
Merchandise Inventory	4,027	(116)	3,911
Inventory in transit	<u>313</u>	<u>-</u>	<u>313</u>
Total	<u>\$ 371,032</u>	<u>(\$ 24,136)</u>	<u>\$ 346,896</u>

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

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 1,479,952	\$ 1,693,963
Reversal gains on decline in value of inventories	(11,875)	(860)
Less allocation of fixed manufacturing costs	7,584	22,409
Inventory losses	39	253
Proceeds from sale of underlay	<u>(1,055)</u>	<u>(2,301)</u>
	<u>\$ 1,474,645</u>	<u>\$ 1,713,464</u>

In 2023 and 2022, 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 equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries :		
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 1,608,372	\$ 1,594,029
HWA FONG RUBBER (U.S.) CO., LTD	893,669	821,697
HWA FONG (VIKING) HOLDINGS CO., LTD.	759,186	478,116
CHINA HWA FONG ENTERPRISE CO., LTD.	177,097	183,775
HWA FONG RUBBER (WEST COAST) CO., LTD	27,533	23,784
HWA FONG RUBBER (SUZHOU) CO., LTD	39,232	17,513
HWA FONG RUBBER (SINGAPORE) CO., LTD	(124)	(70)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(197,270)	(111,379)
HWA FONG RUBBER (CHINA) CO., LTD	(150,782)	(85,131)
HWA FONG RUBBER (HONG KONG) CO., LTD	(631,822)	(652,286)
INALWAYS CORPORATION	<u>111,692</u>	<u>115,153</u>
	2,636,783	2,385,201
Add: The credit balance of long-term equity investments accounted for using equity method	<u>979,998</u>	<u>848,866</u>

was transferred to non-current liabilities.

\$ 3,616,781 \$ 3,234,067

1. For information on the Company's subsidiaries, please refer to Note 4(3) to the Company's consolidated financial statements for the year 2023.
2. The breakdown of the share of investment income or loss recognized using the equity method is as follows:

<u>Investee companies</u>	<u>Profit (loss) on investments</u>	
	<u>2023</u>	<u>2022</u>
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 110,768	\$ 152,412
HWA FONG RUBBER (U.S.) CO., LTD	73,178	53,029
HWA FONG (VIKING) HOLDINGS CO., LTD.	289,989	5,785
CHINA HWA FONG ENTERPRISE CO., LTD.	(6,261)	(10,554)
HWA FONG RUBBER (WEST COAST) CO., LTD	3,808	(8,371)
HWA FONG RUBBER (SUZHOU) CO., LTD	22,413	47
HWA FONG RUBBER (SINGAPORE) CO., LTD	(56)	(4,615)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(89,306)	(24,348)
HWA FONG RUBBER (CHINA) CO., LTD	(68,260)	(18,611)
HWA FONG RUBBER (HONG KONG) CO., LTD	(201,746)	(56,500)
INALWAYS CORPORATION	(3,105)	(659)
	<u>\$ 131,422</u>	<u>\$ 87,615</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>Beginning balance</u>	<u>2023</u>			<u>Transfers</u>	<u>Ending Balance</u>
		<u>Additions</u>	<u>Disposals</u>			
Cost						
Land	\$ 849,839	\$ -	\$ -	\$ -	\$ -	\$ 849,839
Land Improvements	8,873	-	-	-	-	8,873
Building and Construction	495,520	-	-	350	350	495,870
Machinery and Equipment	1,194,525	17,192	(36,726)	19,044	19,044	1,194,035
Test Equipment	96,079	548	(18,577)	-	-	78,050
Transportation Equipment	18,543	1,220	(4,635)	-	-	15,128
Office Equipment	11,117	118	(2,457)	-	-	8,778
	<u>\$ 2,674,496</u>	<u>\$ 19,078</u>	<u>(\$ 62,395)</u>	<u>\$ 19,394</u>		<u>\$ 2,650,573</u>
Accumulated depreciation						
Land Improvements	(\$ 6,416)	(\$ 525)	\$ -	\$ -	-	(\$ 6,941)
Building and construction	(329,564)	(8,332)	-	-	-	(337,896)
Machinery and equipment	(844,396)	(67,961)	36,726	-	-	(875,631)
Testing equipment	(77,669)	(4,210)	18,577	-	-	(63,302)
Transportation equipment	(11,068)	(1,967)	4,635	-	-	(8,400)
Office Equipment	(5,118)	(1,674)	2,457	-	-	(4,335)
	<u>(\$ 1,274,231)</u>	<u>(\$ 84,669)</u>	<u>\$ 62,395</u>	<u>\$ -</u>		<u>(\$ 1,296,505)</u>
	<u>\$ 1,400,265</u>					<u>\$ 1,354,068</u>

	<u>Beginning balance</u>	<u>2022</u>	
Cost		<u>Additions</u>	<u>Disposals</u>
		<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 863,888	\$ -	\$ 849,839
Land Improvements	8,873	-	8,873
Building and construction	500,865	760	495,520
Machinery and Equipment	1,193,708	16,437	1,194,525
Test Equipment	98,419	-	96,079
Transportation Equipment	22,936	3,438	18,543
Office Equipment	8,453	4,781	11,117
Unfinished construction and equipment pending acceptance	<u>1,831</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,698,973</u>	<u>\$ 25,416</u>	<u>\$ 2,674,496</u>
Accumulated depreciation			
Land Improvements	(\$ 5,891)	(\$ 525)	(\$ 6,416)
Building and construction	(325,688)	(8,442)	(329,564)
Machinery and equipment	(806,364)	(70,801)	(844,396)
Testing equipment	(74,599)	(5,410)	(77,669)
Transportation equipment	(14,745)	(3,392)	(11,068)
Office Equipment	<u>(5,733)</u>	<u>(1,502)</u>	<u>(5,118)</u>
	<u>(\$ 1,233,020)</u>	<u>(\$ 90,072)</u>	<u>(\$ 1,274,231)</u>
	<u>\$ 1,465,953</u>	<u>\$ -</u>	<u>\$ 1,400,265</u>

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

	<u>2023</u>	<u>2022</u>
Capitalization Amount	\$ <u>11</u>	\$ <u>163</u>
Capitalization Rate Range	<u>1.99%</u>	<u>1.67%</u>

2. The Company purchased the land in Zhenan Section and Shangmei Section in Dacun Township adjacent to the factory for the purpose of plant expansion. As of December 31, 2022, as the aforementioned land is agricultural land, the ownership of the land cannot be transferred to the Company. Therefore, the ownership is registered under a personal name. The Company has signed a contract to transfer the ownership at any time according to the laws and regulations, and the land above has been pledged to the Company.

As a result of the former Chairman's personal lawsuit, the above-mentioned land in Shangmei Section 39 and 40 was distraint by the Civil Enforcement Office of Changhua District Court on February 20, 2022, and the income has been distributed on March 16, 2022. The Company has received the payment allocated of NT\$19,139 thousand on March 28, 2022, and recognized gains on disposal of NT\$3,398 thousand under other gains and losses.

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

(8) Lease transaction - lessee

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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 282	\$ 317
Transportation Equipment (Business vehicle)	<u>609</u>	<u>1,016</u>
	<u>\$ 891</u>	<u>\$ 1,333</u>
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 35	\$ 35
Transportation Equipment (Business vehicle)	<u>1,235</u>	<u>2,339</u>
	<u>\$ 1,270</u>	<u>\$ 2,374</u>

3. The additions to the Company's right-of-use assets amounted to \$828 and \$0 thousand in 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 26	\$ 50
Fees under short-term lease contracts	1,367	1,397
Charges for leases of low-value assets	350	279
	<u>\$ 1,743</u>	<u>\$ 1,726</u>

5. The Company's total lease cash outflows for 2023 and 2022 were \$3,011 thousand and \$4,190 thousand, respectively

(9) Short-term borrowings

<u>Nature of loan</u>	<u>December 31, 2023</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Credit Loan	\$ 360,000	1.70%~1.81%	None
Purchase Loan	1,354	6.77%	None
	<u>\$ 361,354</u>		

<u>Nature of loan</u>	<u>December 31, 2022</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Credit Loan	\$ 423,854	1.40%~1.84%	None

1. The interest expense recognized in profit or loss was \$6,286 thousand and \$7,978 thousand in 2023 and 2022, respectively.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 56,744	\$ 53,849
Compensation payable to employees	13,714	10,730
Remuneration to directors and supervisors	8,188	6,100
Taxes payable	1,176	1,158
Equipment payable	3,099	1,369
Repair and maintenance expenses payable	5,093	6,432
Packaging costs payable	2,959	4,876
Interest payable	1,700	1,587
Other payables	18,139	21,173
	<u>\$ 110,812</u>	<u>\$ 107,274</u>

(11) Long-term borrowings

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Bank Guaranteed Syndicated Loans	Interest is payable monthly from December 15, 2023 to December 15, 2028 with principal repaid semi-annually	2.39%	Property, plant, equipment and demand deposits	\$ 1,000,000
Bank Guaranteed Loans	Interest is payable monthly from April 14, 2021 to April 14, 2024, with principal repayment on the due date	2.28%	Property, plant and equipment	29,390
Bank Credit Loan	Interest is payable monthly from July 13, 2021 to July 13, 2024 with principal repayment on the due date.	1.86%	None	150,000
Bank Credit Loan	Interest is payable monthly from November 22, 2023 to May 20, 2024 with principal repayment on the due date.	1.83%	None	<u>100,000</u>
				1,279,390
Less: Long-term borrowings due within one year or one business cycle				<u>(279,390)</u>

\$ 1,000,000

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Bank Guaranteed Syndicated Loans	Interest is payable monthly from July 15, 2019 to July 15, 2024 with principal repaid semi-annually	2.00%	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	2.10%	Property, plant and equipment	92,500
Bank Guaranteed Loans	Interest is payable monthly from April 14, 2021 to April 14, 2024, with principal repayment on the due date	1.90%	Property, plant and equipment	41,990
Bank Credit Loan	Interest is payable monthly from July 13, 2021 to July 13, 2024 with principal repayment on the due date.	1.61%	None	150,000
Bank Credit Loan	Interest is payable monthly from November 29, 2022 to October 12, 2024 with principal repayment on the due date.	1.75%	None	<u>50,000</u>

1,309,190

Less: Long-term borrowings due within one year or one business cycle

(230,100)

\$ 1,079,090

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 Group signed a joint credit agreement of \$2,000,000 thousand on November 29, 2023 with Land Bank Corporation as the host bank and a syndicate of nine financial companies including Land Bank Corporation as the lending bank, with Land Bank Corporation and Bank of Taiwan 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.
3. 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, 2023, the Company has not violated any of the above terms.
4. The above syndicated loans and secured loans with banks are secured by property, plant and equipment and demand deposits, as described in Note 8.

(12) 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 33,637	\$ 57,496
Fair value of plan assets	(17,053)	(32,786)
Net defined benefit obligation	<u>\$ 16,584</u>	<u>\$ 24,710</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 57,496	(\$ 32,786)	\$ 24,710
Current service cost	755	-	755
Interest expense (income)	<u>719</u>	<u>(456)</u>	<u>263</u>
	<u>58,970</u>	<u>(33,242)</u>	<u>25,728</u>
Remeasurements :			
Return on planned assets (excluding amounts included in interest income or expenses)	-	(376)	(376)
Experience Adjustment	<u>845</u>	<u>-</u>	<u>845</u>
	<u>845</u>	<u>(376)</u>	<u>469</u>
Contribute to retirement funds	-	(6,408)	(6,408)
Payment of pensions	<u>(26,178)</u>	<u>22,973</u>	<u>(3,205)</u>
December 31	<u>\$ 33,637</u>	<u>(\$ 17,053)</u>	<u>\$ 16,584</u>

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 89,706	(\$ 47,768)	\$ 41,938
Current service cost	1,228	-	1,228
Interest expense (income)	<u>673</u>	<u>(389)</u>	<u>284</u>
	<u>91,607</u>	<u>(48,157)</u>	<u>43,450</u>
Remeasurements :			
Return on planned assets (excluding amounts included in interest income or expenses)	-	(3,668)	(3,668)
Effects of changes in demographic assumptions	(2,667)	-	(2,667)
Experience Adjustment	<u>(1,398)</u>	<u>-</u>	<u>(1,398)</u>
	<u>(4,065)</u>	<u>(3,668)</u>	<u>(7,733)</u>
Contribute to retirement funds	-	(7,362)	(7,362)
Payment of pensions	<u>(30,046)</u>	<u>26,401</u>	<u>(3,645)</u>
December 31	<u>\$ 57,496</u>	<u>(\$ 32,786)</u>	<u>\$ 24,710</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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Discount rate	<u>1.25%</u>	<u>1.25%</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>
<u>December 31, 2023</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 890)</u>	<u>\$ 923</u>	<u>\$ 3,842</u>	<u>(\$ 3,374)</u>
<u>December 31, 2022</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 1,264)</u>	<u>\$ 1,309</u>	<u>\$ 5,434</u>	<u>(\$ 4,810)</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 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 \$6,408 thousand to the retirement plan in 2024.

- (7) As of December 31, 2023, the weighted average duration of the retirement plan is 12.9 years. An analysis of the maturity of pension payments is as follows :

Less than 1 year	\$	15,909
1-2 years		1,744
2-5 years		5,292
More than 5 years		8,482
	\$	<u>31,427</u>

- 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 \$12,965 thousand and \$14,062 thousand in 2023 and 2022, respectively, based on the above pension plan.

(13) Share capital

The Company's authorized capital was NT\$10,000,000 thousand, paid-in capital was NT\$2,793,492 thousand with a par value of NT\$10 per share and 279,349 thousand shares outstanding as of December 31, 2023. The numbers of outstanding shares did not change for the years ended December 31, 2023 and 2022. The Company has received payment for all issued shares.

(14) 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>2023</u> <u>Changes in net</u> <u>equity of affiliated</u> <u>companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 37,015	\$ 275	\$ 37,290
Recognition of changes in equity in affiliates based on shareholding	(116)	-	(116)
December 31	<u>\$ 36,899</u>	<u>\$ 275</u>	<u>\$ 37,174</u>
	<u>2022</u> <u>Changes in net</u> <u>equity of affiliated</u> <u>companies</u>	<u>Other</u>	<u>Total</u>
January 1 (December 31 as well)	<u>\$ 37,015</u>	<u>\$ 275</u>	<u>\$ 37,290</u>

(15) 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. 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.
6. The Board of Directors resolved the distribution of the Company's semi-annual earnings for the year 2021, 2022 and 2023 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>78,923</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>

	<u>2nd half of 2022</u>	<u>1st half year 2022</u>
Date of Board Resolution	March 15, 2023	August 10, 2022
Legal reserve	\$ <u>16,737</u>	\$ <u>14,028</u>
Special reserve	(\$ <u>103,115</u>)	(\$ <u>36,549</u>)
Cash dividends	\$ <u>111,740</u>	\$ <u>139,675</u>
Dividend per share (NT\$)	\$ <u>0.4</u>	\$ <u>0.5</u>

	<u>2nd half of 2023</u>	<u>1st half year 2022</u>
Date of Board Resolution	March 13, 2024	August 9, 2023
Legal reserve	\$ 24,200	\$ 17,997
Special reserve	(\$ 6,321)	(\$ 2,968)
Cash dividends	\$ 223,480	\$ 111,740
Dividend per share (NT\$)	\$ 0.8	\$ 0.4

The aforementioned legal reserve and special reserve for the appropriation of earnings for 2022 and 2021 has been resolved by the shareholders' meeting on June 16, 2023 and June 14, 2022, respectively. As of March 13, 2024, the legal reserve and special reserve for the appropriation of earnings for 2023 will be resolved by 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.

(16) Other equity items

	<u>2023</u>		
	<u>Unrealized evaluation</u>	<u>Foreign Currency</u>	<u>Total</u>
	<u>gain or loss</u>	<u>Exchange</u>	
January 1	(\$ 54,741)	\$ 45,452	(\$ 9,289)
Valuation Adjustment Transfer Out - the Company	34,007	-	34,007
Valuation Adjustment Transfer Out - associates	(700)	-	(700)
Foreign currency translation differences-associates	-	5,774	5,774
December 31	(\$ 21,434)	\$ 51,226	\$ 29,792

	<u>2022</u>		
	<u>Unrealized evaluation</u>	<u>Foreign Currency</u>	<u>Total</u>
	<u>gain or loss</u>	<u>Exchange</u>	
January 1	(\$ 57,966)	(\$ 90,985)	(\$ 148,951)
Valuation Adjustment Transfer Out - the Company	5,889	-	5,889
Valuation Adjustment Transfer Out - associates	(2,664)	-	(2,664)
Foreign currency translation differences-associates	-	136,437	136,437
December 31	(\$ 54,741)	\$ 45,452	(\$ 9,289)

(17) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts	\$ 2,096,650	\$ 2,225,968

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 :

2023

	<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>\$677,350</u>	<u>\$ 2,261</u>	<u>\$466,710</u>	<u>\$ 12,929</u>	<u>\$937,400</u>	<u>\$2,096,650</u>

2022

	<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>\$766,389</u>	<u>\$ 2,526</u>	<u>\$386,602</u>	<u>\$ 18,060</u>	<u>\$ 1,052,391</u>	<u>\$ 2,225,968</u>

2. Contract liabilities and refund liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities - receipts in advance	<u>\$ 28,218</u>	<u>\$ 14,477</u>	<u>\$ 17,930</u>
Refund liability (Note)	<u>\$ 19,259</u>	<u>\$ 14,219</u>	<u>\$ 16,475</u>

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

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

	<u>2023</u>	<u>2022</u>
Contract liabilities - receipts in advance	<u>\$ 10,739</u>	<u>\$ 16,290</u>

(18) Interest income

	<u>2023</u>	<u>2022</u>
Interest on bank deposits	<u>\$ 8,865</u>	<u>\$ 2,301</u>

(19) Other income

	<u>2023</u>	<u>2022</u>
Trademark royalty income	<u>\$ 18,315</u>	<u>\$ 18,669</u>
Technical remuneration income	<u>24,862</u>	<u>27,830</u>
Other income - other	<u>8,951</u>	<u>10,975</u>
	<u>\$ 52,128</u>	<u>\$ 57,474</u>

(20) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on disposal of interest in property, plant and equipment	\$ 865	\$ 4,271
Foreign currency exchange gains	17,886	71,088
Other gains and losses	(3,228)	(61)
	<u>\$ 15,523</u>	<u>\$ 75,298</u>

(21) Finance costs

	2023	2022
Interest charges.		
Bank borrowings	\$ 33,417	\$ 32,316
Lease liabilities	26	50
Less: Assets that meet the capitalization criteria		
Capitalized amount	(11)	(163)
	<u>\$ 33,432</u>	<u>\$ 32,203</u>

(22) Additional information on the nature of expenses

	2023	2022
Employee Benefit Costs		
Salary Costs	\$ 357,608	\$ 389,692
Labor and Health Insurance	39,100	42,058
Pension Costs	13,983	15,574
Directors' remuneration	20,128	19,372
Other Employment Costs	6,470	7,813
Subtotal	<u>\$ 437,289</u>	<u>\$ 474,509</u>
Depreciation expense	<u>\$ 85,939</u>	<u>\$ 92,446</u>
Amortization expense	<u>\$ 138</u>	<u>\$ 147</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 amounts of employees' compensation for 2023 and 2022 are \$13,647 thousand and \$10,167 thousand, respectively and the estimated amounts of directors' compensation are \$8,188 thousand and \$6,100 thousand, which are recognized as salary expenses. The amounts of 2023 and 2022 are accrued based on the profitability as of the end of the period and estimated in accordance with the Company's Articles of Incorporation.
3. The amounts of employees' compensation and directors' compensation of 2022 are the same as the amounts recognized in the financial statements of 2022. The employees' compensation and directors' compensation are paid by cash.
4. 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.

(23) Income tax

1. Income tax expense

(1) Income tax expense components :

	<u>2023</u>	<u>2022</u>
Current Income Taxes.		
Income taxes arising from current income	\$ 100,906	\$ 81,645
Underestimation of income tax in prior years	931	1,519
Total current income tax	<u>101,837</u>	<u>83,164</u>
Deferred income taxes.		
Original generation and reversal of temporary differences	(149)	12,752
Total deferred income taxes	<u>(149)</u>	<u>12,752</u>
Income tax expense	<u>\$ 101,688</u>	<u>\$ 95,916</u>

(2) Income taxes related to other comprehensive income :

	<u>2023</u>	<u>2022</u>
Exchange differences between foreign operating companies	\$ 1,443	\$ 34,110
Re-measurement of defined benefit obligation	(94)	1,546
	<u>\$ 1,349</u>	<u>\$ 35,656</u>

2. Relationship between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax on net income before tax at statutory rate	\$ 104,806	\$ 78,081
Excludable expenses under the tax law	82	3,357
Income exempts from tax under the Tax Act	(26,123)	(11,267)
Overestimation of prior years' income tax	931	1,519
Tax separation	<u>21,992</u>	<u>24,226</u>
Income tax expense	<u>\$ 101,688</u>	<u>\$ 95,916</u>

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

	<u>2023</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.				
Exchange differences on translation of foreign operations	\$ 17,019	\$ -	(\$ 1,443)	\$ 15,576
Unrealized gain on sale of assets	947	(173)	-	774
Unrealized gross profit on sales	4,209	988	-	5,197
Unrealized exchange losses	-	2,312	-	2,312
Pensions	5,447	(1,719)	-	3,728
Loss on foreign investments	44,375	-	-	44,375
Other	8,988	(1,391)	-	7,597
Subtotal	<u>\$ 80,985</u>	<u>\$ 17</u>	<u>(\$ 1,443)</u>	<u>\$ 79,559</u>
Deferred income tax liabilities:				

Provision for land value increment tax	(142,398)	-	-	(142,398)
Actuarial gain on defined benefit plans	(841)	-	94	(747)
Unrealized exchange gains	(295)	295	-	-
Expected repatriation of foreign investment income	(123,065)	(163)	-	(123,228)
Subtotal	<u>(\$ 266,599)</u>	<u>\$ 132</u>	<u>\$ 94</u>	<u>(\$ 266,373)</u>
Total	<u>(\$ 185,614)</u>	<u>\$ 149</u>	<u>(\$ 1,349)</u>	<u>(\$ 186,814)</u>

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net income</u>	<u>December 31</u>
Deferred income tax assets:				
-Temporary differences:				
Exchange differences on translation of foreign operations	\$ 51,129	\$ -	(\$ 34,110)	\$ 17,019
Unrealized gain on sale of assets	1,001	(54)	-	947
Unrealized gross profit on sales	4,816	(607)	-	4,209
Pensions	7,346	(1,899)	-	5,447
Actuarial loss on defined benefit plans	705	-	(705)	-
Loss on foreign investments	44,375	-	-	44,375
Other	12,629	(3,641)	-	8,988
Subtotal	<u>\$ 122,001</u>	<u>(\$ 6,201)</u>	<u>(\$ 34,815)</u>	<u>\$ 80,985</u>
Deferred income tax liabilities:				
Provision for land value increment tax	(142,398)	-	-	(142,398)
Actuarial gain on defined benefit plans	-	-	(841)	(841)
Unrealized exchange gains	-	(295)	-	(295)
Expected repatriation of foreign investment income	(116,809)	(6,256)	-	(123,065)
Subtotal	<u>(\$ 259,207)</u>	<u>(\$ 6,551)</u>	<u>(\$ 841)</u>	<u>(\$ 266,599)</u>
Total	<u>(\$ 137,206)</u>	<u>(\$ 12,752)</u>	<u>(\$ 35,656)</u>	<u>(\$ 185,614)</u>

4. The Company has not recognized deferred income tax liabilities for taxable temporary differences associated with certain investments in subsidiaries. The amounts of unrecognized temporary differences for deferred income tax liabilities were \$89,972 thousand and \$75,336 thousand as of December 31, 2023 and 2022, respectively.
5. The Company's income tax business is approved by the tax authorities until fiscal 2021.

(24) Earnings per share

	<u>2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	<u>\$ 422,342</u>	<u>279,349</u>	<u>\$ 1.51</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$ 422,342	279,349	
Effect of Diluted Potential Common Stock			
Employee Compensation	-	1,070	
Net income for the period	<u>\$ 422,342</u>	<u>280,419</u>	<u>\$ 1.51</u>

attributable to ordinary shareholders
of the parent plus the effect of
potential ordinary shares

	<u>2022</u>	<u>Weighted average number of outstanding shares (in thousands)</u>	<u>Earnings per share (NT\$)</u>
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	<u>\$ 294,488</u>	<u>279,349</u>	<u>\$ 1.05</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$ 294,488	279,349	
Effect of Diluted Potential Common Stock			
Employee Compensation	—	917	
Net income for the period attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	<u>\$ 294,488</u>	<u>280,266</u>	<u>\$ 1.05</u>

In 2023 and 2022, 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.

(25) Supplemental Cash Flow Information

Investing activities that are only partially paid in cash :

	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 38,472	\$ 41,511
Add: Payable for equipment at the beginning of the period	1,369	3,502
Prepayments for equipment at the end of the period (listed as other non-current assets)	1,479	12,596
Less: Amount due for equipment at the end of the period	(3,099)	(1,369)
Prepayments for equipment at the beginning of the period (other non-current assets as shown in the table)	(12,596)	(16,863)
Cash paid during the period	<u>\$ 25,625</u>	<u>\$ 39,377</u>

(26) Changes in liabilities arising from financing activities

	<u>2023</u>					
	<u>Short- term borrowing</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities</u>	<u>Guaranteed deposits received</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1	\$423,854	\$ 1,309,190	\$ 1,352	\$ 382	\$ -	\$1,734,778

Changes in financing cash flow	(62,500)	(29,800)	(1,268)	-	(223,480)	(317,048)
Increase in the current period	-	-	-	-	223,480	223,480
Other non-cash changes	-	-	828	-	-	828
December 31	<u>\$361,354</u>	<u>\$ 1,279,390</u>	<u>\$ 912</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$1,642,038</u>

	<u>2022</u>						
	<u>Short-term borrowings</u>	<u>Short-term notes payables</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities</u>	<u>Guaranteed deposits received</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1	\$561,932	\$49,979	\$ 1,432,524	\$3,816	\$ 166	\$ -	\$ 2,048,417
Changes in financing cash flow	(138,078)	(49,979)	(123,334)	(2,464)	216	(279,350)	(592,989)
Increase in the current period	-	-	-	-	-	279,350	279,350
December 31	<u>\$423,854</u>	<u>\$ -</u>	<u>\$ 1,309,190</u>	<u>\$1,352</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$ 1,734,778</u>

7. Related party transactions

(1) Name and relationship of related parties

Name of Related Party	Relationship with the Company
Hwa Fong Rubber (Thailand) Public Co., Ltd. (Hwa Fong Thailand)	Subsidiary
Hwa Fong Rubber (U.S.A.) Co., Ltd. (Hwa Fong U.S.A.)	Subsidiary
Hwa Fong Rubber (Hong Kong) Co., Ltd. (Hwa Fong Hong Kong)	Subsidiary
Hwa Fong Rubber (China) Co., Ltd. (Hwa Fong China)	Subsidiary
Hwa Fong Rubber (Suzhou) Co., Ltd. (Hwa Fong Suzhou)	Subsidiary
Hwa Fong Rubber (Singapore) Co., Ltd. (Hwa Fong Singapore)	Subsidiary
Hwa Fong Rubber (BVI) Co., Ltd. (Hwa Fong BVI)	Subsidiary
Huazhong Numerical Control (BVI) Co., Ltd. (Huazhong BVI)	Subsidiary
Hwa Fong Enterprise Co., Ltd. (Hwa Fong Enterprise)	Subsidiary
Inalways Corporation	Associate
SUMITOMO RUBBER INDUSTRIES, LTD. (SRI)	Other related party
Hota Industrial MFG. CO., Ltd. (Hota)	Other related party

(2) Significant transactions with related parties

1. Operating revenue

	<u>2023</u>	<u>2022</u>
Merchandise Sales :		
Hwa Fong U.S.A.	\$ 465,583	\$ 385,497
Subsidiaries	11,492	17,299
Other related parties	8,985	11,341
	<u>\$ 486,060</u>	<u>\$ 414,137</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>2023</u>	<u>2022</u>
Purchase of merchandise :		
Subsidiaries	\$ <u>8,987</u>	\$ <u>9,747</u>

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, 2023</u>	<u>December 31, 2022</u>
Accounts receivable :		
Hwa Fong U.S.A.	\$ 117,793	\$ 38,940
Subsidiaries	25,689	22,932
Other related parties	<u>-</u>	<u>699</u>
Subtotal	<u>143,482</u>	<u>62,571</u>
Other receivables :		
Hwa Fong U.S.A.	1,724	-
Subsidiaries	<u>43,119</u>	<u>49,773</u>
Subtotal	<u>44,843</u>	<u>49,773</u>
Total	<u>\$ 188,325</u>	<u>\$ 112,344</u>

Accounts receivables 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, 2023</u>	<u>December 31, 2022</u>
Accounts payable :		
Subsidiaries	\$ <u>819</u>	\$ <u>1,312</u>
Other payables :		
Subsidiaries	<u>102</u>	<u>467</u>
Total	<u>\$ 921</u>	<u>\$ 1,779</u>

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

5. Prepayments to related parties (recognized as other current assets)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ <u>15,285</u>	\$ <u>-</u>

The prepayments arose from prepayments to related parties.

6. Payments on behalf of others (recognized as other current assets)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 1,791</u>
Payments on behalf of related parties are generated by the Company's advances on behalf of related parties.		

7. Property Transactions

Disposal of property, plant and equipment:

	<u>2023</u>		<u>2022</u>	
	<u>Consideration received</u>	<u>Gains (losses) on disposal</u>	<u>Consideration received</u>	<u>Gains (losses) on disposal</u>
Subsidiaries	\$ -	\$ -	\$ 1,323	\$ 546
Associates	-	-	820	58
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,143</u>	<u>\$ 604</u>

8. Loan of funds and related parties

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

Ending balance :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hwa Fong China	<u>\$ -</u>	<u>\$ 183,960</u>

The financing terms to associates is to repay within 1 year after the lending. The interests for 2023 and 2022 are charged by annual interest rate of 3.5%.

9. The related party provides endorsement and guarantee.

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

10. Operating Expenses

	<u>2023</u>	<u>2022</u>
Marketing expenses - use of trademarks(Note) :		
Other related parties	<u>\$ 68</u>	<u>\$ 145</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.

11. Non-operating income

	<u>2023</u>	<u>2022</u>
Technical report remuneration income :		
Hwa Fong Thailand	\$ 24,862	\$ 27,830
Trademark royalty income :		
Hwa Fong Thailand	<u>18,315</u>	<u>18,669</u>
Total:	<u>\$ 43,177</u>	<u>\$ 46,499</u>

(3) Key management compensation information

	<u>2023</u>	<u>2022</u>
Short-term Employee Benefits	<u>\$ 18,266</u>	<u>\$ 18,426</u>

8. Pledged assets

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

<u>Asset items</u>	<u>Carrying amount</u>		<u>Collateral Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 527,512	\$ 852,590	Long-term and short-term borrowings
Restricted assets (Note 1)			
-Demand Deposit			Reserve account for restricted purposes under the syndicated loan
	53,339	84,219	
-Time Deposit	8,850	12,250	Performance bonds for oil sales and purchases, court guarantee deposits, construction bonds and short- and long-term borrowings from subsidiaries
Refundable Deposits(Note 2)	<u>246</u>	<u>1,724</u>	Court bonds and lease bonds
	<u>\$ 589,947</u>	<u>\$ 950,783</u>	

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

Note 2: Recognized under "Other non-current assets"

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Commitments

1. Capital expenditures contracted for but not yet incurred :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	NTD	<u>\$ 452</u>	<u>\$ 3,610</u>

2. Amount of unused letters of credit issued :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Issued and unused letters of credit	USD	<u>\$ 45</u>	<u>\$ 329</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, 2023 and 2022 :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Guaranteed Promissory Note	NTD	<u>\$ 3,775,000</u>	<u>\$ 4,125,000</u>
	USD	<u>\$ 500</u>	<u>\$ 8,000</u>

10. Significant disaster losses

Not applicable.

11. Significant subsequent events

Please refer to Note 6(15) 6. for the explanation of the earnings distribution proposal of 2023.

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, 2023 and 2022 are as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	<u>\$ 3,275,349</u>	<u>\$ 3,220,841</u>
Total assets	<u>\$ 6,724,880</u>	<u>\$ 6,432,920</u>
Liability ratio	<u>48.70%</u>	<u>50.07%</u>

(2) Financial instruments

1. Types of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Investments in equity instruments elected to designate	<u>\$ 267,793</u>	<u>\$ 233,786</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 615,211	\$ 478,078
Financial assets at amortized cost	62,189	96,469
Notes receivable	23,958	24,239
Accounts receivable (including related parties)	299,937	265,636
Other receivables (including related parties)	48,195	241,075
Deposits and guarantee deposits (other non-current assets)	<u>246</u>	<u>1,724</u>
	<u>\$ 1,049,736</u>	<u>\$ 1,107,221</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 361,354	\$ 423,854
Accounts payable (including related parties)	124,203	134,647
Other payables (including related parties)	110,914	107,741
Long-term borrowings (including those due within one year or one business cycle)	1,279,390	1,309,190
Deposits to margin (listed as other non-current liabilities)	<u>382</u>	<u>382</u>
	<u>\$ 1,876,243</u>	<u>\$ 1,975,814</u>
Leasing Liabilities	<u>\$ 912</u>	<u>\$ 1,352</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 :

	2023					
	<u>Foreign Currency</u> (Thousands)	<u>Exchange rate</u>	Carrying amount (NTD Thousand)	<u>Sensitivity Analysis</u>		<u>Effect on other comprehensive income and loss</u>
				<u>Range of change</u>	<u>Effect on profit or loss</u>	
(Foreign currency: Functional currency)						
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 17,481	30.66	\$ 535,880	1%	\$ 5,359	\$ -
Euro : NTD	1,752	33.78	59,183	1%	592	-
<u>Non-monetary items</u>						
THB : NTD	\$1,824,171	0.8817	\$1,608,372	1%	\$ 16,084	\$ -
USD : NTD	56,096	30.66	1,719,620	1%	17,196	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 1,434	30.66	\$ 43,959	1%	\$ 440	\$ -
Euro : NTD	48	33.78	1,621	1%	16	-
<u>Non-monetary items</u>						
USD : NTD	\$ 31,969	30.66	\$ 979,998	1%	\$ 9,800	\$ -

C. The Company recognized a gain of \$17,886 thousand and a gain of \$71,088 thousand in 2023 and 2022, 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.

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 \$2,678 thousand and \$2,338 thousand for 2023 and 2022, 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 2023 and 2022, 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 \$1,926 thousand and \$2,086 thousand in 2023 and 2022, 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. The reserve matrix as of December 31, 2023 and 2022 is as follows :

<u>December 31, 2023</u>	<u>Weighted average expected credit loss rate</u>	<u>Total Carrying amount</u>	<u>Loss allowance</u>
Not overdue	0%~1%	\$ 307,132	\$ 1,419
Within 90 days	1%	18,358	184
91-120 days	5%	8	-
121-180 days	25%	-	-
181-365 days	50%	-	-
More than one year	100%	292	292
		<u>\$ 325,790</u>	<u>\$ 1,895</u>

<u>December 31, 2022</u>	<u>Weighted average expected credit loss rate</u>	<u>Total Carrying amount</u>	<u>Loss allowance</u>
Not overdue	0%~1%	\$ 277,379	\$ 1,705
Within 90 days	1%	13,224	132
91-120 days	5%	1,167	58
121-180 days	25%	-	-
181-365 days	50%	-	-
More than one year	100%	-	-
		<u>\$ 291,770</u>	<u>\$ 1,895</u>

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

	<u>2023</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>
January 1 (December 31, as well)	<u>\$ 1,813</u>	<u>\$ 82</u>
	<u>2022</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>
January 1 (December 31, as well)	<u>\$ 1,813</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. :

<u>December 31, 2023</u>				
<u>Measured by lifetime</u>				
	<u>Based on 12 months</u>	<u>Those with significantly increased credit risk</u>	<u>Credit impaired</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 62,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,189</u>
Other receivables	<u>\$ 48,195</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 62,908</u>

<u>December 31, 2022</u>				
<u>Measured by lifetime</u>				
	<u>Based on 12 months</u>	<u>Those with significantly increased credit risk</u>	<u>Credit impaired</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 96,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,469</u>
Other receivables	<u>\$241,075</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$255,788</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, 2023 and 2022.
2. The Company recorded the following changes in the allowance for losses on other accounts receivable :

	<u>2023</u>	<u>2022</u>
	<u>By lifetime Credit impaired</u>	<u>By lifetime Credit impaired</u>
January 1	\$ 14,713	\$ 14,713
Recognition of impairment losses	-	14,650
Write-offs due to uncollectibility	-	(14,650)
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, 2023 and 2022 are \$2,225,000 thousand and \$1,956,544 thousand, 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, 2023	<u>Within 6</u> <u>months</u>	<u>Within 6</u> <u>months ~ 1</u> <u>year</u>	<u>Within 1 ~ 2</u> <u>years</u>	<u>Within 3 ~ 5</u> <u>years</u>	<u>More than</u> <u>5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>						
Short-term borrowings	\$362,930	\$ -	\$ -	\$ -	\$ -	\$362,930
Accounts payable (including related parties)	124,203	-	-	-	-	124,203
Other payables (including related parties)	110,914	-	-	-	-	110,914
Lease liabilities	222	142	324	138	120	946
Long-term borrowings (including those due within one year or one business cycle)	143,572	162,069	48,862	1,038,470	-	1,392,973
Guaranteed deposits received	-	-	-	-	382	382
December 31, 2022	<u>Within 6</u> <u>months</u>	<u>Within 6</u> <u>months ~ 1</u> <u>year</u>	<u>Within 1 ~ 2</u> <u>years</u>	<u>Within 3 ~ 5</u> <u>years</u>	<u>More than</u> <u>5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>						
Short-term borrowings	\$375,211	\$50,364	\$ -	\$ -	\$ -	\$ 425,575
Accounts payable (including related parties)	134,647	-	-	-	-	134,647
Other payables (including related parties)	107,741	-	-	-	-	107,741
Lease liabilities	910	118	80	120	159	1,387
Long-term borrowings (including those due within one year or one business cycle)	106,950	139,718	1,084,309	-	-	1,330,977
Guaranteed deposits received	-	-	-	-	382	382

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, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets measured at fair value through other comprehensive income or loss	\$ -	\$ -	\$267,793	\$267,793
December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets measured at fair value through other comprehensive income or loss	\$ -	\$ -	\$233,786	\$ 233,786

(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 Company'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 Company'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 2023 and 2022.

5. The changes in level 3 for 2023 and 2022 are as follows :

	<u>2023</u>	<u>2022</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 233,786	\$ 227,897
Amount recognized in unrealized valuation gains or losses from investments in equity instruments at fair value through other comprehensive income	<u>34,007</u>	<u>5,889</u>
December 31	<u>\$ 267,793</u>	<u>\$ 233,786</u>

6. There are no transfers in or out from Level 3 in 2023 and 2022.

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, 2023</u>	<u>Valuation</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)	\$ 267,793	Market price method	Lack of marketability discount	1.94%	The higher the marketability discount, the lower the fair value
	<u>December 31, 2022</u>	<u>Valuation</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)	\$ 233,786	Market price method	Lack of marketability discount	14.74%	The higher the marketability discount, the lower the fair value

13. Disclosure of Notes

(1) Information about significant transactions

1. Loans to others: Please refer to Table 1.
2. Provision of endorsements and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: Please refer to Table 4.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 5.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 6.
9. Trading in derivative instruments: None.
10. Business relationships among the parent company and subsidiaries, and significant intercompany transactions: Please refer to Table 7.

(2) Information about the investee business

Name of investee company, location and other related information (excluding Mainland China investee company): Please refer to Table 8.

(3) Information on investees in Mainland China

1. Basic information: Please refer to Table 9.
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 10.

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Hwa Fong Rubber Industrial Company Limited
Statements of Cash and Cash Equivalents
December 31, 2023

Statement 1

Unit: NTD 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash in hand and working capital		\$ 52
Bank Deposit		
Demand Deposit		258,358
Checking Deposit		144
Foreign Currency Deposits	USD 9,992 thousand Exchange rate30.66	
	EURO 1,375 thousand Exchange rate33.78	
	RMB 907 thousand Exchange rate4.30	
	JPY 16 thousand Exchange rate0.22	326,012
Time deposit		30,645
		<u>\$ 615,211</u>

Hwa Fong Rubber Industrial Company Limited
Statements of accounts receivable
December 31, 2023

Statement 2

Unit: NTD 1,000

<u>Customer Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Company A		\$ 30,884	
Company B		23,361	
Company C		14,961	
			The balance of each single customer does not exceed 5% of the amount in this account
Other		89,062	
		158,268	
Less: Allowance for doubtful accounts		(1,813)	
		<u>\$ 156,455</u>	

Hwa Fong Rubber Industrial Company Limited
Statements of Inventory
December 31, 2023

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		\$ 150,007	\$ 148,448	Replacement Costs
Work in process		27,938	27,938	Net realizable value
Finished Product		147,404	145,807	Net realizable value
Goods		1,128	1,101	Net realizable value
Inventory in transit		<u>427</u>	<u>427</u>	Net realizable value
		326,904	<u>\$ 323,721</u>	
Less: Allowance for decline in value and doubtful loss		(<u>12,261</u>)		
		<u>\$ 314,643</u>		

Hwa Fong Rubber Industrial Company Limited
Statements of changes in investments accounted for using equity method
For the Year Ended December 31, 2023

Statement 4

Unit: NTD 1,000

Name	Beginning 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
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Unit price (NTD)	Total Price	Pledges
Long-term investments accounted for using equity method :												
Hwa Fong Rubber (Thailand) Public Co., Ltd.	332,000,000	\$ 1,594,029	-	\$ 14,343	-	-	332,000,000	\$ 1,608,372	Equity method	4.85	\$1,608,782	None
Hwa Fong Rubber (U.S.A.) Co., Ltd	500	821,697	-	71,972	-	-	500	893,669	Equity method	1,787.34	893,669	None
Hwa Fong Numerical Control (BVI) Co., Ltd.	35,000	478,116	-	281,070	-	-	35,000	759,186	Equity method	21.69	759,186	None
Hwa Fong Rubber (Suzhou) Co., Ltd.	-	17,513	-	21,719	-	-	-	39,232	Equity method	-	39,232	None
Hwa Fong Enterprise Co., Ltd.	26,919,141	183,775	-	-	-	(6,678)	26,919,141	177,097	Equity method	0.01	177,097	None
Hwa Fong Rubber (U.S.A. West Coast) Co., Ltd.	1,000,000	23,784	-	3,749	-	-	1,000,000	27,533	Equity method	0.03	27,533	None
Inalways Corporation	4,851,000	115,153	-	-	-	(3,461)	4,851,000	111,692	Equity method	15.25	73,978	None
Subtotal		<u>3,234,067</u>		<u>392,853</u>		(10,139)		<u>3,616,781</u>				
Credit element of long-term equity investment :												
Hwa Fong Rubber (HK) Co., Ltd.	1,000,000	(652,592)	7,000,000	20,464	-	-	8,000,000	(631,822)	Equity method	(0.08)	(631,822)	None
Hwa Fong Rubber (Singapore) Co., Ltd.	12,500	(70)	-	-	-	(54)	12,500	(124)	Equity method	(0.01)	(124)	None
Huazhong Numerical Control (BVI) Co., Ltd.	32,000	(113,379)	-	-	-	(85,891)	32,000	(197,270)	Equity method	(6.16)	(197,270)	None
Hwa Fong Rubber (China) Co., Ltd.	-	(85,131)	-	-	-	(65,651)	-	(150,782)	Equity method	-	(150,782)	None
Subtotal		<u>(848,866)</u>		<u>20,464</u>		(151,596)		<u>(979,998)</u>				-
Total		\$ 2,385,201		<u>\$ 413,317</u>		<u>(\$ 161,735)</u>		\$ 2,636,783				
Add: Long-term investments accounted for using equity method												
Credit element transferred to current liabilities												
		<u>848,866</u>						<u>979,998</u>				
		<u>\$ 3,234,067</u>						<u>\$ 3,616,781</u>				

Hwa Fong Rubber Industrial Company Limited
Statements of changes in property, plant and equipment
For the Year Ended December 31, 2023

Statement 5

Unit: NTD 1,000

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

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Hwa Fong Rubber Industrial Company Limited

Statements of short-term loans

December 31, 2023

Statement 6

Unit: NTD 1,000
Collateral or
guarantee

<u>Creditor</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>	
Bank of Taiwan-Yuanlin Branch	Credit Loan	100,000	2023.08.23-2024.02.19	1.78%	100,000	None
Land Bank of Taiwan - Yuanlin Branch	Credit Loan	60,000	2023.11.29-2024.03.27	1.81%	70,000	None
Yunta Commercial Bank - Taichung Branch	Credit Loan	50,000	2023.11.30-2024.02.27	1.79%	100,000	None
First Commercial Bank - Yuanlin Branch	Credit Loan	70,000	2023.12.05-2024.06.05	1.74%	100,000	None
Chang Hwa Commercial Bank - Yuanlin Branch	Credit Loan	50,000	2023.10.12-2024.04.12	1.70%	80,000	None
		30,000	2023.11.13-2024.05.13	1.70%		
Shin Kong Bank – Zhonggang Branch	Purchase loan	<u>1,354</u>	2023.11.20-2024.01.02	6.77%	100,000	None
		<u>\$ 361,354</u>				

Hwa Fong Rubber Industrial Company Limited
Statements of Long-term Loans
December 31, 2023

Unit: NTD 1,000

Statement 7

<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 -Yuanlin Branch	Guaranteed Loan	\$ 1,000,000	2023.12.15-2028.12.15	2.39%	\$ 1,000,000	Demand deposits, property, plant and equipment
		29,390	2021.04.14-2024.04.14	2.28%	46,190	Property, plant and equipment
CTBC Banke-Taichuang Branch	Credit Loan	100,000	2023.11.22-2024.05.20	1.83%	100,000	None
Agricultural Bank of Taiwan - Taichuang Branch	Credit Loan	100,000	2021.07.13-202407.13	1.86%	150,000	None
		50,000	2021.11.25-2024.07.13	1.86%		None
		1,279,390				
Less: current portion		(279,390)				
		<u>\$ 1,000,000</u>				

Hwa Fong Rubber Industrial Company Limited
Statements of net sales revenue
For the Year Ended December 31, 2023

Statement 8

Unit: NTD 1,000

<u>Item</u>	<u>Quantity</u> <u>(thousands)</u>	<u>Amount</u>	<u>Remark</u>
Motorcycle Tires	2,350	\$ 887,880	
Tires for agricultural industry	1,225	882,318	
Radial Tire	26	27,989	
Bicycle Tires	680	140,078	
Truck Tires	44	99,791	
Others	317	78,134	
Total		2,116,190	
Less: Sales returns and discounts		(19,540)	
		<u>\$ 2,096,650</u>	

Hwa Fong Rubber Industrial Company Limited

Statements of selling costs

For the Year Ended December 31, 2023

Statement 9

Unit: NTD 1,000

<u>Item</u>	<u>Amount</u>
Direct raw materials	
Raw materials at the beginning of the period	\$ 208,653
Add: Incoming materials for the period	744,809
Transfer from work-in-process	11,877
Less: Cost of raw materials sold	(4,523)
Transfer to expenses	(554)
Raw materials, end of period	<u>(150,007)</u>
Consumption of raw materials for the period	810,255
Direct labor	162,388
Manufacturing expenses	<u>461,161</u>
Manufacturing cost	1,433,804
Add: Products in process at the beginning of the period	34,250
Less: Transfer to manufacturing costs	(457)
Transfer to R&D expenses	(540)
Transfer to materials	(11,877)
Work in process, end of period	<u>(27,938)</u>
Cost of finished goods	1,427,242
Add: Finished goods at the beginning of the period	123,789
Less: Inventory loss on finished goods	(38)
Others	(1,026)
Finished goods, end of period	<u>(147,404)</u>
Cost of Sales - Own Production	1,402,563
Beginning merchandise (including inventory in transit \$313 thousand)	4,340
Add: Current period purchases	70,196
Less: Inventory loss of goods	(1)
Other	(114)
Merchandise, end of the period (including inventory in transit \$427 thousand)	<u>(1,555)</u>
Cost of merchandise sold	72,866
Add: Inventory loss	39
Less apportionment of fixed manufacturing costs	7,584
Sale of raw materials	4,523
Less: Gain on reversal of inventory decline	(11,875)
Gain on sale of tailings	<u>(1,055)</u>
Total cost of sales	<u>\$ 1,474,645</u>

Hwa Fong Rubber Industrial Company Limited
Statements of Manufacturing Costs
For the Year Ended December 31, 2023

Statement 10

Unit: NTD 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Salary Costs		\$ 109,630	
Depreciation		78,095	
Utilities		71,570	
Fuel costs		47,507	
Repair and maintenance expenses		25,727	
Labor and health insurance expenses		31,289	
Package expenses		21,987	
Other expenses		75,356	The balance of each of the fractional items does not exceed 5% of the amount of this account
		<u>\$ 461,161</u>	

Hwa Fong Rubber Industrial Company Limited
Statements of Operating Expenses
For the Year Ended December 31, 2023

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>
Payroll expenses	\$ 20,286	\$ 67,752	\$ 17,680	
Labor and health insurance premiums	1,998	4,015	1,798	
Transportation expenses	11,843	19	-	
Commodity tax	63,434	-	-	
Depreciation	477	6,213	1,154	
Export expenses	15,219	-	-	
Other expenses	<u>18,143</u>	<u>37,239</u>	<u>2,853</u>	The balance of each of the fractional items does not exceed 5% of the amount of this account
Total	<u>\$ 131,400</u>	<u>\$ 115,238</u>	<u>\$ 23,485</u>	

Statements of other gains and losses, net
For the Year Ended December 31, 2023

Unit: NTD 1,000

Statement 12
Hwa Fong Rubber Industrial Company Limited

Please refer to Note 6(20) for information on "other gains and losses".

(Blank below)

Hwa Fong Rubber Industrial Company Limited
Statements of Financial Costs
For the Year Ended December 31, 2023

Statement 13

Unit: NTD 1,000

Please refer to Note 6(21) 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

For the Year Ended December 31, 2023

Statement 14

Unit: NTD 1,000

Nature	Function	2023			2022		
		Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expenses							
Salary Costs		\$ 272,018	\$ 85,590	\$ 357,608	\$ 301,964	\$ 87,728	\$ 389,692
Labor and Health Insurance Costs		31,289	7,811	39,100	33,038	9,020	42,058
Pension Fees		10,389	3,594	13,983	11,468	4,106	15,574
Directors' remuneration		-	20,128	20,128	-	19,372	19,372
Other employee benefit expenses		5,177	1,293	6,470	6,106	1,707	7,813
Subtotal		318,873	118,416	437,289	352,576	121,933	474,509
Depreciation expense		78,095	7,844	85,939	83,461	8,985	92,446
Amortization expense		-	138	138	-	147	147

Notes :

1. The number of employees for the year and the previous year were 543 and 662, respectively, of which 7 and 7 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 \$778 thousand ("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 \$694 thousand ("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").

(2) Average employee salary expense of \$667 thousand (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 \$594 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").

Hwa Fong Rubber Industrial Company Limited

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

For the Year Ended December 31, 2023

Statement 14

Unit: NTD 1,000

- (3) The change in average employee salary cost adjustment increased by 12.29% ("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.

(Except as indicated)

Note 5: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Provision of endorsements and guarantees to others

For the Year Ended December 31, 2023

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No.	Guaranteee and endorsee		Limitation on amount of guarantees and endorsements for a Relationship specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount	Amount of property pledged for guarantee and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to the parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China	Note
	(Note 1)	Name of endorser and guarantor											
0		Hwa Fong Rubber Industrial Co., Ltd.		\$ 395,590	\$ 61,310	\$ -	\$ -	1.78%	\$ 3,449,531	Y	N	N	Note 3, 4
		Company name	(Note 2)	(Note 3)									
		Hwa Fong Rubber (Hong Kong) Co., Ltd.	4	\$ 1,724,765									

Note 1: The description of the number column is as follows. :

159) Enter 0 for issuer.

(2) The investee companies are numbered in order by company, beginning with the Arabic numeral 1.

Note 2: There are seven types of relationships between the endorser and the target of the endorsement, and the types can be indicated as follows:
(1) Companies that have business relationship with us.

(2) Companies in which the Company directly or indirectly holds more than 50% of the voting shares.

(3) Companies that directly or indirectly hold more than 50% of the voting shares of the Company.

(4) Companies in which the Company directly and indirectly holds at least 90% of the voting shares.

(5) A company that is mutually insured by the contract between peers or co-founders based on the needs of the contracted work.

(6) All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3 : The amount of endorsement and guarantee provided to a single entity shall not exceed 50% of net worth in the attested financial statements in the most recent period.

Note 4 : The total amount of endorsement and guarantee provided shall not exceed 100% of net worth in the attested financial statements in the most recent period.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint venture

For the Year Ended December 31, 2023

Table 3

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

	Type and Name of Marketable Securities	Relationship with the issuer of marketable securities	End of period					
			(Note 1) Stock	(Note 2) —	Account Financial assets at fair value through other comprehensive income — non-current	Number of shares 30,000	Carrying amount (Note 3) \$ -	Percentage of ownership 0.13%
Taifong Enterprise Corporation	Stock	—	Financial assets at fair value through other comprehensive income — non-current	800,000	-	-	3.70%	-
Three D Group Limited	Stock	—	Financial assets at fair value through other comprehensive income — non-current	1,370	-	-	-	-
Astral Epoch International Corporation (Formerly:Astral Epoch Co., Ltd.)	Stock	—	Financial assets at fair value through profit or loss-current	1,040	17	-	-	17
Kao Fong Machinery Co., Ltd	Stock	—	Financial assets at fair value through profit or loss-current	5,000	225	-	-	225
Cheng Shin Rubber Ind. Co., Ltd.	Stock	—	Financial assets at fair value through profit or loss-current	5,460	169	-	-	169
Kenta Rubber Ind. Co., Ltd.	Stock	—	Financial assets at fair value through profit or loss-current	5,000	99	-	-	99
FEDERAL CORPORATION	Stock	—	Financial assets at fair value through profit or loss-current	1,600,824	93,686	0.57%	-	93,686
Hota Industrial MFG. Co., Ltd.	Stock	The Chairman of the Company is the Chairman of the Company	Financial assets at fair value through other comprehensive income — non-current	7,361,000	267,793	12.67%	-	267,793
Jian Sin Industrial Co., Ltd.	Stock	Legal representative as a director of the company is the same as the Company	Financial assets at fair value through profit or loss-current	1,000	4,319	-	-	4,319
Alphabet, Inc.	Stock	—	Financial assets at fair value through profit or loss-current	1,600	206	-	-	206
Lucid Group, Inc.	Stock	—	Financial assets at fair value through profit or loss-current	3,000	2,157	-	-	2,157
Rivian Automotive Inc.	Stock	—	Financial assets at fair value through profit or loss-current	1,000	7,617	-	-	7,617
TESLA Inc.	Stock	—	Financial assets at fair value through profit or loss-current					

Note 1: Marketable securities referred to in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items that fall within the scope of IFRS 9, "Financial Instruments".

Note 2: If the issuer of marketable securities is not a related party, the column is not filled in.

Note 3: For those measured at fair value, the carrying amount should be the carrying amount adjusted for fair value and net of accumulated impairment; for those not measured at fair value, the carrying amount should be the carrying amount of the original acquisition cost or amortized cost less accumulated impairment.

Note 4: If any of the listed securities are subject to restrictions due to the provision of guarantees, pledged loans or other contractual restrictions, the number of shares provided as guarantees or pledged loans, the amount of guarantees or pledged loans and the restrictions on their use should be indicated in the remarks column.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more

For the Year Ended December 31, 2023

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

<u>Company disposing the property</u>	<u>Name of property</u>	<u>Occurance date</u>	<u>Original acquisition date</u>	<u>Carrying amount</u>	<u>Transaction amount</u>	<u>Proceeds collection</u>	<u>Gains or losses on disposal</u>	<u>Counterparty</u>	<u>Relationship</u>	<u>Purpose of disposal</u>	<u>Reference for price determination</u>	<u>Other agreement</u>
HWA FONG RUBBER (SUZHOU) CO., LTD	Land and plant on Xingye rd., Changsu City, Suzhou Province	April 20, 2023 (Note 1)	2004	\$493,795	\$1,175,300	\$ 1,175,300	\$ 455,212 (Note 2)	Changshu Economic Development Zone Construction Development Co., Ltd.	-	Enhance working capital and activate idle assets.	Appraisal report from Suzhou Taidi Changxin Real Estate Appraisal Land Evaluation Surveying and Mapping Company and Jinagsu Topson Real Estate Appraisal Land Evaluation Surveying and Mapping Company	-

Note 1 : The date of the resolution by the board of directors.

Note 2 : The amount has deducted the \$226,293 thousand of costs and expenses necessary form the sale of properties.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the Year Ended December 31, 2023

Table 5

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

		<u>Transaction details</u>		<u>The details and reasons for transaction terms and conditions different from ordinary transaction terms and conditions</u>		<u>Percentage accounting for total purchase (sales)</u>		<u>Percentage accounting for total notes and accounts receivables (payables)</u>		<u>Note</u>	
<u>The purchase (sales) company</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Purchase (sales) Amount</u>	<u>Credit period</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>total notes and accounts receivables (payables)</u>	<u>19,00%</u>	<u>Note</u>	<u>Note 1</u>
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	Subsidiary	Sales \$416,175	8,90%90 days payment on delivery	Based on market price or cost plus charge	The collection terms are the same as the collection period for general non-related parties.	\$117,793				

Note 1: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2023

Table 6

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

						Balance of receivables from related parties		Overdue receivables from related parties			Amount of receivables from related parties received in subsequent period		Loss allowances
						(Note 1)	Turnover rate	Amount	Collection status				
The Company with accounts receivables	Counter-party	Relationship											
Hwa Fong Rubber (BVI) Co., Ltd.	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Same parent company	\$	187,302	-	-	-	-	-	-	-	-	-
Hwa Fong Rubber (U.S.A.) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	Same parent company		113,424	-	-	-	-	-	-	-	-	-
Hwa Fong Rubber (U.S.A.) Co., Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Same parent company		162,472	-	-	-	-	-	-	-	-	-
Hwa Fong Rubber (Suzhou) Co., Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Same parent company		259,023	-	-	-	-	-	-	-	-	-

Note 1: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Note 2: The aforementioned receivables are loans of funds between related parties, please refer to Table 1 for related information.

Note 3 : As of March 1, 2024, the receivables from related parties collected in the subsequent period.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Business Relationships Among the Parent Company and Subsidiaries, and Significant Intercompany Transactions

For the Year Ended December 31, 2023

Table 7

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Intercompany transactions

No. (Note 1)	Name of company	Name of counter-party (Note 2)	Relationship (Note 2)	Account	Amount	Trading terms	Percentage accounting for the consolidated total revenue or total assets (Note 3)
0	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	1	Sales revenue	\$ 416,175	Based on market price or cost plus charge	8.90
0	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (China) Co., Ltd.	1	Accounts receivables	117,793	At mutually agreed prices and conditions	1.48
1	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hwa Fong Rubber (BVI) Co., Ltd.	3	Other payables (fund financing)	187,302	Based on contractual interest rate of 3%~3.5%	2.36
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Other payables (fund financing)	162,472	Based on contractual interest rate of 2%~2.25%	2.05
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	3	Other payables	147,658	At mutually agreed prices and conditions	1.86
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	3	Other payables (fund financing)	259,023	Based on contractual interest rate of 3%	3.26
3	Hwa Fong Rubber (Suzhou) Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Other payables (fund financing)	113,424	Based on contractual interest rate of 2.25%	1.43
4	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Sales revenue	60,451	Based on market price or cost plus charge	1.29

Note 1: The business transaction information between the parent company and the subsidiary should be indicated in the number column respectively, and the number should be completed as follows :

- (1) Enter 0 for issuer.
- (2) The investee companies are numbered in order by company, beginning with the Arabic numeral 1.

Note 2: There are three types of relationships with the counter-parties, and the types are indicated. (If the transaction is between a parent company and a subsidiary or between subsidiaries, there is no need to repeat the disclosure. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose the transaction repeatedly).

If a subsidiary has disclosed a transaction with a subsidiary, the other subsidiary is not required to disclose it repeatedly).

- (1) Parent to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated as the ending balance to consolidated total assets in the case of assets and liabilities, or as the cumulative amount to consolidated total revenue in the case of profit or loss.

Note 4: Transactions amount reaching 1% of total operating revenue or total assets

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

The Information about Company Names, Locations, etc. of Investees (Excluding the Investees in Mainland China)

For the Year Ended December 31, 2023

Table 8

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Investor company	Investee company	Location	Main business	Original investment amount			Ownership as of December 31, 2022			Gain (loss) of investees recognized in the current period		Note
				December 31, 2023	December 31, 2022		Number of shares	Percentage	Carrying amount	Profit (loss) of investees in the current period	(Note 1)	
				\$ 292,724	\$ 290,201		332,000,000	50.42	\$ 1,608,372	\$ 219,181	\$ 110,768	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Thailand	Processing and trading of rubber products								Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	USA	Trading of various tire products	383,188	383,250	500	100	893,669	73,178	73,178	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A. West Coast) Co., Ltd.	USA	Trading of various tire products	30,655	30,660	1,000,000	100	27,533	3,808	3,808	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hong Kong	Trading, manufacture and investing	215,505	920	8,000,000	100(	631,822)	(196,718)	(196,718)	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Singapore) Co., Ltd.	Singapore	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	290	285	12,500	0.12(	123)	(45,346)	(56)	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (BVI) Co., Ltd.	BVI	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	2,145,850	2,146,200	35,000	100	759,186	289,989	289,989	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Huazhong Numerical Control (BVI) Co., Ltd.	BVI	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	429,170	429,240	32,000	100(	197,270)	(86,895)	(86,895)	Subsidiary	
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Enterprise Co., Ltd.	Taiwan	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	269,222	269,222	26,919,141	100	177,097	(6,261)	(6,261)	Subsidiary	
Hwa Fong Rubber (Thailand) Public HFT HOLDING CO., LTD		Thailand	Trading of various tire products	88,170	87,410	1,000,000	99.99	145,972	(5,958)	-	Sub-subsidiary (Note 2)	
Hwa Fong Rubber (Thailand) Public The Ascent (Thailand) Co., Ltd.		Thailand	Trading of various tire products	7,583	7,517	64,500	43	1,045	-	-	Associates (Note 2)	
Hwa Fong Rubber (Thailand) Public PT Hwa Fong Rubber Indonesia Co., Ltd.		Indonesia	Processing and trading of rubber products	305,684	303,049	9,900,000	99	305,684	4,900	-	Sub-subsidiary (Note 2)	
HFT HOLDING CO., LTD.	PT Hwa Fong Rubber Indonesia	Indonesia	Processing and trading of rubber products	30,877	30,611	100,000	1	2,492	4,900	-	Sub-subsidiary (Note 2)	
HFT HOLDING CO., LTD.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	60,121	59,602	1,216,715	2.46(	104,836)	(31,813)	(779)	Associates	
Hwa Fong Enterprise Co., Ltd.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	285,304	285,304	5,677,480	11.48	269,578	(31,813)	(3,634)	Associates	

Investor company	Investee company	Location	Main business	Original investment amount		Ownership as of December 31, 2023		Gain (loss) of investees recognized in the current period			
				December 31, 2023	December 31, 2022	Number of shares	Percentage	Carrying amount	Investor company	Investee company	Location
Hwa Fong Rubber Industrial Co., Ltd.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	117,733	117,733	4,851,000	9.81	111,692	(31,813)	(3,106)	Associates
Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hwa Fong Rubber (Singapore) Co., Ltd.	Singapore	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	223,782	223,818	9,709,730	99.88	(101,462)	(45,346)	(45,290)	Associates

Note 1: The investment income or loss recognized in the current period is net of the unrealized gain or loss on upstream transactions between the parent and subsidiary.

Note 2: Disclosure is exempted in accordance with the regulations.

Note 3: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Information on investees in Mainland China — basic information

For the Year Ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

Table 9

(Except as indicated)

Investee in Mainland China	Main business	Paid-in capital	Method of investment	Remittance of funds in the current period	Accumulated outward remittance for investment from Taiwan as of January 1, 2022	Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Net income (loss) of investees	Percentage of ownership of direct or indirect investments	Gain (loss) on investments recognized in current period (Note 2)	Carrying amount of investments as of December 31, 2023	Accumulated repatriation of gain on investment as of December 31, 2023	Note
Hwa Fong Rubber (China) Co., Ltd.	Manufacture, processing and sale of bicycle tires, motorcycle tires, industrial vehicle tires, agricultural vehicle tires, etc.	\$1,652,305	3	\$ -	\$ -	-\$1,652,305	(\$ 334,598)	100.00	(\$ 334,598)	(\$ 749,888)	\$ -	Note 6
Hwa Fong Rubber (Suzhou) Co., Ltd.	Production and sales of radial ply tires, small passenger car tires, other new rubber tires, and large passenger car and truck tires	2,221,261	2	-	-	-2,221,261	306,602	100.00	306,602	536,693	-	Note 6

Note 1 : The following three types of investment methods are distinguished and can be labeled as such.

(1) Directly invest in Mainland China.

(2) Reinvest in China through a third party company (please specify the third party investment company).

(3) Other methods.

Note 2 : The basis of recognition of investment income or loss is based on the financial statements reviewed by the parent company's certified public accountants in Taiwan.

Note 3 : The relevant figures in this table should be presented in New Taiwan dollars.

Note 4 : The above transactions have been eliminated in the preparation of the consolidated financial statements.

Note 5 : The exchange rate as of December 31, 2023 is USD:TWD = 1 : 30.66 ; the average exchange rate for the year ended december 31, 2023 is USD:TWD = 1 : 31.1109.

Note 6 : According to 82.8.23 (82) Taiwan Finance (VI) No. 01968, the main contents of the entrustment contract should be disclosed to the investors in Mainland China by way of entrustment investment:

The Company (hereinafter referred to as the Principal) originally entrusted Hwa Fong Rubber (Hong Kong) Limited to invest and set up Hwa Fong Rubber (China) Limited, which was subsequently approved to be entrusted to Hwa Fong Rubber (Singapore) Co., Ltd in early October 1997.

Company name

Accumulated outward remittance for investment in Mainland China as of December 31, 2023	Investment amount authorized by investment commissino, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA (Note 2)
Hwa Fong Rubber Industrial Co., Ltd.	\$ 3,873,566	\$ -

Note 1 : The accumulated amount of investment from Taiwan to the R.O.C. was US\$126,360,000 at the end of the period, and the amount of investment approved by the Investment Commission of the Ministry of Economic Affairs was US\$137,205,000.

Note 2 : In accordance with the "Principles for Investment or Technical Cooperation in Mainland China" issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the Company has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs to be in compliance with the scope of operation of the operating headquarters and is therefore not subject to the limit.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Information on major shareholders
For the Year Ended December 31, 2023

Table 10

<u>Name of major shareholder</u>	<u>Number of shares held</u>	<u>Shares</u>	<u>Percentage of ownership</u>
Sumitomo Rubber Industries, Ltd.	28,428,574		10.17

Note : The Company obtained the information in this table by applying to CIGC.

- (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater; that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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, 2023 and December 31, 2023
(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, 2023, 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 13, 2024

INDEPENDENT AUDITORS' REPORT

(2024) No. Financial Auditing- 23005031

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, 2023 and 2022, and the related consolidated statements of income, changes in equity, and cash flows for the years ended December 31, 2023 and 2022, and January 1 to December 31, 2022, 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, 2023 and 2022, and the consolidated financial performance and consolidated cash flows for the years from January 1 to December 31, 2023 and 2022.

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 2023. 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.

5.

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.

Other Matter–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, 2023 and 2022, the companies' total assets (including investments accounted for using equity method) amounted to NT\$972,967 thousand and NT\$835,954 thousand, respectively, accounting for 12.25% and 10.36% of the consolidated total assets, and operating revenues from January 1 to December 31, 2023 and 2022 amounted to NT\$646,040, thousand and NT\$618,570 thousand, respectively, accounting for 13.82% and 11.42% of the consolidated net operating revenues.

Other Matter–Parent Company Only Financial Statements

We have also audited the parent company only financial statements of Hwa Fong Rubber Industrial Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion with other matter paragraph.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 2023. 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 13, 2024

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Unit: NT\$1,000

ASSETS			Note	D e c e m b e r 3 1 , 2 0 2 3		D e c e m b e r 3 1 , 2 0 2 2		
				A m o u n t	%	A m o u n t	%	
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$	2,496,578	32	\$	1,702,701	21
1110	Financial assets at fair value through profit or loss - current	6(2)		108,495	1		116,691	2
1136	Financial assets at fair value through P/L - current amortized cost	6(4)		86,927	1		26,475	-
1150	Notes receivable, net	6(5)		28,303	-		24,239	-
1170	Accounts receivable, net	6(5)		589,029	8		712,792	9
1180	Accounts receivable - related parties, net	7(2)		2,648	-		9,336	-
1200	Other receivables			11,861	-		33,189	1
130X	Inventory	6(6)		1,011,959	13		1,070,075	13
1470	Other current assets			32,059	-		27,132	-
11XX	Total current assets			4,367,859	55		3,722,630	46
Non-current assets								
1517	Financial assets at fair value through other comprehensive income or loss - non-current	6(3)		267,793	3		233,786	3
1535	Financial assets measured at amortized cost - non-current	6(4) &8		68,320	1		102,601	1
1550	Investments accounted for using equity method	6(7)		277,479	4		285,636	4
1600	Property, plant and equipment	6(8) &8		2,708,959	34		3,352,587	42
1755	Right-of-use assets	6(9)		2,795	-		42,004	1
1760	Net investment property	6(10)		128,135	2		196,741	2
1780	Intangible assets			1,631	-		803	-
1840	Deferred income tax assets	6(26)		115,630	1		114,857	1
1900	Other non-current assets	8		4,645	-		15,245	-
15XX	Total non-current assets			3,575,387	45		4,344,260	54
1XXX	Total assets		\$	7,943,246	100	\$	8,066,890	100

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Unit: NT\$1,000

LIABILITIES AND EQUITY			D e c e m b e r 3 1 , 2 0 2 3		D e c e m b e r 3 1 , 2 0 2 2	
	Note		A m o u n t	%	A m o u n t	%
CURRENT ASSETS						
2100	Short-term borrowings	6(11) &8	\$ 361,354	5	\$ 623,144	8
2130	Contract liabilities - current	6(20)	72,700	1	74,453	1
2170	Accounts Payable		345,088	4	331,917	4
2200	Other payables	6(12)	282,381	4	254,154	3
2220	Other payables - related parties	7(2)	2,406	-	1,456	
2230	Current income tax liabilities		100,083	1	60,201	1
2250	Short-term borrowings	6(13)	94,623	1	3,793	-
2280	Lease liabilities - current	6(9)	350	-	1,350	-
2320	Long-term liabilities due within one year or one business cycle	6(14)				
			279,390	4	250,685	3
2399	Other current liabilities - other	6(20) &8	39,518	-	33,855	-
21XX	Total current liabilities		1,577,893	20	1,635,008	20
Non-current liabilities						
2540	Long-term borrowings	6(14) &8	1,000,000	13	1,309,445	16
2570	Deferred income tax liabilities	6(26)	269,330	3	270,753	4
2580	Lease liabilities - non-current	6(9)	884	-	820	-
2600	Other non-current liabilities	6(15)	64,200	1	71,478	1
25XX	Total non-current liabilities		1,334,414	17	1,652,496	21
2XXX	Total liabilities		2,912,307	37	3,287,504	41
Equity						
Equity attributable to owners of the parent company						
	Share capital	6(16)				
3110	Common share capital		2,793,492	35	2,793,492	35
	Capital Surplus	6(17)				
3200	Capital Surplus		37,174	-	37,290	-
	Retained earnings	6(18)				
3310	Legal surplus reserve		84,765	1	50,031	1
3320	Special surplus reserve		6,321	-	112,404	1
3350	Undistributed earnings		497,987	6	228,151	3
	Other equity	6(19)				
3400	Other equity		(29,792)	1	(9,289)	-
31XX	Total equity attributable to owners of the parent company		3,449,531	43	3,212,079	40
36XX	Non-controlling interests	4(3)	1,581,408	20	1,567,307	19
3XXX	Total equity		5,030,939	63	4,779,386	59
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 7,943,246	100	\$ 8,066,890	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 : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 - December 31, 2023 and 2022

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

	Item	Note	2023		2022	
			A m o u n t	%	A m o u n t	%
4000	Operating Income	6(20) &7(2)	\$ 4,674,300	100	\$ 5,414,345	100
5000	Operating Costs	6(6) (25)	(3,648,483)	(78)	(4,338,315)	(80)
5900	Gross profit		<u>1,025,817</u>	<u>22</u>	<u>1,076,030</u>	<u>20</u>
	Operating expenses	6(25) &7(2)				
6100	Marketing expenses		(267,725)	(6)	(222,759)	(4)
6200	Management Fees		(265,839)	(6)	(253,828)	(5)
6300	Research and development expenses		(23,781)	-	(31,704)	(1)
6450	Expected credit impairment gains (losses)	12(2)	(13,351)	-	3,527	-
6000	Total operating expenses		<u>(570,696)</u>	<u>(12)</u>	<u>(504,764)</u>	<u>(10)</u>
6900	Operating profit		<u>455,121</u>	<u>10</u>	<u>571,266</u>	<u>10</u>
	Non-operating income and expenses					
7100	Interest income	6(21)	23,400	-	4,785	-
7010	Other income	6(22)	25,969	1	36,803	1
7020	Other gains and losses	6(23)	338,800	7	64,423	1
7050	Finance costs	6(24)	(52,118)	(1)	(56,469)	(1)
7060	Share of profits and losses of affiliated companies and joint ventures recognized using the equity method	6(7)	(7,519)	-	(1,597)	-
7000	Total non-operating income and expenses		<u>328,532</u>	<u>7</u>	<u>47,945</u>	<u>1</u>
7900	Net profit before tax		<u>783,653</u>	<u>17</u>	<u>619,211</u>	<u>11</u>
7950	Income tax expense	6(26)	(252,400)	(6)	(174,866)	(3)
8200	Net profit for the period		<u>\$ 531,253</u>	<u>11</u>	<u>\$ 444,345</u>	<u>8</u>

(Continued on next page)

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 - December 31, 2023 and 2022

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

Item			Note	2022 A m o u n t %	2021 A m o u n t %
Other comprehensive income (net)					
Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit obligation	6(15)	(\$ 469)	-	\$ 25,041 1
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6(3)	34,007	1	5,889 -
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)	(739)	-	(2,808) -
8349	Income tax relating to items that are not reclassified	6(26)	94	-	(5,007) -
8310	Total items not reclassified to profit or loss		32,893	1	23,115 1
Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operating entities		20,570	-	271,636 5
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)	(1)	-	458 -
8399	Income tax relating to items that may be reclassified	6(26)	(1,443)	-	(34,110) (1)
8360	Total amount of items that may be reclassified subsequently to profit or loss		19,126	-	237,984 4
8300	Other comprehensive income (net)		\$ 52,019	1	\$ 261,099 5
8500	Total comprehensive profit or loss for the current period		\$ 583,272	12	\$ 705,444 13
Net profit attributable to :					
8610	Owners of the parent company		\$ 422,342	9	\$ 294,488 5
8620	Non-controlling equity		108,911	2	149,857 3
			\$ 531,253	11	\$ 444,345 8
Total consolidated profit or loss attributable to :					
8710	Owners of the parent company		\$ 461,048	9	\$ 447,319 8
8720	Non-controlling equity		122,224	3	258,125 5
			\$ 583,272	12	\$ 705,444 13
Basic EPS					
9750	Basic EPS	6(27)	\$ 1.51		\$ 1.05
Diluted EPS					
9850	Diluted EPS	6(27)	\$ 1.51		\$ 1.05

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 : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

	Note	E q u i t y a t t r i b u t a b l e t o o w n e r s o f t h e p a r e n t c o m p a n y									
		R e t a i n e d e a r n i n g s O t h e r E q u i t y									
		Share capital - Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling interests	Total equity
2022											
Balance as of January 1, 2022		\$ 2,793,492	\$ 37,290	\$ 21,456	\$ 70,030	\$ 270,793	(\$ 90,985)	(\$ 57,966)	\$ 3,044,110	\$ 1,428,283	\$ 4,472,393
Net income for fiscal 2022		-	-	-	-	294,488	-	-	294,488	149,857	444,345
Other comprehensive income for the period		-	-	-	-	13,169	136,437	3,225	152,831	108,268	261,099
Total comprehensive income for the period		-	-	-	-	307,657	136,437	3,225	447,319	258,125	705,444
Dividends paid by subsidiaries	4(3)	-	-	-	-	-	-	-	-	-	-
Appropriation and distribution of earnings for the six months ended December 31, 2021	6(18)	-	-	-	-	-	-	-	-	(119,101)	(119,101)
Legal surplus reserve		-	-	14,547	-	(14,547)	-	-	-	-	-
Special surplus reserve		-	-	-	78,923	(78,923)	-	-	-	-	-
Cash dividends		-	-	-	-	(139,675)	-	-	(139,675)	-	(139,675)
Appropriation and distribution of earnings for the six months ended June 30, 2022	6(18)	-	-	-	-	-	-	-	-	-	-
Legal surplus reserve		-	-	14,028	-	(14,028)	-	-	-	-	-
Special surplus reserve		-	-	-	(36,549)	36,549	-	-	-	-	-
Cash dividends		-	-	-	-	(139,675)	-	-	(139,675)	-	(139,675)
Balance as of December 31, 2022		\$ 2,793,492	\$ 37,290	\$ 50,031	\$ 112,404	\$ 228,151	\$ 45,452	(\$ 54,741)	\$ 3,212,079	\$ 1,567,307	\$ 4,779,386
2023											
Balance as of January 1, 2023		\$ 2,793,492	\$ 37,290	\$ 50,031	\$ 112,404	\$ 228,151	\$ 45,452	(\$ 54,741)	\$ 3,212,079	\$ 1,567,307	\$ 4,779,386
Net income for fiscal 2023		-	-	-	-	422,342	-	-	422,342	108,911	531,253
Other comprehensive income for the period		-	-	-	-	375	5,774	33,307	38,706	13,313	52,019
Total comprehensive income for the period		-	-	-	-	421,967	5,774	33,307	461,048	122,224	583,272
Changes in associates accounted for using equity method	6(17)	-	(116)	-	-	-	-	-	(116)	(7)	(123)
Dividends paid by subsidiaries	4(3)	-	-	-	-	-	-	-	-	(108,116)	(108,116)
Appropriation and distribution of earnings for the six months ended December 31, 2022	6(18)	-	-	-	-	-	-	-	-	-	-
Legal surplus reserve		-	-	16,737	-	(16,737)	-	-	-	-	-
Special surplus reserve		-	-	-	(103,115)	103,115	-	-	-	-	-
Cash dividends		-	-	-	-	(111,740)	-	-	(111,740)	-	(111,740)
Appropriation and distribution of earnings for the six months ended June 30, 2023	6(18)	-	-	-	-	-	-	-	-	-	-
Legal surplus reserve		-	-	17,997	-	(17,997)	-	-	-	-	-
Special surplus reserve		-	-	-	(2,968)	2,968	-	-	(111,740)	-	(111,740)
Cash dividends		-	-	-	-	(111,740)	-	-	-	-	-
Balance as of December 31, 2023		\$ 2,793,492	\$ 37,174	\$ 84,765	\$ 6,321	\$ 497,987	\$ 51,226	(\$ 21,434)	\$ 3,449,531	\$ 1,581,408	\$ 5,030,939

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 : CHEN,
CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Cash Flow Statement
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

	Note	January 1 - December 3 1 , 2 0 2 3	January 1 - December 3 1 , 2 0 2 2
<u>Cash flows from operating activities</u>			
Net income before tax for the period		\$ 783,653	\$ 619,211
Adjusted items			
Income and expense items			
Depreciation expense	6(8)(9) (25)	197,809	211,435
Amortization expense	6(25)	419	512
Expected credit impairment loss (reversal gain)	12(2)	13,351	(3,527)
Share of interests in affiliated companies and joint ventures recognized using the equity method	6(7)	7,519	1,597
Net gain or loss on financial assets and liabilities measured at fair value through profit or loss	6(2)(23)	6,884	29,660
Gain on disposal of property, plant and equipment, and right-of-use assets	6(23)	(466,138)	(49,711)
Gain on disposal of investment properties	6(23)	(8,342)	-
Interest income	6(21)	(23,400)	(4,785)
Dividend income	6(22)	(2,553)	(2,191)
Interest expense	6(24)	52,118	56,469
Loss on impairment of non-financial assets	6(23_	103,682	-
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes Receivable		(4,132)	18,891
Accounts receivable (including related parties)		122,542	213,348
Other receivables		22,075	24,042
Inventory		61,960	273,002
Other current assets		(8,531)	18,263
Other non-current assets		(688)	14
Net change in liabilities related to operating activities			
Contract liabilities		(2,178)	(8,788)
Notes Payable (Including related parties)		11,633	(211,525)
Other payables		(160,939)	(48,166)
Provision for liabilities		92,346	(13,713)
Other current liabilities		5,424	(3,814)
Other non-current liabilities		(7,990)	(10,437)
Cash inflows from operations		796,524	1,109,787
Interest received		22,603	4,320
Dividends received		2,553	3,783
Interest paid		(52,004)	(56,365)
Income tax paid		(238,794)	(173,259)
Net cash inflow from operating activities		530,882	888,266

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Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Consolidated Cash Flow Statement
January 1 - December 31, 2023 and 2022

Unit: NT\$1,000

	Note	January 1 - December 3 1 , 2 0 2 3	January 1 - December 3 1 , 2 0 2 2
<u>Cash flows from investing activities</u>			
Decrease (increase) in financial assets at fair value through profit or loss		\$ 1,888	(\$ 84,756)
Acquisition of financial assets at amortized cost - current		(60,126)	(8,511)
Disposal of financial assets carried at amortized cost - current		-	91,711
Acquisition of property, plant and equipment	6(28)	34,281	45,691
Proceeds from disposal of property, plant and equipment, and right-of-use assets	6(8)(9)	(109,507)	(96,796)
Proceeds from disposal of investment properties	6(10)	1,172,697	23,567
Decrease in refundable deposits		75,074	-
Acquisition of intangible assets		158	30,935
Net cash inflow from investing activities		(1,240)	-
<u>Cash flows from financing activities</u>			
Change in short-term borrowings	6(29)	1,113,225	1,841
Decrease in short-term bills payable	6(29)	(264,721)	(123,204)
Borrowing of long-term borrowings	6(29)	-	(49,979)
Repayment of long-term borrowings	6(29)	1,050,000	143,969
Repayment of lease principal	6(29)	(1,329,979)	(232,994)
Increase in guaranteed deposits received		(1,768)	(2,771)
Cash dividends paid by subsidiaries to non-controlling interests	4(3)	-	216
Cash dividends paid	4(3)	(108,116)	(119,101)
Change in short-term borrowings	6(18)(29)	(223,480)	(279,350)
Net cash inflow (outflow) from financing activities		(878,064)	(663,214)
Effect of exchange rate changes		27,834	105,156
Increase in cash and cash equivalents for the period		793,877	332,049
Balance of cash and cash equivalents at the beginning of the period		1,702,701	1,370,652
Balance of cash and cash equivalents at the end of the period		<u>\$ 2,496,578</u>	<u>\$ 1,702,701</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 : CHEN, CHANG-YUAN

Hwa Fong Rubber Industrial Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
2023 and 2022

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. 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 13, 2024.

(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 2023 and the explanations :

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date of IASB Releases</u>
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 Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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

(2) Effect of not adopting newly issued and amended IFRSs endorsed by the FSC

The following table summarizes the new, amended and revised IFRSs and explanations of IFRSs approved by the FSC for 2024:

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 16 "Lease Liabilities in Sale and Leasebacks"	January 1, 2024
Amendments to IAS 1 "Current or Noncurrent Classification of Liabilities"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with contractual provisions".	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

<u>New Releases/Amendments/Revised Standards and Explanations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Comparative Information of the Initial Application of IFRS 17 and IFRS 9”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The Group has evaluated that the above standards and interpretations do not have a significant effect on the Group's consolidated financial position and consolidated financial performance.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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) Statement of Compliance

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 and issued by the FSC, which are effective.

(2) Basis of Preparation

1. The consolidated financial statements have been prepared on the historical cost basis, except for the following significant items :
 - (1) Financial assets and liabilities at fair value through profit or loss are measured at fair value.
 - (2) Financial assets at fair value through other comprehensive income that are measured at fair value.
 - (3) The defined benefit obligation is recognized as the net asset less the current value of the defined benefit obligation 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, through its power over the entity, to affect such remuneration. Subsidiaries are included in the consolidated financial statements from the date the Group obtains control and are deconsolidated 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 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 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 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. The subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of Subsidiaries</u>	<u>Business Scope</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</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	Note 3
The Company	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	19.85	19.85	Note 1
The Company	Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Investment Holding Company	0.12	0.12	
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	
Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	13.55	13.55	Note 1
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	Note 1
Hwa Fong Rubber (Hong Kong) Limited	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and Sales	40.63	40.63	Note 1
Hwa Fong Rubber (Hong Kong) Limited	Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Investment Holding Company	99.88	99.88	
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	Note 2
HFT HOLDING CO.,LTD	PT Hwa Fong Rubber Indonesia	Manufacturing and Sales	1	1	Note 2

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: PT Hwa Fong Rubber Indonesia, a subsidiary of the Company, was established on February 7, 2017 and is 99% owned by PT Hwa Fong Rubber Indonesia, and 1% owned by HFT HOLDING CO., LTD.

Note 3: The Group has resolved by the board of directors on August 9, 2023 to increase the investment in Hwa Fong Rubber (Hong Kong) Limited by the amount of USD7,000 thousand. The registration of changes of the capital increase proposal has been approved by the local competent authorities, and the proposal has been submitted to competent authorities for future reference.

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 non-controlling interests totaled NT\$1,581,408 thousand and NT\$1,567,307 thousand as of December 31, 2023 and 2022, respectively, and the following is information about the Group's non-controlling interests and subsidiaries that are material to the Group :

<u>Name of Subsidiary</u>	<u>Main Business Locations</u>	<u>Non-controlling interests</u>			
		<u>December 31, 2023</u>		<u>December 31, 2022</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hwa Fong Rubber (Thailand) Public Co., Ltd.	Thailand	\$1,581,408	49.58%	\$1,567,307	49.58%

Summarized financial information of subsidiaries :

Balance sheets

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Assets	\$ 2,118,915	\$ 2,008,391
Non-current assets	1,507,240	1,573,589
Current liabilities	(391,356)	(375,975)
Non-current liabilities	(44,205)	(43,358)
Total Net Assets	<u>\$ 3,190,594</u>	<u>\$ 3,162,647</u>

Statement of Comprehensive Income

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	<u>\$ 2,332,169</u>	<u>\$ 2,849,836</u>

Net income before taxes	262,473	361,012
Income tax expense	(43,291)	(59,317)
Net income for the period	219,181	301,695
Other comprehensive income (net of tax)	26,855	218,381
Total comprehensive income or loss for the period	\$ 246,036	\$ 520,076
Total comprehensive income attributable to non- controlling interests	\$ 122,225	\$ 258,125
Dividends paid to non-controlling interests	\$ 108,116	\$ 119,101

Statement of Cash Flow

Hwa Fong Rubber (Thailand) Public Co., Ltd.

Years ended December 31,

	2023	2022
Net cash inflow from operating activities	\$ 442,690	\$ 654,567
Net cash outflow from investing activities	(59,330)	(141,168)
Net cash outflow from financing activities	(220,878)	(244,927)
Effect of exchange rate changes on cash and cash equivalents	(815)	26,064
Decrease in cash and cash equivalents	161,667	294,536
Cash and cash equivalents at the beginning of the period	842,706	548,170
Cash and cash equivalents at the end of the period	\$ 1,004,373	\$ 842,706

(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 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 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.
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 at fair value through other comprehensive income 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. 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 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 an 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 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 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 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 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 incurredSubsequent 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 borrowings 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

Employee compensation and remuneration to directors 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, affects neither accounting profit nor taxable income (tax loss), and does not give rise to equal taxable and deductible temporary differences. 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 Segment 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 counterparties in specific future periods and is subject to significant changes.

As of December 31, 2023, the carrying amount of the Group's accounts receivable was \$589,029 thousand

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, 2023, the carrying amount of the Group's inventories was \$1,011,959 thousand

(6) Description of significant accounting items

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 340	\$ 361
Check Deposit and Demand Deposit	2,255,384	1,589,892
Cash equivalents		
Time deposits	240,854	86,225
Commercial papers	-	26,223
Total	<u>\$ 2,496,578</u>	<u>\$ 1,702,701</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 borrowings 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 6(4) and 8.

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

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Items :		
Mandatory financial assets at fair value through profit or loss		
Listed OTC stocks	\$ 144,480	\$ 147,209
Valuation adjustments	(35,985)	(30,518)
Total	<u>\$ 108,495</u>	<u>\$ 116,691</u>

The breakdown of financial assets recognized at fair value through profit or loss is as follows :

<u>Item</u>	<u>2023</u>	<u>2022</u>
Current Items :		
Mandatory financial assets at fair value through profit or loss		
Equity Tools	<u>(\$ 6,884)</u>	<u>(\$ 29,660)</u>

(3) Financial assets at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Items :		
Equity Tools		
Unlisted, OTC, Emerging Stocks	\$ 35,240	\$ 35,240
Valuation adjustments	(35,240)	(35,240)
Total	<u>\$ -</u>	<u>\$ -</u>
Non-current items :		

Equity Tools

Private placement of stocks by listed counter companies	\$ 249,980	\$ 249,980
Valuation adjustments	<u>17,813</u>	<u>(16,194)</u>
Total	<u>\$ 267,793</u>	<u>\$ 233,786</u>

1. The Group has elected to classify equity investments in strategic investments as financial assets at fair value through other comprehensive income, and the fair values of these investments were \$267,793 thousand and \$233,786 thousand as of December 31, 2023 and 2022, respectively.
2. The breakdown of financial assets at fair value through other comprehensive income recognized in profit or loss and comprehensive income or loss is as follows :

	<u>2023</u>	<u>2022</u>
<u>Equity tools measured at fair value through other comprehensive income or loss</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ 34,007</u>	<u>\$ 5,889</u>

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 \$267,793 thousand and \$233,786 thousand as of December 31, 2023 and 2022, respectively.
4. For information on the credit risk of financial assets 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, 2023</u>	<u>December 31, 2022</u>
Current Items :		
Time Deposit (over 3 months)	<u>\$ 86,927</u>	<u>\$ 26,475</u>
Non-current items.		
Restricted Time Deposits	\$ 14,981	\$ 18,382
Restricted demand deposits	<u>53,339</u>	<u>84,219</u>
Total	<u>\$ 68,320</u>	<u>\$ 102,601</u>

1. The amount of maximum exposure to credit risk on December 31, 2023 and 2022, 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. As the transaction counterparties of the investments in certificates of time deposits are financial institutions with good credit quality, the expected possibility of default is very low.

(5) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 28,385	\$ 24,321
Less: Allowance for losses	(82)	(82)
	<u>\$ 28,303</u>	<u>\$ 24,239</u>
Accounts receivable	\$ 829,399	\$ 946,817
Less: Allowance for losses	(240,370)	(234,025)
	<u>\$ 589,029</u>	<u>\$ 712,792</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>	<u>Accounts receivable</u>	<u>Notes Receivable</u>
Not overdue	\$534,762	\$28,385	\$611,803	\$24,321
Within 90 days past due	77,531	-	109,721	-
91-120 days past due	8	-	2,133	-
121-180 days past due	3,273	-	6,066	-
181-365 days past due	575	-	743	-
Over 1 year past due	<u>213,250</u>	<u>-</u>	<u>216,351</u>	<u>-</u>
	<u>\$829,399</u>	<u>\$28,385</u>	<u>\$946,817</u>	<u>\$24,321</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, 2023 and 2022 were generated from customer contracts, and the balance of receivables from customer contracts as of January 1, 2022 was \$1,153,882 thousand.
- As of December 31, 2023 and 2022, the Group had \$44,977 thousand and \$42,675 thousand 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, 2023 and 2022 is \$169,894 thousand and \$212,652 thousand, 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 on December 31, 2023 and 2022, 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, 2023</u>	
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 436,158	(\$ 19,535)	\$ 416,623
In-process products	53,350	(160)	53,190
Finished goods	454,331	(46,008)	408,323
Merchandise Inventory	135,306	(15,329)	119,977
Inventory in transit	<u>13,846</u>	<u>-</u>	<u>13,846</u>
Total	<u>\$ 1,092,991</u>	<u>(\$ 81,032)</u>	<u>\$ 1,011,959</u>

		<u>December 31, 2022</u>	
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw Materials	\$ 509,363	(\$ 33,455)	\$ 475,908
In-process products	88,574	(16,751)	71,823
Finished goods	489,402	(33,064)	456,338
Merchandise Inventory	72,400	(14,688)	57,712
Inventory in transit	<u>8,294</u>	<u>-</u>	<u>8,294</u>
Total	<u>\$ 1,168,033</u>	<u>(\$ 97,958)</u>	<u>\$ 1,070,075</u>

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

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 3,480,238	\$ 4,289,579
Loss on decline in value of inventories	33,952	6,206
Less allocation of fixed manufacturing costs	40,301	44,744
Inventory loss (gain)	(172)	238
Revenue from sale of underlay	(1,797)	(2,452)
Provision - reorganization	<u>95,961</u>	<u>-</u>
Total	<u>\$ 3,648,483</u>	<u>\$ 4,338,315</u>

(7) Investments accounted for using 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, 2023</u>	<u>December 31, 2022</u>
INALWAYS CORPORATION	\$ 429,753	\$ 437,919
The Ascent (Thailand) Co., Ltd.	<u>1,045</u>	<u>1,036</u>
	430,798	438,955
Less: Accumulated impairment	<u>(153,319)</u>	<u>(153,319)</u>
	<u>\$ 277,479</u>	<u>\$ 285,636</u>

	<u>2023</u>	<u>2022</u>
Share of profits and losses of affiliated companies and joint ventures recognized under the equity method of investment	(\$ 7,519)	(\$ 1,597)
Other comprehensive income (net of tax)	(740)	(2,350)
Total consolidated profit or loss for the period	<u>(\$ 8,259)</u>	<u>(\$ 3,947)</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 \$178,322 thousand and \$191,769 thousand as of December 31, 2023 and 2022, respectively.

(Blank below)

(8) Property, plant and equipment

	<u>2023</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Exchange rate impact number</u>
Cost					<u>Ending Balance</u>
Land	\$ 1,141,211	\$ -	\$ -	\$ -	\$ 1,143,634
Land Improvements	8,873	-	-	-	8,873
Building and construction	1,841,271	8,066	(607,837)	350	1,245,457
Machinery and Equipment	5,700,918	36,968	(1,370,273)	32,395	4,397,484
Test Equipment	96,080	548	(18,577)	-	78,051
Transportation Equipment	53,128	3,573	(10,512)	-	46,172
Office Equipment	239,179	1,416	(132,835)	-	106,278
Unfinished work and equipment to be tested	84,387	47,406	-	(13,350)	119,331
	<u>\$ 9,165,047</u>	<u>\$ 97,977</u>	<u>(\$ 2,140,034)</u>	<u>\$ 19,395</u>	<u>\$ 7,145,280</u>
Accumulated depreciation					
Land Improvements	(\$ 6,416)	(\$ 525)	\$ -	\$ -	(\$ 6,941)
Building and construction	(769,241)	(38,728)	152,987	-	(656,568)
Machinery and equipment	(3,891,815)	(142,436)	706,935	-	(3,327,073)
Testing equipment	(77,670)	(4,210)	18,577	-	(63,303)
Transportation equipment	(37,561)	(5,173)	9,695	-	(33,015)
Office Equipment	(175,399)	(4,321)	118,719	-	(60,217)
	<u>(\$ 4,958,102)</u>	<u>(\$ 195,393)</u>	<u>\$ 1,006,913</u>	<u>\$ -</u>	<u>(\$ 4,147,117)</u>
Cumulative Impairment					
Machinery and equipment	(\$ 817,010)	(\$ 83,676)	\$ 643,581	\$ -	(\$ 250,675)
Transportation equipment	(2,397)	-	332	-	(2,025)
Office Equipment	(34,951)	(16,349)	14,115	-	(36,504)
	<u>(\$ 854,358)</u>	<u>(\$ 100,025)</u>	<u>\$ 658,028</u>	<u>\$ -</u>	<u>(\$ 289,204)</u>
	<u>\$ 3,352,587</u>				<u>\$ 2,708,959</u>

	<u>Beginning balance</u>	<u>2022</u>					<u>Ending Balance</u>
Cost		<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Exchange rate impact number</u>		
Land	\$ 1,135,076	\$ -	(\$ 14,049)	\$ -	\$ 20,184	\$ 1,141,211	
Land Improvements	8,873	-	-	-	-	8,873	
Building and construction	1,776,124	8,637	(6,105)	365	62,250	1,841,271	
Machinery and Equipment	5,383,485	38,280	(128,255)	224,799	182,609	5,700,918	
Test Equipment	98,420	-	(2,340)	-	-	96,080	
Transportation Equipment	56,180	3,438	(8,230)	-	1,740	53,128	
Office Equipment	236,184	6,326	(8,838)	-	5,507	239,179	
Unfinished work and equipment to be tested	266,501	16,516	-	(209,069)	10,439	84,387	
	<u>\$ 8,960,843</u>	<u>\$ 73,197</u>	<u>(\$ 167,817)</u>	<u>\$ 16,095</u>	<u>\$ 282,729</u>	<u>\$ 9,165,047</u>	
Accumulated depreciation							
Land Improvements	(\$ 5,890)	(\$ 525)	\$ -	\$ -	(\$ 1)	(\$ 6,416)	
Building and construction	(704,630)	(46,150)	4,566	-	(23,027)	(769,241)	
Machinery and equipment	(3,693,148)	(145,907)	82,033	-	(134,793)	(3,891,815)	
Testing equipment	(74,600)	(5,410)	2,340	-	-	(77,670)	
Transportation equipment	(38,772)	(4,983)	7,467	-	(1,273)	(37,561)	
Office Equipment	(175,010)	(4,385)	8,171	-	(4,175)	(175,399)	
	<u>(\$ 4,692,050)</u>	<u>(\$ 207,360)</u>	<u>\$ 104,577</u>	<u>\$ -</u>	<u>(\$ 163,269)</u>	<u>(\$ 4,958,102)</u>	
Cumulative Impairment							
Machinery and equipment	(\$ 848,096)	\$ -	\$ 44,050	\$ -	(\$ 12,964)	(\$ 817,010)	
Transportation equipment	(2,361)	-	-	-	(36)	(2,397)	
Office Equipment	(34,440)	-	-	-	(511)	(34,951)	
	<u>(\$ 884,897)</u>	<u>\$ -</u>	<u>\$ 44,050</u>	<u>\$ -</u>	<u>(\$ 13,511)</u>	<u>(\$ 854,358)</u>	
	<u>\$ 3,383,896</u>					<u>\$ 3,352,587</u>	

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

	<u>2023</u>	<u>2022</u>
Capitalization Amount	\$ <u>11</u>	\$ <u>163</u>
Capitalization Rate Range	<u>1.99%</u>	<u>1.67%</u>

2. The cumulative impairment loss of \$289,204 thousand recognized by the Group for the year ended December 31, 2023 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. Recoverable amount is estimated by fair value less the cost of disposal. As the fair value measurement uses significant unobservable inputs, it is classified as level 3.
 3. As the Group sold part of the machinery and equipment with impairment losses recognized in 2023 and 2022, the decrease in accumulated impairment amounted to NT\$658,028 thousand and NT\$44,050thousand, respectively.
 4. The Group purchased the land in Zhenan Section and Shangmei Section in Dacun Township adjacent to the factory for the purpose of plant expansion. As of December 31, 2023, as the aforementioned land is agricultural land, the ownership of the land cannot be transferred to the Group. Therefore, the ownership is registered under a personal name. The Group has signed a contract to transfer the ownership at any time according to the laws and regulations, and the land above has been pledged to the Group.
As a result of the former Chairman's personal lawsuit, the above-mentioned land in Shangmei Section 39 and 40 was distraint by the Civil Enforcement Office of Changhua District Court on February 20, 2022, and the income has been distributed on March 16, 2022. The Group has received the payment allocated of NT\$19,139 thousand, and recognized gains on disposal of NT\$3,398 thousand under "other gains and losses."
 5. In order to save administrative costs, activate assets, and enhance working capital, the Group signed the formal assets purchase agreement with Changshu Economic Development Zone Construction Development Co., Ltd. in May 2023, to dispose 184,222 square meters of land use right, and 111,150.54 square meters of buildings and structures located on Xingye Rd., Changshu City, Suzhou Province held by HWA FONG RUBBER (SUZHOU) CO., LTD. The transaction is completed in June 2023, and the gains on disposal of property, plant and equipment amounted to \$455,212 thousand, recognized as "other gains and losses." As of December 31, 2023, the total transaction amount of \$1,175,300 thousand has been collected in full.
 6. For information on guarantees provided by property, plant and equipment, please refer to Note 8.
- (9) Lease transaction - Lessee
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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 282	\$ 38,534
Transportation equipment(business vehicles)	<u>2,513</u>	<u>3,470</u>
	<u>\$ 2,795</u>	<u>\$ 42,004</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 611	\$ 1,195
Transportation equipment (business vehicles)	<u>1,805</u>	<u>2,880</u>
	<u>\$ 2,416</u>	<u>\$ 4,075</u>

4. The additions to the Group's right-of-use assets amounted to \$828 thousand and \$643 thousand in 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 62	\$ 88
Charges under short-term lease contracts	9,004	1,397
Charges for leases of low-value assets	<u>350</u>	<u>279</u>
	<u>\$ 9,416</u>	<u>\$ 1,764</u>

6. The Group's total lease cash outflow was \$11,184 thousand and \$4,535 thousand in 2023 and 2022, respectively.
7. In order to save administrative costs, activate assets, and enhance working capital, the Group signed the formal assets purchase agreement with Changshu Economic Development Zone Construction Development Co., Ltd. in May 2023, to dispose 184,222 square meters of land use right, and 111,150.54 square meters of buildings and structures located on Xingye Rd., Changshu City, Suzhou Province held by HWA FONG RUBBER (SUZHOU) CO., LTD by the total amount of 1,175,300 thousand. The transaction is completed in June 2023, and the gains on disposal of property, plant and equipment amounted to \$455,212 thousand, recognized as "other gains and losses." As of December 31, 2023, the total transaction amount of \$1,175,300 thousand has been collected in full.

(10) Net investment property

<u>2023</u>					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Effect of exchange rate</u>
Cost					
Land	<u>\$196,741</u>	<u>\$ -</u>	<u>(\$ 66,732)</u>	<u>\$ -</u>	<u>(\$ 1,874)</u>
<u>2022</u>					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Effect of exchange rate</u>
Cost					
Land	<u>\$194,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,385</u>

1. The fair values of investment properties held by the Group as of December 31, 2023 and 2022 were approximately \$128,665 thousand and \$196,640 thousand, respectively, based on the valuation by independent valuation experts, which is based on the market approach and is a Level 3 fair value.
2. The Group disposed 82,781 square meters of land held by PT Hwa Fong Rubber Indonesia in Indonesia in the fourth quarter of 2023, by total amount of \$75,074 thousand, and gains on disposal amounted \$8,342 thousand, recognized as “other gains and losses.” As of December 31, 2023, the total transaction amount has been collected in full.

(11) Short-term borrowings

<u>Nature of loan</u>	<u>December 31, 2023</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank Loans			
Credit Loan	\$ 360,000	1.70%~1.81%	None
Purchase Loan	<u>1,354</u>	6.77%	None
	<u>\$ 361,354</u>		
<u>Nature of Loan</u>	<u>December 31, 2022</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
Bank loan			
Credit Loan	\$ 577,154	1.40%~6.05%	None
Guaranteed Loan	<u>45,990</u>	6.80%	Property, plant, equipment
	<u>\$ 623,144</u>		

1. Interest expense recognized in profit or loss was \$16,996 thousand and \$14,494 thousand in 2023 and 2022, 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) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables for plant restoration and relocation expenses	\$ 61,629	\$ -
Salaries and bonuses payable	102,466	104,932
Taxes payable	29,874	35,846

Payables for equipment	5,798	9,051
Employees' remuneration payable	13,714	10,730
Remuneration to directors and supervisors	8,188	6,100
Repair and maintenance expenses payable	5,093	6,432
Packaging costs payable	2,959	4,876
Interest payable	1,701	1,587
Other payables	50,959	74,600
Total	<u>\$ 282,381</u>	<u>\$ 254,154</u>

(13) Provisions

	<u>2023</u>	<u>2022</u>
Balance as of January 1	\$ 3,793	\$ 17,207
Increase in provisions for the period	136,455	-
Decrease in provisions for the period	(44,109)	(13,713)
Effect of exchange rate	(1,516)	299
Balance as of December 31	<u>\$ 94,623</u>	<u>\$ 3,793</u>

The analysis of the provision is as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 94,623</u>	<u>\$ 3,793</u>

1. 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 thousand in fiscal 2020 for expected restructuring costs, including termination costs and employee termination benefits, which has been completed in fiscal 2023. The provision was reduced by \$3,821 thousand and \$13,713 thousand in 2023 and 2022 as a result of the actual incurred liabilities.
2. Due to the relocation strategies of the subsidiary in Mainland China, the Group disposed the land and plant located in Changshu City, Suzhou Province. The Group has proposed a reorganization plan, which describes the effects and the reorganization proposal provided by the Group, as well as the amount payables for the adjustments accordingly in accordance with the regulations. The plan was initiated at the end of the reporting period of the consolidated financial statements for the six months ended June, 2023, so the Group recognized a provision of \$136,455 thousand in the second quarter of 2023 for expected restructuring costs, which include mainly costs of termination of contracts. The reorganization is expected to be completed in 2024. The provision was reduced by \$40,288 thousand in 2023 as a result of the actual incurred liabilities.

(14) Long-term borrowings

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Bank Guaranteed Syndicated Loans	Interest will be paid monthly from December 15, 2023 to December 15, 2028 with principal repaid semi-annually	2.39%	Property, plant, equipment and demand deposits	\$ 1,000,000
Bank Guaranteed Loans	Interest is payable and principal is repaid monthly from April 14, 2021 to April 14, 2024	2.28%	Property, plant and equipment	29,390
Bank Credit Loan	Interest is payable monthly from July 13, 2021 to July 13, 2024, with principal repayment on the due date.	1.86%	NONE	150,000
Bank Credit Loan	Interest is payable monthly from November 22, 2023 to May 20, 2024, with principal repayment on the due date.	1.83%	NONE	100,000
				1,279,390
Less: Long-term borrowings due within one year or one business cycle				(279,390)
				<u>\$ 1,000,000</u>

<u>Nature of loan</u>	<u>Loan Period and Repayment Method</u>	<u>Interest Rate Range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Bank Guaranteed Syndicated Loans	Interest will be paid monthly from July 15, 2019 to July 15, 2024, with principal repaid semi-annually	2.00%	Property, plant, equipment and demand deposits	\$ 974,700
Bank Guaranteed Loans	Interest is payable monthly from September 13, 2018 to September 13, 2023	2.10%	Property, plant and equipment	92,500
Bank Guaranteed Loans	Interest is payable and principal is repaid monthly from April 14, 2021 to April 14, 2024	1.90%	Property, plant and equipment	41,990
Bank Credit Loan	Interest is payable monthly from July 13, 2021 to July 13, 2024, with principal repayment on the due date.	1.61%	NONE	150,000
Bank Credit Loan	Interest is payable monthly from November 29, 2022 to October 12, 2024, with principal	1.75%	NONE	50,000
Other long-term borrowings	Interest is payable monthly from March 16, 2021 to August 22, 2024	6.75%	Property, plant and equipment	250,940
				1,560,130
Less: Long-term borrowings due within one year or one business cycle				(250,685)
				<u>\$ 1,309,445</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 signed a joint credit agreement of \$2,000,000 thousand on November 29, 2023 with Land Bank Corporation as the host bank and a syndicate of nine financial companies including Land Bank Corporation as the lending bank, with Land Bank Corporation and Bank of Taiwan 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.
3. 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, 2023, the Group has not violated the above terms.
4. 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.

(15) 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, 2023</u>	<u>December 31, 2022</u>
	\$ 33,637	\$ 57,496
Fair value of plan assets	(17,053)	(32,786)
Present value of defined benefit obligation	<u>\$ 16,584</u>	<u>\$ 24,710</u>
Net defined benefit liability (recognized as other non-current liabilities)		

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

	<u>2023</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 57,496	(\$ 32,786)	\$ 24,710
Current service cost	755	-	755
Interest expense (income)	<u>719</u>	<u>(456)</u>	<u>263</u>
	<u>58,970</u>	<u>(33,242)</u>	<u>25,728</u>
Remeasurements :			
Return on planned assets (excluding amounts included in interest income or expenses)	-	(376)	(376)
Experience Adjustment	<u>845</u>	<u>-</u>	<u>845</u>
	<u>845</u>	<u>(376)</u>	<u>469</u>
Contribute to retirement funds	-	(6,408)	(6,408)
Payment of pensions	<u>(26,178)</u>	<u>22,973</u>	<u>(3,205)</u>
December 31	<u>\$ 33,637</u>	<u>(\$ 17,053)</u>	<u>\$ 16,584</u>
	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit obligation</u>
January 1	\$ 89,706	(\$ 47,768)	\$ 41,938
Current service cost	1,228	-	1,228
Interest expense (income)	<u>673</u>	<u>(389)</u>	<u>284</u>
	<u>91,607</u>	<u>(48,157)</u>	<u>43,450</u>
Remeasurements :			
Return on planned assets (excluding amounts included in interest income or expenses)	-	(3,668)	(3,668)
Effects of changes in demographic assumptions	(2,667)	-	(2,667)
Experience Adjustment	<u>(1,398)</u>	<u>-</u>	<u>(1,398)</u>
	<u>(4,065)</u>	<u>(3,668)</u>	<u>(7,733)</u>
Contribute to retirement funds	-	(7,362)	(7,362)
Payment of pensions	<u>(30,046)</u>	<u>26,401</u>	<u>(3,645)</u>
December 31	<u>\$ 57,496</u>	<u>(\$ 32,786)</u>	<u>\$ 24,710</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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Discount rate	<u>1.25%</u>	<u>1.25%</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, 2023</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 890)</u>	<u>\$ 923</u>	<u>\$ 3,842</u>	<u>(\$ 3,374)</u>
<u>December 31, 2022</u>				
Effect on the present value of defined benefit obligations	<u>(\$ 1,264)</u>	<u>\$ 1,309</u>	<u>\$ 5,434</u>	<u>(\$ 4,810)</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 \$6,408 thousand as contribution to the retirement plan in 2024.

(7) As of December 31, 2022, the weighted average duration of the retirement plan is 12.9 years. An analysis of the maturity of pension payments is as follows.

Less than 1 year	\$ 15,909
1-2 years	1,744
2-5 years	5,292
More than 5 years	<u>8,482</u>
	<u>\$ 31,427</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 2023 and 2022, the Company and its domestic subsidiaries recognized pension costs of \$12,965 thousand and \$14,062 thousand, 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 the year of 2541 in Buddhist calendar (1998), and recognized a net liability of \$44,205 thousand and \$43,358 thousand in the balance sheet as of December 31, 2023 and 2022, respectively, based on the projected unit benefit law. In accordance with the Retirement Reserve Act of the year of 2530 in Buddhist calendar (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 costs recognized under the above pension plan were \$4,891 thousand and \$6,874 thousand in 2023 and 2022, respectively.
- (3) The gains on remeasurement of net defined benefit liabilities recognized under the above pension plan were \$0 and \$17,308 thousand in 2023 and 2022, respectively.
4. (1) The Group's subsidiaries in Mainland China 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 \$7,087 thousand and \$11,779 thousand in 2023 and 2022, respectively.

(16) Share capital

The Company's authorized capital was NT\$10,000,000 thousand, paid-in capital was NT\$2,793,492 thousand with a par value of NT\$10 per share and 279,349 thousand shares outstanding as of December 31, 2023. The numbers of outstanding shares did not change for the years ended December 31, 2023 and 2022. The Company has received payment for all issued shares.

(17) 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>2023</u>		
	<u>Changes in net equity of affiliated companies</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 37,015	\$ 275	\$ 37,290
Recognition of changes in equity in affiliates based on shareholding	<u>(116)</u>	<u>-</u>	<u>(116)</u>
December 31	<u>\$ 36,899</u>	<u>\$ 275</u>	<u>\$ 37,174</u>

	<u>2022</u>		
	<u>Changes in net equity of affiliated companies</u>	<u>Other</u>	<u>Total</u>
January 1 (December 31)	<u>\$ 37,015</u>	<u>\$ 275</u>	<u>\$ 37,290</u>

(18) 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. 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.
6. The Board of Directors resolved the distribution of the Company's semi-annual earnings for the year 2021, 2022 and 2023 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>\$ 78,923</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>

	<u>2nd half of 2022</u>	<u>1st half year 2022</u>
Date of Board Resolution	March 15, 2023	August 10, 2022
Legal reserve	<u>\$ 16,738</u>	<u>\$ 14,028</u>

Special reserve	<u>(\$ 103,115)</u>	<u>(\$ 36,549)</u>
Cash dividends	<u>\$ 111,740</u>	<u>\$ 139,675</u>
Dividend per share (NT\$)	<u>\$ 0.4</u>	<u>\$ 0.5</u>

	<u>2nd half of 2023</u>	<u>1st half year 2022</u>
Date of Board Resolution	March 13, 2024	August 9, 2023
Legal reserve	<u>\$ 24,200</u>	<u>\$ 17,997</u>
Special reserve	<u>(\$ 6,321)</u>	<u>(\$ 2,968)</u>
Cash dividends	<u>\$ 223,480</u>	<u>\$ 111,740</u>
Dividend per share (NT\$)	<u>\$ 0.8</u>	<u>\$ 0.4</u>

The aforementioned legal reserve and special reserve for the appropriation of earnings for 2022 and 2021 has been resolved by the shareholders' meeting on June 16, 2023 and June 14, 2022, respectively. As of March 13, 2024, the legal reserve and special reserve for the appropriation of earnings for 2023 will be resolved by 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.

(19) Other equity items

	<u>Unrealized evaluation</u>	<u>2023</u>	
	<u>gain or loss</u>	<u>Foreign currency</u>	<u>Total</u>
		<u>translation</u>	
January 1	(\$ 54,741)	\$ 45,452	(\$ 9,289)
Valuation adjustment			
–Group	34,007	-	34,007
–Associates	(700)	-	(700)
Foreign currency translation differences.			
–Group	-	7,218	7,218
–Group tax	-	(1,443)	(1,443)
–Associates	-	(1)	(1)
December 31	<u>(\$ 21,434)</u>	<u>\$ 51,226</u>	<u>\$ 29,792</u>

	<u>Unrealized evaluation</u>	<u>2022</u>	
	<u>gain or loss</u>	<u>Foreign currency</u>	<u>Total</u>
		<u>translation</u>	
January 1	(\$ 57,966)	(\$ 90,985)	(\$ 148,951)
Valuation adjustment			
–Group	5,889	-	5,889
–Associates	(2,664)	-	(2,664)
Foreign currency translation differences.			
–Group	-	170,113	170,113
–Group tax	-	(34,110)	(34,110)
–Associates	-	434	434
December 31	<u>(\$ 54,741)</u>	<u>\$ 45,452</u>	<u>(\$ 9,289)</u>

(20) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts	<u>\$ 4,674,300</u>	<u>\$ 5,414,345</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 :

2023	<u>All kinds of tires</u>				
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Total</u>
Taiwan	\$ 677,354	\$ -	\$ -	\$ 16,637	\$ 693,991
Thailand	12,929	-	-	772,630	785,559
USA	466,710	856	646,040	88,901	1,202,507
China	2,261	84,474	-	4,866	91,601
Other	937,401	14,655	-	1,449,135	2,401,191
Revenue from internal departmental transactions	(423,116)	(7,996)	-	(69,437)	(500,549)
Departmental Revenue	<u>\$1,673,539</u>	<u>\$ 91,989</u>	<u>\$ 646,040</u>	<u>\$2,262,732</u>	<u>\$4,674,300</u>

2022	<u>All kinds of tires</u>				
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Total</u>
Taiwan	\$ 766,389	\$ 5,101	\$ -	\$ 30,365	\$ 801,855
Thailand	18,060	-	-	679,753	697,813
USA	386,603	1,324	618,570	87,075	1,093,572
China	2,526	127,748	-	2,018	132,292
Other	1,052,390	129,348	-	2,050,625	3,232,363
Revenue from internal departmental transactions	(405,124)	(67,909)	-	(70,517)	(543,550)
Departmental Revenue	<u>\$1,820,844</u>	<u>\$ 195,612</u>	<u>\$ 618,570</u>	<u>\$2,779,319</u>	<u>\$5,414,345</u>

2. Contract liabilities and refund liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities - receipts in advance	<u>\$ 72,700</u>	<u>\$ 74,453</u>	<u>\$ 78,580</u>
Refund liabilities (Note)	<u>\$ 20,684</u>	<u>\$ 15,630</u>	<u>\$ 17,544</u>

Note: Refund liabilities are incurred from estimation of sales allowances, recognized as other current liabilities.

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

	<u>2023</u>	<u>2022</u>
Contract liabilities – receipts in advance	<u>\$ 63,329</u>	<u>\$ 72,058</u>

(21) Interest income

	<u>2023</u>	<u>2022</u>
Bank Deposit Interest	<u>\$ 23,400</u>	<u>\$ 4,785</u>
	<u>\$ 23,400</u>	<u>\$ 4,785</u>

(22) Other income

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 2,553	\$ 2,191
Other income – others	<u>23,416</u>	<u>34,612</u>

	<u>\$ 25,969</u>	<u>\$ 36,803</u>
(23) <u>Other gains and losses</u>		
	<u>2023</u>	<u>2022</u>
Gains on disposal of property, plant and equipment, and right-of-use assets	\$ 466,138	\$ 49,711
Gains on disposal of investment properties	8,342	-
Foreign currency exchange gains (losses)	(4,833)	52,703
Loss on financial assets at fair value through profit or loss	(6,884)	(29,660)
Impairment losses of non-financial assets		
-Property, plant and equipment	(100,025)	-
-Others	(3,657)	-
Other gains and losses	<u>(20,281)</u>	<u>(8,331)</u>
	<u>\$ 338,800</u>	<u>\$ 64,423</u>

(24) <u>Finance costs</u>		
	<u>2023</u>	<u>2022</u>
Interest charges.		
Bank borrowings	\$ 52,067	\$ 56,417
Lease liabilities	62	88
Other finance costs	-	127
Less: Assets that meet the capitalization criteria	<u>(11)</u>	<u>(163)</u>
	<u>\$ 52,118</u>	<u>\$ 56,469</u>

(25) <u>Additional information on the nature of expenses</u>		
	<u>2023</u>	<u>2022</u>
Employee Benefit Costs		
Salary Costs	\$ 814,100	\$ 893,765
Labor and Health Insurance	50,616	52,349
Pension Costs	25,961	34,227
Other Employment Costs	<u>157,986</u>	<u>21,675</u>
Subtotal	<u>\$ 1,048,663</u>	<u>\$ 1,002,016</u>
Depreciation expense	<u>\$ 197,809</u>	<u>\$ 211,435</u>
Amortization expense	<u>\$ 419</u>	<u>\$ 512</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' compensations for 2023 and 2022 are \$13,647 thousand and \$10,167 thousand, respectively. And the estimated amount of directors' compensations for 2023 and 2022 are \$8,188 thousand and \$6,100 thousand, respectively. The aforementioned amounts are recorded as salary expense. The amounts of 2023 and 2022 are accrued based on the profitability as of the end of the period and estimated in accordance with the Company's Articles of Incorporation.
3. The amounts of employees' compensation and directors' compensation of 2022 are the same as the amounts recognized in the financial statements of 2022. The employees' compensation and directors' compensation are paid by cash.
4. 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.

(26) Income tax

1. Income tax expense

(1) Income tax expense components:

	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax incurred in the period	\$ 254,452	\$ 164,533
Underestimation of income tax in prior years	<u>1,213</u>	<u>2,125</u>
Total current income tax	<u>255,665</u>	<u>166,658</u>
Deferred income tax:		
Origination and reversal of temporary differences	(<u>3,265</u>)	<u>8,208</u>
Total deferred income tax	(<u>3,265</u>)	<u>8,208</u>
Income tax expenses	<u>\$ 252,400</u>	<u>\$ 174,866</u>

(2) Income taxes related to other comprehensive income :

	<u>2023</u>	<u>2022</u>
Exchange differences between foreign operating companies	\$ 1,443	\$ 34,110
Re-measurement of defined benefit obligation	(<u>94</u>)	<u>5,007</u>
	<u>\$ 1,349</u>	<u>\$ 39,117</u>

2. Relationship between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax on net income before income tax at statutory rate (Note)	\$ 176,644	\$ 143,985
Expenses excluded under the tax law	3,539	4,067
Tax-exempt income	(38,926)	(22,381)
Deferred income tax assets are not recognized for tax losses.	74,589	21,965

Deferred income tax assets not recognized for temporary differences	11,240	879
Underestimation of prior years' income tax	1,213	2,125
Separation tax	21,992	24,226
Others	<u>2,109</u>	<u>-</u>
Income tax expense	<u>\$ 252,400</u>	<u>\$ 174,866</u>

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>2023</u> <u>Recognized in</u> <u>other</u>	<u>Exchange</u>	
	<u>January 1</u>	<u>Recognized in</u>	<u>comprehensive net</u>	<u>Difference</u>	<u>December 31</u>
		<u>profit or loss</u>	<u>income</u>		
Deferred income tax assets:					
-Temporary differences.					
Exchange differences on translation of foreign operations	\$ 17,019	\$ -	(\$ 1,443)	\$ -	\$ 15,576
Unrealized gross profit on sales	3,198	472	-	-	3,670
Unrealized exchange losses	1	2,311	-	-	2,312
Loss on doubtful accounts	20,868	85	-	177	21,130
Pensions	13,544	(1,625)	-	71	11,990
Actuarial gains and losses on defined benefit plans	574	-	-	5	579
Loss on foreign long-term investments	44,375	-	-	-	44,375
Other	<u>15,278</u>	<u>676</u>	<u>-</u>	<u>44</u>	<u>15,998</u>
Subtotal	<u>\$114,857</u>	<u>\$ 1,919</u>	<u>(\$ 1,443)</u>	<u>\$ 297</u>	<u>\$115,630</u>
Deferred income tax liabilities:					
Provision for land value increment tax	(142,398)	-	-	-	(142,398)
Unrealized exchange gains	(295)	295	-	-	-
Actuarial gains on defined benefit plans	(841)	-	94	-	(747)
Gain on foreign long-term investment	(123,065)	(162)	-	-	(123,227)
Other	<u>(4,154)</u>	<u>1,213</u>	<u>-</u>	<u>(17)</u>	<u>(2,958)</u>
Sub-total	<u>(\$270,753)</u>	<u>\$ 1,346</u>	<u>\$ 94</u>	<u>(\$ 17)</u>	<u>(\$269,330)</u>
Total	<u>(\$155,896)</u>	<u>\$ 3,265</u>	<u>(\$ 1,349)</u>	<u>\$ 280</u>	<u>(\$153,700)</u>

			<u>2022</u> <u>Recognized in</u> <u>other</u>	<u>Exchange</u>	
	<u>January 1</u>	<u>Recognized in</u>	<u>comprehensive net</u>	<u>Difference</u>	<u>December 31</u>
		<u>profit or loss</u>	<u>income</u>		
Deferred income tax assets:					
-Temporary differences.					
Exchange differences on translation of foreign operations	\$ 51,129	\$ -	(\$ 34,110)	\$ -	\$ 17,019
Unrealized gross profit on sales	3,872	(674)	-	-	3,198

Unrealized exchange losses	2,806	(2,805)	-	-	1
Loss on doubtful accounts	19,559	(72)	-	1,381	20,868
Pensions	15,028	(2,038)	-	554	13,544
Actuarial gains and losses on defined benefit plans	4,616	-	(4,166)	124	574
Loss on foreign long-term investments	44,375	-	-	-	44,375
Other	<u>11,402</u>	<u>3,652</u>	<u>-</u>	<u>224</u>	<u>15,278</u>
Subtotal	<u>\$152,787</u>	<u>(\$ 1,937)</u>	<u>(\$ 38,276)</u>	<u>\$ 2,283</u>	<u>\$114,857</u>
Deferred income tax liabilities:					
Provision for land value increment tax	(142,398)	-	-	-	(142,398)
Unrealized exchange gains	-	(295)	-	-	(295)
Actuarial gains on defined benefit plans	-	-	(841)	-	(841)
Gain on foreign long-term investment	(116,809)	(6,256)	-	-	(123,065)
Other	<u>(4,003)</u>	<u>280</u>	<u>-</u>	<u>(431)</u>	<u>(4,154)</u>
Sub-total	<u>(\$263,210)</u>	<u>(\$ 6,271)</u>	<u>(\$ 841)</u>	<u>(\$ 431)</u>	<u>(\$270,753)</u>
Total	<u>(\$110,423)</u>	<u>(\$ 8,208)</u>	<u>(\$ 39,117)</u>	<u>\$ 1,852</u>	<u>(\$155,896)</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, 2023

<u>Year of occurrence</u>	<u>Amount of declarations /approvals</u>	<u>Amount not yet deducted</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final deductible year</u>
<u>Hwa Fong China</u>				
2019	Approved amount	\$ 163,985	\$ 163,985	2024
2020	Approved amount	97,462	97,462	2025
2021	Approved amount	118,617	118,617	2026
2022	Approved amount	123,635	123,635	2027
2023	Estimated amount of declaration	<u>285,114</u>	<u>285,114</u>	2028
Subtotal		<u>788,813</u>	<u>788,813</u>	
<u>Hwa Fong Suzhou</u>				
2019	Approved amount	22,446	22,446	2024
2021	Approved amount	26,680	26,680	2026
2022	Approved amount	<u>40,273</u>	<u>40,273</u>	2027
Subtotal		<u>89,399</u>	<u>89,399</u>	
<u>Hwa Fong Enterprise</u>				
2014	Approved amount	413	413	2024
2015	Approved amount	36,850	36,850	2025
2016	Approved amount	689	689	2026
2017	Approved amount	170	170	2027
2018	Approved amount	72	72	2028
2019	Approved amount	1,987	1,987	2029
2020	Approved amount	4,044	4,044	2030
2021	Approved amount	128	128	2031
2022	Declared amount	78	78	2032
2023	Estimated amount of declaration	<u>37</u>	<u>37</u>	2033
Subtotal		<u>44,468</u>	<u>44,468</u>	
Total		<u>\$ 922,680</u>	<u>\$ 922,680</u>	

December 31, 2022

<u>Year of occurrence</u>	<u>Amount of declarations /approvals</u>	<u>Amount not yet deducted</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final deductible year</u>
<u>Hwa Fong China</u>				
2018	Approved amount	254,759	254,759	2023
2019	Approved amount	163,985	163,985	2024
2020	Approved amount	97,462	97,462	2025
2021	Approved amount	118,617	118,617	2026
2022	Estimated amount of declaration	<u>90,435</u>	<u>90,435</u>	2027
Subtotal		<u>725,258</u>	<u>725,258</u>	
<u>Hwa Fong Suzhou</u>				
2018	Approved amount	150,736	150,736	2023
2019	Approved amount	22,446	22,446	2024
2021	Estimated amount of declaration	<u>26,680</u>	<u>26,680</u>	2026
Subtotal		<u>199,862</u>	<u>199,862</u>	
<u>Hwa Fong Enterprise</u>				
2013	Approved amount	\$ 910	\$ 910	2023
2014	Approved amount	413	413	2024
2015	Approved amount	36,850	36,850	2025
2016	Approved amount	689	689	2026
2017	Approved amount	170	170	2027
2018	Approved amount	72	72	2028
2019	Approved amount	1,987	1,987	2029
2020	Approved amount	4,044	4,044	2030
2021	Approved amount	128	128	2031
2022	Estimated amount of declaration	<u>78</u>	<u>78</u>	2032
Subtotal		<u>45,341</u>	<u>45,341</u>	
Total		<u>\$ 970,461</u>	<u>\$ 970,461</u>	

5. Deductible temporary differences not recognized as deferred income tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 473,817</u>	<u>\$ 427,492</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 \$89,972 thousand and \$75,336 thousand as of December 31, 2023 and 2022, respectively.
7. The Company's income tax is approved by the tax authorities until 2021, and the subsidiary, Sino-Forest Distribution Corporation, is approved by the tax authorities until 2021.

(27) Earnings per share

		<u>2023</u>	
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousands)</u>	<u>Earnings per share (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>\$422,342</u>	<u>279,349</u>	<u>\$ 1.51</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$422,342	279,349	
Effect of Diluted Potential Common Stock			
Employee Compensation	<u>-</u>	<u>1,070</u>	
Net income for the period attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	<u>\$422,342</u>	<u>280,419</u>	<u>\$ 1.51</u>

		<u>2022</u>	
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousands)</u>	<u>Earnings per share (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>\$294,488</u>	<u>279,349</u>	<u>\$ 1.05</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent for the period	\$294,488	279,349	
Effect of Diluted Potential Common Stock			
Employee Compensation	<u>-</u>	<u>917</u>	
Net income for the period attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	<u>\$294,488</u>	<u>280,266</u>	<u>\$ 1.05</u>

In 2023 and 2022, 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.

(28) Supplemental Cash Flow Information

Investing activities that are only partially paid in cash :

	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 117,372	\$ 89,292
Add: Payable for equipment at the	9,051	20,821

beginning of the period

Prepayments for equipment at the end of the period (listed in the table)

Other non-current assets)	(1,478)	(12,596)
Less: Amount due for equipment at the end of the period	(5,798)	(9,051)
Prepayments for equipment at the beginning of the period (listed in the table)	(12,596)	(16,862)
	<u>\$ 109,507</u>	<u>\$ 96,796</u>

(29) Changes in liabilities arising from financing activities

	<u>2023</u> <u>Short-term</u> <u>borrowings</u>	<u>Long-term borrowings</u> <u>(including current portion)</u>	<u>Lease</u> <u>liabilities</u>	<u>Guaranteed</u> <u>deposits received</u>	<u>Dividends</u> <u>payable</u>	<u>Total liabilities from</u> <u>financing activities</u>
January 1	\$623,144	\$ 1,560,130	\$2,170	\$ 382	\$ -	\$2,185,826
Changes in fundraising cash flow	(264,721)	(279,979)	(1,768)	-	(223,480)	(769,948)
Increase in the current period	-	-	-	-	223,480	223,480
Effect of exchange rate changes	2,931	(761)	4	-	-	2,174
Other non-cash changes	-	-	828	-	-	828
December 31	<u>\$ 361,354</u>	<u>\$ 1,279,390</u>	<u>\$1,234</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$1,642,360</u>

	<u>2022</u> <u>Short-term</u> <u>borrowings</u>	<u>Short-term</u> <u>notes</u> <u>payables</u>	<u>Long-term</u> <u>borrowings</u> <u>(including</u> <u>current portion)</u>	<u>Lease</u> <u>liabilities</u>	<u>Guaranteed</u> <u>deposits</u> <u>received</u>	<u>Dividends</u> <u>payable</u>	<u>Total liabilities from</u> <u>financing activities</u>
January 1	\$727,713	\$49,979	\$1,645,169	\$4,448	\$ 166	\$ -	\$2,427,309
Changes in fundraising cash flow	(123,204)	(49,979)	(89,025)	(2,771)	216	(279,350)	(544,113)
Increase in the current period	-	-	-	-	-	279,350	279,350
Effect of exchange rate changes	18,635	-	3,986	(150)	-	-	22,471
Other non-cash changes	-	-	-	643	-	-	643
December 31	<u>\$623,144</u>	<u>\$ -</u>	<u>\$1,560,130</u>	<u>\$2,170</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$ 2,185,826</u>

(7) Related party transactions

(1) Name and relationship of related parties

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
INALWAYS CORPORATION	Associate
SUMITOMO RUBBER INDUSTRIES, LTD.	Other related party
Changshu Juili Automotive Parts Co., Ltd.	Other related party

(2) Significant transactions with related parties

1. Operating revenue

	<u>2023</u>	<u>2022</u>
Merchandise Sales :		
Other related parties	<u>\$ 78,089</u>	<u>\$ 91,976</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. Receivable from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable :		
Other related parties	<u>\$ 2,648</u>	<u>\$ 9,336</u>

Accounts receivable represent amounts due from related parties for the sale of tires.

3. Payable to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables.		
Other related parties	<u>\$ 2,406</u>	<u>\$ 1,456</u>

Other payables represent amounts due to related parties for rent payables and other payables, etc.

4. Operating Expenses

<u>Item</u>	<u>2023</u>	<u>2022</u>
Other Expenses	\$ 332	\$ 243
Trademark use	<u>2,321</u>	<u>2,169</u>
Total	<u>\$ 2,653</u>	<u>\$ 2,412</u>

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.

5. Manufacturing expenses

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rent expenses		
Other related parties	<u>\$ 6,557</u>	<u>\$ -</u>

The Group rent plant from other related parties. The contract period of the lease is from

August 1, 2023 to December 31, 2023.

6. Property transactions

Disposal of property, plant and equipment:

	<u>2023</u>		<u>2022</u>	
	<u>Consideration</u> <u>received</u>	<u>Gains (losses) on</u> <u>disposal</u>	<u>Consideration</u> <u>received</u>	<u>Gains (losses) on</u> <u>disposal</u>
Associate	\$ <u>-</u>	\$ <u>-</u>	\$ <u>820</u>	\$ <u>58</u>

7. Guaranteed deposits paid

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Guaranteed deposits paid:		
Other related parties	\$ <u>1,290</u>	\$ <u>-</u>

(3) Key management compensation information

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 29,977	\$ 30,204
Post-employment benefits	<u>42</u>	<u>34</u>
Total	\$ <u>30,019</u>	\$ <u>30,238</u>

(8) Pledged assets

The breakdown of guarantees given by the Group's assets is as follows :

<u>Asset items</u>	<u>Carrying amount</u>		<u>Guarantee Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 527,512	\$ 1,067,608	Long-term and short-term borrowings
Restricted assets (Note 1)			
- Demand Deposit	53,339	84,219	Reserve accounts for the syndicated loans
- Time Deposit	14,981	18,382	Performance bonds for oil trading, and construction bonds
Guaranteed deposits paid (Note 2)	2,487	2,659	Construction bonds, and lease bonds
	\$ <u>598,319</u>	\$ <u>1,172,868</u>	

Note 1: The item is recognized under "Financial assets at amortized cost - non-current".

Note 2: The item is recognized under "Other non-current assets".

(9) Significant contingent liabilities and unrecognized contractual commitments

Commitments

1. Capital expenditures contracted for but not yet incurred :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	NTD	\$ 452	\$ 3,610
	THB	\$ 148,645	\$ 8,274
	CNY	\$ 3,301	\$ 6,623
	USD	\$ 106	\$ 235

2. Amount of unused letters of credit issued :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Issued and unused letters of credit0	USD	\$ 45	\$ 329

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, 2023 and 2022 :

	<u>Currency</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Promissory Note	NTD	\$ 3,775,000	\$ 4,125,000
	USD	\$ 5,000	\$ 11,000

(10) Significant disaster losses

Not applicable.

(11) Significant subsequent events

Please refer to Note 6(18) 6. for the explanation of the earnings distribution proposal of 2023.

(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, 2023 and 2022, the Company's gearing ratios are as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 2,912,307	\$ 3,287,504
Total assets	\$ 7,943,246	\$ 8,066,890
Debt-to-Capital Ratio	36.66%	40.75%

(2) Financial instruments

1. Types of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</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>\$ 108,495</u>	<u>\$ 116,691</u>
Financial assets at fair value through other comprehensive income		
Investments in equity instruments designated	<u>\$ 267,793</u>	<u>\$ 233,786</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 2,496,578	\$ 1,702,701
Financial assets measured at amortized cost	155,247	129,076
Notes Receivable	28,303	24,239
Accounts receivable (including related parties)	591,677	722,128
Other receivables	11,861	33,189
Refundable deposits (recognized as other non-current assets)	<u>2,487</u>	<u>2,659</u>
	<u>\$ 3,286,153</u>	<u>\$ 2,613,992</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 361,354	\$ 623,144
Accounts payable	345,088	331,917
Other payables (including related parties)	284,787	255,610
Long-term borrowings (including one year or due within one business cycle)	1,279,390	1,560,130
Deposits to margin (listed as other non-current liabilities)	<u>382</u>	<u>382</u>
Total	<u>\$ 2,271,001</u>	<u>\$ 2,771,183</u>
Lease liabilities	<u>\$ 1,234</u>	<u>\$ 2,170</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 :

		<u>December 31, 2023</u>		<u>Sensitivity Analysis</u>		
		<u>Carrying amount</u>				
<u>Foreign currency</u>	<u>Exchange</u>	<u>(NT\$ 1,000)</u>	<u>Range of</u>	<u>Effect on profit</u>	<u>Effect on other</u>	
<u>(in thousands)</u>	<u>rate</u>		<u>change</u>	<u>or loss</u>	<u>comprehensive</u>	<u>income and loss</u>
(Foreign currency: Functional currency)						
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 11,337	30.66	\$ 347,549	1%	\$3,475	\$ -
EURO : NTD	1,752	33.78	59,186	1%	592	-
USD : THB	44,901	34.77	1,376,434	1%	13,764	-
EURO : THB	315	38.31	10,656	1%	107	-
IDR : THB	35,073,880	0.002	69,457	1%	695	-
RMB : THB	1,418	4.88	6,099	1%	61	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 1,404	30.66	43,041	1%	\$ 430	\$ -
USD : RMB	69	7.13	2,115	1%	21	-
USD : THB	2,343	34.77	71,821	1%	718	-
		<u>December 31, 2022</u>		<u>Sensitivity Analysis</u>		
		<u>Carrying amount</u>				
<u>Foreign currency</u>	<u>Exchange</u>	<u>(NT\$ 1,000)</u>	<u>Range of</u>	<u>Effect on profit</u>	<u>Effect on other</u>	
<u>(in thousands)</u>	<u>rate</u>		<u>change</u>	<u>or loss</u>	<u>comprehensive</u>	<u>income and loss</u>
(Foreign currency: Functional currency)						
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 9,608	30.66	\$ 294,581	1%	\$2,946	\$ -
EURO : NTD	1,616	32.52	52,552	1%	526	-
USD : THB	26,911	35.08	825,091	1%	8,251	-
EURO : THB	441	37.20	14,341	1%	143	-
IDR : THB	92,924	0.002	187	1%	2	-
RMB : THB	9	5.01	39	1%	0	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 815	30.66	\$ 24,988	1%	\$ 250	\$ -
USD : RMB	2,069	7.00	63,435	1%	634	-
USD : THB	2,358	35.08	72,296	1%	723	-

- C. The total amount of exchange gain or loss (both realized and unrealized) recognized in 2023 and 2022 for the Group's monetary items with significant effect on exchange rate fluctuations was a loss of \$4,833 thousand and a gain of \$52,703 thousand, 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 2023 and 2022 would increase or decrease by \$1,085 thousand and \$1,167 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 would increase or decrease by \$2,678 thousand and \$2,338 thousand, respectively, due to the gain or loss on equity investments classified as measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises mainly from long- and short-term borrowings issued at floating interest rates, which expose the Group to cash flow interest rate risk. As of December 31, 2023 and 2022, 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, 2023 and 2022, net income before income taxes would increase or decrease by \$1,926 thousand and \$2,328 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 counterparties are determined by internal control procedures and are creditworthy banks and financial institutions with investment grade before accepting counterparties.

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) by adjusting the loss rate established based on historical and current information for a specific period to take into account future-looking considerations. The reserve matrix as of December 31, 2023 and 2022 is as follows :

<u>December 31, 2023</u>	<u>Weighted average expected credit loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>
Not overdue	0%~8%	\$ 565,795	\$ 6,229
Within 90 days past due	0%~49%	77,531	17,124
Overdue 91-120 days	0%~5%	8	1
Overdue 121-180 days	100%	3,273	3,273
Overdue 181-365 days	100%	575	575
Past due more than 1 year	100%	<u>213,250</u>	<u>213,250</u>
		<u>\$ 860,432</u>	<u>\$ 240,452</u>

<u>December 31, 2022</u>	<u>Weighted average expected credit loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>
Not overdue	0%~9%	\$ 645,460	\$ 6,070
Within 90 days past due	0%~20%	109,721	9,325
Overdue 91-120 days	0%~20%	2,133	251
Overdue 121-180 days	22%~25%	6,066	1,367
Overdue 181-365 days	100%	743	743
Past due more than 1 year	100%	<u>216,351</u>	<u>216,351</u>
		<u>\$ 980,474</u>	<u>\$ 234,107</u>

I. The changes in the Group's allowance for losses on accounts receivable on a simplified basis are as follows :

	<u>2023</u>	<u>2022</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 234,107	\$ 231,006
Provision (reversal) of impairment loss	11,323	(6,707)
Write-offs due to uncollectible	-	(491)
Effect of exchange rate	(4,978)	10,299
December 31	<u>\$ 240,452</u>	<u>\$ 234,107</u>

J. The Group's investments in debt instruments and other receivables carried at amortized cost is rated for credit risk as follows :

<u>December 31, 2023</u>				
	<u>Measured by</u>	<u>Those with</u>		
	<u>12 months</u>	<u>significantly increased</u>	<u>Credit impaired</u>	<u>Total</u>
		<u>credit risk as measured</u>		
		<u>by lifetime</u>		
Financial assets measured at amortized cost	<u>\$ 155,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$155,247</u>
Other receivables	<u>\$ 11,861</u>	<u>\$ -</u>	<u>\$42,224</u>	<u>\$ 54,085</u>

<u>December 31, 2022</u>				
	<u>Measured by</u>	<u>Those with</u>		
	<u>12 months</u>	<u>significantly increased</u>	<u>Impaired</u>	<u>Total</u>
		<u>credit risk as measured</u>	<u>creditors</u>	
		<u>by lifetime</u>		
Financial assets measured at amortized cost	<u>\$ 129,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$129,076</u>
Other receivables	<u>\$ 33,189</u>	<u>\$ -</u>	<u>\$40,714</u>	<u>\$ 73,903</u>

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, 2023 and 2022.
2. The Group recorded the following changes in the allowance for losses on other accounts receivable :

	<u>2023</u>	<u>2022</u>
	<u>Credit impairment</u>	<u>Credit impairment</u>
	<u>by lifetime</u>	<u>by lifetime</u>
January 1	\$ 40,714	\$ 37,591
Recognition of impairment losses	2,028	3,180
Receivables written-off due to uncollectibility	(353)	-
Exchange rate impact number	(165)	(57)
December 31	<u>\$ 42,224</u>	<u>\$ 40,714</u>

(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 \$3,034,933 thousand and \$2,648,637 thousand as of December 31, 2023 and 2022, 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.

<u>December 31, 2023.</u>						
<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 borrowings	\$362,930	\$ -	\$ -	\$ -	\$ -	\$362,930
Accounts payable	345,088	-	-	-	-	345,088
Other accounts payable (including related parties)	284,787	-	-	-	-	284,787
Lease liabilities	315	235	479	138	120	1,287
Long-term borrowings (including those due within one year or one business cycle)	143,572	162,069	48,862	1,038,470	-	1,392,973
Guaranteed deposits received	-	-	-	-	382	382
<u>December 31, 2022.</u>						
<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 borrowings	\$ 575,530	\$ 50,364	\$ -	\$ -	\$ -	\$ 625,894
Accounts payable	331,917	-	-	-	-	331,917
Other accounts payable (including related parties)	255,610	-	-	-	-	255,610
Lease liabilities	1,191	368	266	274	159	2,258
Long-term borrowings (including those due within one year or one business cycle)	122,710	160,964	1,320,934	-	-	1,604,608
Guaranteed deposits received	-	-	-	-	382	382

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, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Equity instruments	\$108,495	\$ -	\$ -	\$108,495
Financial assets at fair value through other comprehensive income				
Equity instruments	-	-	267,793	267,793
Total	<u>\$108,495</u>	<u>\$ -</u>	<u>\$267,793</u>	<u>\$376,288</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Equity instruments	\$116,691	\$ -	\$ -	\$116,691
Financial assets at fair value through other comprehensive income				
Equity instruments	-	-	233,786	233,786
Total	<u>\$116,691</u>	<u>\$ -</u>	<u>\$233,786</u>	<u>\$350,477</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. Except for the aforementioned financial instruments with an active market, 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 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 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 2023 and 2022.

6. The changes in level 3 for 2023 and 2022 are as follows :

	<u>2023</u> <u>Equity instruments</u>	<u>2022</u> <u>Equity instruments</u>
January 1	\$ 233,786	\$ 227,897
Amount recognized in unrealized valuation gains or losses from investments in equity instruments at fair value through other comprehensive income	34,007	5,889
December 31	<u>\$ 267,793</u>	<u>\$ 233,786</u>

7. There is no transfer in and out from level 3 in 2023 and 2022.

8. 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, 2023</u> <u>Fair Value</u>	<u>Evaluation</u> <u>Techniques</u>	<u>Significantly</u> <u>Unobservable</u> <u>Input Value</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>value and fair value</u>
Non-Derivative Equity Tools :					
Private Equity (listed company)	\$ 267,793	Market price method	Lack of marketability discount	1.94%	The higher the marketability discount, the lower the fair value
	<u>December 31, 2022</u> <u>Fair Value</u>	<u>Evaluation</u> <u>Techniques</u>	<u>Significantly</u> <u>Unobservable</u> <u>Input Value</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>value and fair value</u>
Non-Derivative Equity Tools :					
Private Equity (listed company)	\$ 233,786	Market price method	Lack of marketability discount	14.74%	The higher the marketability discount, the lower the fair value

(13) Other disclosures

(1) Information about significant transactions

- Loans to others: Please refer to Table 1.
- Provision of endorsements and guarantees to others: Please refer to Table 2 (attached).
- Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more: None.
- Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: None.
- Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: Please refer to Table 4.
- Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 6.
- Trading in derivative instruments: None.
- Business relationships among the parent company and subsidiaries, and significant intercompany transactions: Please refer to Table 7.

(2) Information about the investee business

Name of investee company, location and other related information (excluding Mainland China investee company): Please refer to Table 8.

(3) Information on investees in Mainland China

- Basic information: Please refer to Table 9.
- 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 Table 10.

(14) Segment 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) Information on the measurement basis and reconciliation of profit or loss, assets, liabilities of reportable segments

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>2023</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External Revenue	\$1,673,539	\$2,262,732	\$ 646,040	\$ 91,989	\$4,674,300
Inter-segment revenue	<u>423,116</u>	<u>69,437</u>	<u>-</u>	<u>7,996</u>	<u>500,549</u>
Segment revenue	<u>\$2,096,655</u>	<u>\$2,332,169</u>	<u>\$ 646,040</u>	<u>\$ 99,985</u>	<u>\$5,174,849</u>
Segment profit or loss	<u>\$ 383,242</u>	<u>\$ 262,473</u>	<u>\$ 105,891</u>	<u>\$ 35,065</u>	<u>\$ 786,671</u>

<u>2022</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External Revenue	\$1,820,844	\$2,779,319	\$ 618,570	\$ 195,612	\$5,414,345
Inter-segment revenue	<u>405,124</u>	<u>70,517</u>	<u>-</u>	<u>67,909</u>	<u>543,550</u>
Segment revenue	<u>\$2,225,968</u>	<u>\$2,849,836</u>	<u>\$ 618,570</u>	<u>\$ 263,521</u>	<u>\$5,957,895</u>
Segment profit or loss	<u>\$ 291,577</u>	<u>\$ 361,012</u>	<u>\$ 64,291</u>	<u>(\$ 98,399)</u>	<u>\$ 618,481</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 segment 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 2023 and 2022 is as follows :

	<u>2023</u>	<u>2022</u>
Reportable Segments Revenue	\$ 5,174,849	\$ 5,957,895
Elimination of inter-segment revenue	<u>(500,549)</u>	<u>(543,550)</u>
Income from continuing operations	<u>\$ 4,674,300</u>	<u>\$ 5,414,345</u>

3. A reconciliation of segment profit or loss to income before income taxes for the fiscal years 2023 and 2022 for the continuing operations segment is as follows :

<u>2023</u>	<u>2022</u>
-------------	-------------

Reportable segment profit or loss	\$ 786,671	\$ 618,481
Profit or loss of other operating segments	<u>5,799</u>	<u>5,194</u>
Total operating segments	792,470	623,675
Elimination of inter-segment profit or loss	<u>(8,817)</u>	<u>(4,464)</u>
Profit before tax for continuing operations	<u>\$ 783,653</u>	<u>\$ 619,211</u>

(5) Information by product and service

Revenues from external customers are mainly derived from sales of rubber and plastic products.

The breakdown of revenue balance is as follows :

	<u>2023</u>	<u>2022</u>
Bicycle tires	\$ 688,456	\$ 1,513,692
Motorcycle tires	2,566,945	2,409,779
Agricultural and industrial tires	1,170,511	1,186,570
Truck and car tires	124,169	107,422
Radial Tire	36,171	118,518
Others	<u>88,048</u>	<u>78,364</u>
Total	<u>\$ 4,674,300</u>	<u>\$ 5,414,345</u>

(6) Geographic Information

The Group's geographical information for 2023 and 2022 is as follows :

		<u>2023</u>		<u>2022</u>
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 685,005	\$ 1,344,588	\$ 792,485	\$ 1,403,259
Thailand	778,592	1,434,481	681,716	1,512,346
U.S.A.	717,911	64,072	575,489	67,604
China	91,601	3,024	132,292	611,585
Others	<u>2,401,191</u>	<u>-</u>	<u>3,232,363</u>	<u>-</u>
Total	<u>\$ 4,674,300</u>	<u>\$ 2,846,165</u>	<u>\$ 5,414,345</u>	<u>\$ 3,594,794</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) Information on major customers

The Group has no single customer whose sales accounted for more than 10% of the consolidated income statement operating revenue in 2023 and 2022. No single customer accounted for more than 10% of the consolidated statement of income. Therefore, no disclosure is required.

Note 2: The individual loan limit is limited to no more than 10% of the Company's latest net financial statements; among foreign companies directly and indirectly owned 100% by the Company, the loan amount is limited to no more than seven times of the Company's latest net financial statements.

Note 3: The total amount of funds loaned is limited to no more than 40% of the Company's latest net financial statements; between foreign companies directly and indirectly owned 100% by the Company, the loan amount is limited to no more than 10 times of the Company's latest net financial statements.

Note 4: 1. Those who have business relationship with us.

2. Those who have the need for short-term financing funds.

Note 5: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Provision of endorsements and guarantees to others

For the Year Ended December 31, 2023

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No.	<u>Guaranteee and endorsee</u>		Limitation on amount of guarantees and endorsements for a Relationship specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount	Amount of property pledged for guaranteee and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guaranteees and endorsements	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to the parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China	Note
	(Note 1)	Name of endorser and guarantor											
0		Hwa Fong Rubber Industrial Co., Ltd. (Hong Kong) Co., Ltd.	4	\$ 1,724,765	(Note 3)	\$ 395,590	\$ 61,310	\$ -	1.78% \$ 3,449,531	Y	N	N	Note 3, 4

Note 1: The description of the number column is as follows. :

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(2) Enter 0 for issuer.

(2) The investee companies are numbered in order by company, beginning with the Arabic numeral 1.

Note 2: There are seven types of relationships between the endorser and the target of the endorsement, and the types can be indicated as follows:

(1) Companies that have business relationship with us.

(2) Companies in which the Company directly or indirectly holds more than 50% of the voting shares.

(3) Companies that directly or indirectly hold more than 50% of the voting shares of the Company.

(4) Companies in which the Company directly and indirectly holds at least 90% of the voting shares.

(5) A company that is mutually insured by the contract between peers or co-founders based on the needs of the contracted work.

(6) All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3 : The amount of endorsement and guarantee provided to a single entity shall not exceed 50% of net worth in the attested financial statements in the most recent period.

Note 4 : The total amount of endorsement and guarantee provided shall not exceed 100% of net worth in the attested financial statements in the most recent period.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint venture

For the Year Ended December 31, 2023

Table 3

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

	Type and Name of Marketable Securities	Relationship with the issuer of marketable securities	End of period					Note	
			(Note 1) Stock	(Note 2) —	Account	Number of shares 30,000	Carrying amount (Note 3) \$ -		Percentage of ownership 0.13% \$
Taifong Enterprise Corporation	Stock	—	Financial assets at fair value through other comprehensive income — non-current	800,000	-	-	3.70%	-	-
Three D Group Limited	Stock	—	Financial assets at fair value through other comprehensive income — non-current	1,370	-	-	-	-	-
Astral Epoch International Corporation (Formerly:Astral Epoch Co., Ltd.)	Stock	—	Financial assets at fair value through profit or loss-current	1,040	17	-	-	17	-
Kao Fong Machinery Co., Ltd	Stock	—	Financial assets at fair value through profit or loss-current	5,000	225	-	-	225	-
Cheng Shin Rubber Ind. Co., Ltd.	Stock	—	Financial assets at fair value through profit or loss-current	5,460	169	-	-	169	-
Kao Fong Rubber Ind. Co., Ltd.	Stock	—	Financial assets at fair value through profit or loss-current	5,000	99	-	-	99	-
FEDERAL CORPORATION	Stock	—	Financial assets at fair value through profit or loss-current	1,600,824	93,686	-	0.57%	93,686	-
Hota Industrial MFG. Co., Ltd.	Stock	The Chairman of the Company is the Chairman of the Company	Financial assets at fair value through other comprehensive income — non-current	7,361,000	267,793	-	12.67%	267,793	-
Jian Sin Industrial Co., Ltd.	Stock	Legal representative as a director of the company is the same as the Company	Financial assets at fair value through other comprehensive income — non-current	1,000	4,319	-	-	4,319	-
Alphabet, Inc.	Stock	—	Financial assets at fair value through profit or loss-current	1,600	206	-	-	206	-
Lucid Group, Inc.	Stock	—	Financial assets at fair value through profit or loss-current	3,000	2,157	-	-	2,157	-
Rivian Automotive Inc.	Stock	—	Financial assets at fair value through profit or loss-current	1,000	7,617	-	-	7,617	-
TESLA Inc.	Stock	—	Financial assets at fair value through profit or loss-current			-	-		-

Note 1: Marketable securities referred to in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items that fall within the scope of IFRS 9, "Financial Instruments".

Note 2: If the issuer of marketable securities is not a related party, the column is not filled in.

Note 3: For those measured at fair value, the carrying amount should be the carrying amount adjusted for fair value and net of accumulated impairment; for those not measured at fair value, the carrying amount should be the carrying amount of the original acquisition cost or amortized cost less accumulated impairment.

Note 4: If any of the listed securities are subject to restrictions due to the provision of guarantees, pledged loans or other contractual restrictions, the number of shares provided as guarantees or pledged loans, the amount of guarantees or pledged loans and the restrictions on their use should be indicated in the remarks column.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more

For the Year Ended December 31, 2023

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

<u>Company disposing the property</u>	<u>Name of property</u>	<u>Occurrence date</u>	<u>Original acquisition date</u>	<u>Carrying amount</u>	<u>Transaction amount</u>	<u>Proceeds collection</u>	<u>Gains or losses on disposal</u>	<u>Counterparty</u>	<u>Relationship</u>	<u>Purpose of disposal</u>	<u>Reference for price determination</u>	<u>Other agreement</u>
HWA FONG RUBBER (SUZHOU) CO., LTD	Land and plant on Xingye rd., Changsu City, Suzhou Province	Aoruk 20, 2023 (Note 1)	2004	\$493,795	\$1,175,300	\$ 1,175,300	\$ 455,212 (Note 2)	Changshu Economic Development Zone Construction Development Co., Ltd.	-	Enhance working capital and activate idle assets.	Appraisal report from Suzhou Taidi Changxin Real Estate Appraisal Land Evaluation Surveying and Mapping Company and Jinagsu Topson Real Estate Appraisal Land Evaluation Surveying and Mapping Company	-

Note 1 : The date of the resolution by the board of directors.

Note 2 : The amount has deducted the \$226,293 thousand of costs and expenses necessary form the sale of properties.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the Year Ended December 31, 2023

Table 5

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

		<u>Transaction details</u>		<u>The details and reasons for transaction terms and conditions different from ordinary transaction terms and conditions</u>			
<u>The purchase (sales) company</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Purchase (sales) Amount</u>	<u>Percentage accounting for total purchase (sales)</u>	<u>Credit period</u>	<u>Unit price</u>	<u>Credit period</u>
Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	Subsidiary	Sales \$416,175	8.90%	90 days payment on delivery	Based on market price or cost plus charge	The collection terms are the same as the collection period for general non-related parties.
						<u>Balance</u>	<u>Percentage accounting for total notes and accounts receivables (payables)</u>
						\$117,793	19.00%
							<u>Note</u>
							Note 1

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Note 1: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2023

Table 6

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

The Company with accounts receivables	Counter-party	Relationship	Balance of receivables from related parties	Overdue receivables from related parties			Amount of receivables from related parties received in subsequent period	Loss allowances
				Turnover rate	Amount	Collection status		
Hwa Fong Rubber (BVI) Co., Ltd.	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Same parent company	\$ 187,302	-	-	-	-	-
Hwa Fong Rubber (U.S.A.) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd	Same parent company	113,424	-	-	-	-	-
Hwa Fong Rubber (U.S.A.) Co., Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Same parent company	162,472	-	-	-	-	-
Hwa Fong Rubber (Suzhou) Co., Ltd	Hwa Fong Rubber (China) Co., Ltd.	Same parent company	259,023	-	-	-	-	-

Note 1: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Note 2: The aforementioned receivables are loans of funds between related parties, please refer to Table 1 for related information.

Note 3 : As of March 1, 2024, the receivables from related parties collected in the subsequent period.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

Business Relationships Among the Parent Company and Subsidiaries, and Significant Intercompany Transactions

For the Year Ended December 31, 2023

Table 7

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Relationship (Note 2)	Account	Amount	Trading terms		Percentage accounting for the consolidated total revenue or total assets (Note 3)
						Based on market price or cost plus charge	Based on market price or cost plus charge	
0	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	1	Sales revenue	\$ 416,175			8.90
0	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (China) Co., Ltd.	1	Accounts receivables	117,793	At mutually agreed prices and conditions		1.48
1	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hwa Fong Rubber (BVI) Co., Ltd.	3	Other payables (fund financing)	187,302	Based on contractual interest rate of 3%~3.5%		2.36
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Other payables (fund financing)	162,472	Based on contractual interest rate of 2%~2.25%		2.05
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	3	Other payables	147,658	At mutually agreed prices and conditions		1.86
2	Hwa Fong Rubber (China) Co., Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	3	Other payables (fund financing)	259,023	Based on contractual interest rate of 3%		3.26
3	Hwa Fong Rubber (Suzhou) Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Other payables (fund financing)	113,424	Based on contractual interest rate of 2.25%		1.43
4	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	3	Sales revenue	60,451	Based on market price or cost plus charge		1.29

Note 1: The business transaction information between the parent company and the subsidiary should be indicated in the number column respectively, and the number should be completed as follows :

- (1) Enter 0 for issuer.
- (2) The investee companies are numbered in order by company, beginning with the Arabic numeral 1.

Note 2: There are three types of relationships with the counter-parties, and the types are indicated. (If the transaction is between a parent company and a subsidiary or between subsidiaries, there is no need to repeat the disclosure. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose the transaction repeatedly).

If a subsidiary has disclosed a transaction with a subsidiary, the other subsidiary is not required to disclose it repeatedly).

- (1) Parent to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated as the ending balance to consolidated total assets in the case of assets and liabilities, or as the cumulative amount to consolidated total revenue in the case of profit or loss.

Note 4: Transactions amount reaching 1% of total operating revenue or total assets.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries

The Information about Company Names, Locations, etc. of Investees (Excluding the Investees in Mainland China)

For the Year Ended December 31, 2023

Table 8 Expressed in thousands of New Taiwan Dollars (Except as indicated otherwise)

(Except as					Original investment amount			Ownership as of December 31, 2022			Gain (loss) of investees recognized in the current period	Profit (loss) of investees in the current period	Note					
					Investor company	Investee company	Location	Main business	December 31, 2023					December 31, 2022		Number of shares	Percentage	Carrying amount
									\$ 292,724	\$ 290,201				332,000,000	50.42			
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Thailand	Processing and trading of rubber products									(Note 1)					
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A.) Co., Ltd.	USA	Trading of various tire products	383,188	383,250	500	100	893,669	73,178	73,178		\$ 110,768					
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (U.S.A. West Coast) Co., Ltd.	USA	Trading of various tire products	30,655	30,660	1,000,000	100	27,533	3,808	3,808							
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hong Kong	Trading, manufacture and investing	215,505	920	8,000,000	100(	631,822)	(196,718)	(196,718)							
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (Singapore) Co., Ltd.	Singapore	Service industry, including investing, trading, manufacture, sales, management,planning and technologies, etc.	290	285	12,500	0.12(	123)	(45,346)	(56)							
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Rubber (BVI) Co., Ltd.	BVI	Service industry, including investing, trading, manufacture, sales, management,planning and technologies, etc.	2,145,850	2,146,200	35,000	100	759,186	289,989	289,989							
	Hwa Fong Rubber Industrial Co., Ltd.	Huazhong Numerical Control (BVI) Co., Ltd.	BVI	Service industry, including investing, trading, manufacture, sales, management,planning and technologies, etc.	429,170	429,240	32,000	100(	197,270)	(86,895)	(86,895)							
	Hwa Fong Rubber Industrial Co., Ltd.	Hwa Fong Enterprise Co., Ltd.	Taiwan	Service industry, including investing, trading, manufacture, sales, management,planning and technologies, etc.	269,222	269,222	26,919,141	100	177,097	(6,261)	(6,261)							
	Hwa Fong Rubber (Thailand) Public Co., Ltd.	HFT HOLDING CO., LTD	Thailand	Trading of various tire products	88,170	87,410	1,000,000	99.99	145,972	(5,958)	-							
	Hwa Fong Rubber (Thailand) Public Co., Ltd.	The Ascent (Thailand) Co., Ltd.	Thailand	Trading of various tire products	7,583	7,517	64,500	43	1,045	-	-							
	Hwa Fong Rubber (Thailand) Public Co., Ltd.	PT Hwa Fong Rubber Indonesia Co., Ltd.	Indonesia	Processing and trading of rubber products	305,684	303,049	9,900,000	99	305,684	4,900	-							
	HFT HOLDING CO., LTD.	PT Hwa Fong Rubber Indonesia	Indonesia	Processing and trading of rubber products	30,877	30,611	100,000	1	2,492	4,900	-							
	HFT HOLDING CO., LTD.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	60,121	59,602	1,216,715	2.46(	104,836)	(31,813)	(779)							
	Hwa Fong Enterprise Co., Ltd.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	285,304	285,304	5,677,480	11.48	269,578	(31,813)	(3,634)							

Investor company	Investee company	Location	Main business	Original investment amount		Ownership as of December 31, 2023			Gain (loss) of investees recognized in the current period		
				December 31, 2023	December 31, 2022	Number of shares	Percentage	Carrying amount	Investor company	Investee company	Location
Hwa Fong Rubber Industrial Co., Ltd.	Inalways Corporation	Taiwan	Manufacture, sales, import and export trading of computer information electronic parts and components	117,733	117,733	4,851,000	9.81	111,692	(31,813)	(3,106)	Associate
Hwa Fong Rubber (Hong Kong) Co., Ltd.	Hwa Fong Rubber (Singapore) Co., Ltd.	Singapore	Service industry, including investing, trading, manufacture, sales, management, planning and technologies, etc.	223,782	223,818	9,709,730	99.88	(101,462)	(45,346)	(45,290)	Associate

Note 1: The investment income or loss recognized in the current period is net of the unrealized gain or loss on upstream transactions between the parent and subsidiary.

Note 2: Disclosure is exempted in accordance with the regulations.

Note 3: The aforementioned transactions have been eliminated in the preparation of the consolidated financial statements.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Information on investees in Mainland China — basic information

For the Year Ended December 31, 2023

Expressed in thousands of New Taiwan Dollars															
(Except as indicated)															
Investee in Mainland China	Main business	Method of investment	Remittance of funds in the current period		Accumulated outward remittance for investment from Taiwan as of January 1, 2022	Outward	Inward	Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Net income (loss) of investees	Percentage of ownership of direct or indirect investments	Gain (loss) on investments recognized in current period (Note 2)	Carrying amount of investments as of December 31, 2023	Accumulated repatriation of gain on investment as of December 31, 2023	Note	
			Paid-in capital	(Note 1)											
Hwa Fong Rubber (China) Co., Ltd.	Manufacture, processing and sale of bicycle tires, motorcycle tires, industrial vehicle tires, agricultural vehicle tires, etc.				\$1,652,305	3	\$ -	\$ -	-\$1,652,305	(\$ 334,598)	100.00	(\$ 334,598)	(\$ 749,888)	\$ -	Note 6
Hwa Fong Rubber (Suzhou) Co., Ltd.	Production and sales of radial ply tires, small passenger car tires, other new rubber tires, and large passenger car and truck tires		2,221,261	2	2,221,624		-	-2,221,261	306,602	100.00	306,602	536,693	-	-	Note 6
Note 1: The following three types of investment methods are distinguished and can be labeled as such. (1) Directly invest in Mainland China. (2) Reinvest in China through a third party company (please specify the third party investment company). (3) Other methods.															
Note 2: The basis of recognition of investment income or loss is based on the financial statements reviewed by the parent company's certified public accountants in Taiwan.															
Note 3: The relevant figures in this table should be presented in New Taiwan dollars.															
Note 4: The above transactions have been eliminated in the preparation of the consolidated financial statements.															
Note 5: The exchange rate as of December 31, 2023 is USD:TWD = 1 : 30.66 ; the average exchange rate for the year ended december 31, 2023 is USD:TWD = 1 : 31.1109.															
Note 6: According to 82.8.23 (82) Taiwan Finance (VT) No. 01968, the main contents of the entrustment contract should be disclosed to the investors in Mainland China by way of entrustment investment:															
The Company (hereinafter referred to as the Principal) originally entrusted Hwa Fong Rubber (Hong Kong) Limited to invest and set up Hwa Fong Rubber (China) Limited, which was subsequently approved to be entrusted to Hwa Fong Rubber (Singapore) Co., Ltd in early October 1997.															

Company name

Accumulated outward remittance for investment in Mainland China as of December 31, 2023			Investment amount authorized by investment commissino, MOEA		Upper limit on the amount of investment stipulated by investment commission, MOEA (Note 2)	
Hwa Fong Rubber Industrial Co., Ltd.	\$	3,873,566	\$	4,206,019	\$	-

Note 1: The accumulated amount of investment from Taiwan to the R.O.C. was US\$126,360,000 at the end of the period, and the amount of investment approved by the Investment Commission of the Ministry of Economic Affairs was US\$137,205,000.

Note 2 : In accordance with the "Principles for Investment or Technical Cooperation in Mainland China" issued by the Industrial Development Bureau of the Ministry of Economic Affairs, the Company has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs to be in compliance with the scope of operation of the operating headquarters and is therefore not subject to the limit.

Note 1: The following three types of investment methods are distinguished and can be labeled as such.

(1) Directly invest in Mainland China.

(2) Reinvest in China through a third party company (please specify the third party investment company).

(3) Other methods.

Note 2 :The basis of recognition of investment income or loss is based on the financial statements reviewed by the parent company's certified public accountants in Taiwan.

Note 3 :The relevant figures in this table should be presented in New Taiwan dollars.

Note 4 :The above transactions have been eliminated in the preparation of the consolidated financial statements.

Note 5 :The exchange rate as of December 31, 2023 is USD:TWD =1 : 30.66 ; the average exchange rate for the year ended december 31, 2023 is USD:TWD =1 : 31.1109.

Note 6: According to 82.8.23 (82) Taiwan Finance (VI) No. 01968, the main contents of the entrustment contract should be disclosed to the investors in Mainland China by way of entrustment investment:

The Company (hereinafter referred to as the Principal) originally entrusted Hwa Fong Rubber (Hong Kong) Limited to invest and set up Hwa Fong Rubber (China) Limited, which was subsequently approved to be entrusted to Hwa Fong Rubber (Singapore) Co., Ltd in early October 1997.

Hwa Fong Rubber Industrial Co., Ltd., and Subsidiaries
Information on major shareholders
For the Year Ended December 31, 2023

Table 10

Name of major shareholder Sumitomo Rubber Industries, Ltd.	<u>Shares</u>	<u>Number of shares held</u> 28,428,574	<u>Percentage of ownership</u> 10.17
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Note : The Company obtained the information in this table by applying to CIGC.

- (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater; that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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	2022	2023	differences	
			Amount	%
Current assets	3,722,630	4,367,859	645,229	17.33%
Real estate, plant and equipment	3,352,587	2,708,959	(643,628)	(19.20%)
Intangible assets	803	1,631	828	103.11%
Other assets	990,870	864,797	(126,073)	(12.72%)
The total assets of	8,066,890	7,943,246	(123,644)	(1.53%)
Current liabilities	1,635,008	1,577,893	(57,115)	(3.49%)
Non-current liabilities	1,652,496	1,334,414	(318,082)	(19.25%)
The total amount of liabilities	3,287,504	2,912,307	(375,197)	(11.41%)
Equity that is attributable to the owner of the parent company	3,212,079	3,449,531	237,452	7.39%
equity	2,793,492	2,793,492	0	0.00%
Capital reserves	37,290	37,174	(116)	(0.31%)
Retained earnings	390,586	589,073	198,487	50.82%
Other equity	(9,289)	29,792	39,081	(420.72%)
Storage stock	-	-	-	-
Uncontrolled equity	1,567,307	1,581,408	14,101	0.90%
Total equity	4,779,386	5,030,939	251,553	5.26%
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows:				
1. Intangible Assets: Mainly due to the Company's purchase of software last year.				
2. Retained Earnings: Mainly due to increase of the net profit in the current period.				
3. Other Equity: Mainly due to rise of appraisal adjustment of financial assets at fair value through other comprehensive income or loss.				

2. The comparative analysis of financial performance

Unit: NTD \$thousands of

Items \ Year	2022	2023	differences	
Operating income	5,414,345	4,674,300	(740,045)	(13.67%)
Operating margin	1,076,030	1,025,817	(50,213)	(4.67%)
Operating profit and loss	571,266	455,121	(116,145)	(20.33%)
Non-operating income (expenses)	47,945	328,532	280,587	585.23%
Pre-tax net profit	619,211	783,653	164,442	26.56%
Net profit of continuing business units for the current period	444,345	531,253	86,908	19.56%
Loss of the closed business unit	-	-	-	-
Current net profit (loss)	444,345	531,253	86,908	19.56%
The net profit that belongs to the owner of the parent company	294,488	422,342	127,854	43.42%
Net profit that is attributable to non-controlled Equity	149,857	108,911	(40,946)	(27.32%)
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows: 1. Operating income: Mainly because the factories in China underwent manpower structure adjustment with recognition of the severance pay, the management and marketing expenses was higher than that of the last year. 2. Non-operating income, pre-tax net profit, net profit of continuing business units for the current period, and current net profit: Mainly due to income from disposal of the land and equipment in the Suzhou Factory, other incomes increased. 3. Net profit that is attributable to non-controlled equity: Mainly because the net profit in the Thailand Factory was lower than that of the last year.				

3. Review and analysis of cash flow

(1) Liquidity analysis for the last two years

Item \ Year	2022	2023	Difference%
Cash flow ratio (%)	54.33	33.64	(38.08%)
Flow fair ratio (%)	115.62	121.84	5.38%
Cash reinvestment ratio (%)	4.04	1.86	(53.96%)
The main reasons for the increase or decrease of the changes in each subject are as follows: 1. Cash flow ratio, and cash reinvestment ratio: Mainly due to decrease of the overall bicycle demands in the current period, and rise of cost of raw materials, etc., which began to be reflected on the selling price effective Q4 of 2022, the operating income declined, leading to decrease of the net cash flow from the operational activities. 2. Net cash flow adequacy ratio: Mainly because the amount of the real estate, plant and equipment purchased in the last two years was over half less than that in the previous years, the total amount of the average capital expenditure in the last five years was lower.			

(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
2,496,578	678,187	531,519	2,643,246	—	—
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 : None.

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.

(1) Latest year's investment policy:

The Company follows the “Guidelines for Governing the Acquisition and Disposal of Assets by Publicly Issued Companies” established by the competent authority, which sets out the “Regulations Governing the Acquisition and Disposal of Assets” as the basis for the Company to engage in investment or significant capital outlays, in order to grasp the relevant business and financial conditions.

(2) Main reasons for profit or loss in the latest year's investment and improvement plan:

The Company's income from investment, accounted for using the equity method in 2023, was NT\$131,422 thousand, mainly because the subsidiary, Hwa Fong (China) Co., Ltd. suffered continuing shrinkage in sales owing to the competition factors in the China market, it was difficult for the main business to make profit.

On account of disposal of the land in the China factory in 2023, loss was extensively reduced. The Company is going to conduct operational transformation for the subsidiaries in China, and plan international labor division or cross-factory cooperation, and offer the nearby sales services, etc. in order to increase the Company's profitability.

(3) Investment plan for the next year:

The Company will carefully evaluate investment plans from a long-term strategic perspective to respond to future market demand and strengthen the Company's competitiveness.

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 2023 and 2022 will decrease or increase by \$1,926 thousand and \$2,328 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, 2022 and December 31, 2021, net profit before tax will increase or decrease by \$10,259 and \$8,839, 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 we observed the recent global economic situation, the US Government passed the Tax Cuts Act, and adopted the infrastructure expansion measures, etc., followed by the central bank's policy to start interest cut. Due to the foregoing factors, it is expected that economy of the US and European countries will gradually grow; in spite of doubts, inflation is still controllable, along with adjustment of the interest policy. In terms of the main raw materials of the rubber tire industry such as raw rubber and synthetic rubber, their prices slightly fluctuate under the influence of short-term stock adjustment. However, affected by the supply volume and the global economic situation, the prices can will fluctuate within a certain degree in the future. The Company will anytime have a grasp of low raw materials sources and purchasing timing, continue to develop new products and niche products, and keep improving efficiency and cost.

- (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, The fund lending and endorsement guaranty is limited to the subsidiaries. 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 2.
It is estimated that it will invest 20,140 thousand in research and development in 2024. 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.

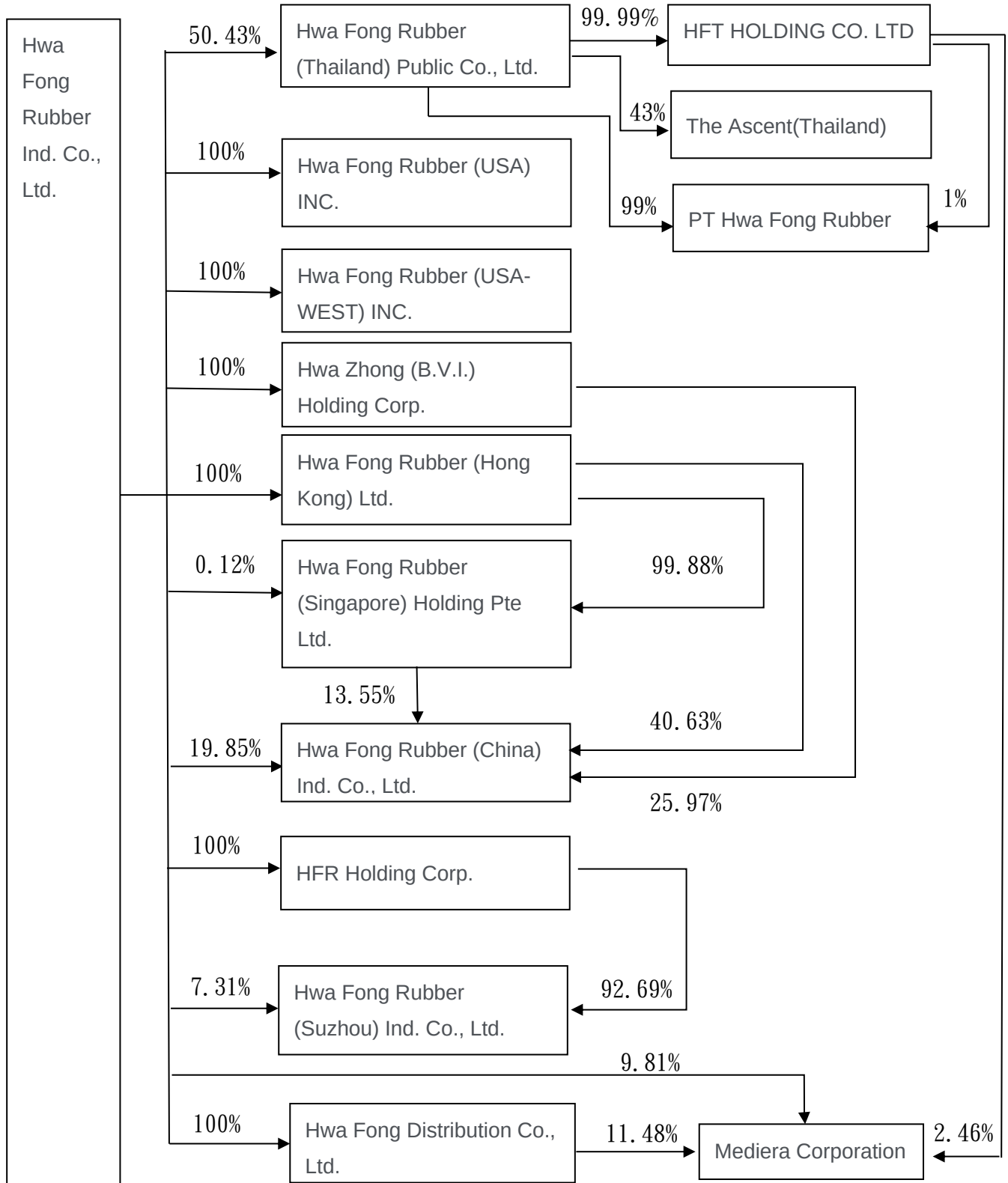
7. Other important matters: None.

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, 2023

Company name	The set up time	address	Paid-up capital	Main business or Production project
Hwa Fong Rubber (Thailand) Public Co., Ltd.	1991.02.19	317 SOI 6C MOO4 BANGPOO ESTATE SAMUTPRAKARN 10280 THAILAND	THB 658,434,300	Rubber products processing and trading
Hwa Fong Rubber (USA) INC.	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) 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 Pte Ltd.	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
HFR Holding Corp.	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 (B.V.I.) Holding Corp.	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
Hwa Fong Distribution Co., Ltd.	2009.08.10	No. 300, Section 2, Zhongshan Road, Dacun Village, Changhua County	NTD 269,191,410	Wholesale and retail trade, international trade, real estate sales leasing, Class B drugs 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 appliances and electronic products
HWA FONG Rubber (USA-WEST) INC.	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.

4-1. 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) Inc.
- (2) Hwa Fong Rubber (China) Co., Ltd. products are sold to Hwa Fong rubber (USA) Inc. through Hwa Fong Rubber (Hong Kong) Ltd.
- (3) Hwa Fong Rubber (Thailand) Public Co., Ltd. manufactures finished tires and sells to Hwa Fong Rubber (USA) Inc.
- (4) Hwa Fong Rubber (Suzhou) Co., Ltd. manufactures finished tires and sells to Hwa Fong Rubber (USA) Inc. through Hwa Fong Rubber (Hong Kong) Ltd.

5. Information of directors, supervisors and general managers of related enterprises

December 31, 2023

An enterprise name	Title (Note 1)	Name or Representative	Holding shares (Note 2.3)	
			equity	stake
Hwa Fong Rubber (Thailand) Public Co., Ltd.	DIRECTOR	Shen Kuo-Jung, Chiu Shih-Chien, Wu Pin-Yi, Yan Ming-Shan, Yan Ruei-Sian, Yan Zhi-Zhe, Zhuang Jing-Yao, Lin, Wen-Cheng, Lin Cheng-Yung, Hsiao Chin-Long, Wen Syuan, Mr.Monsiam Sinworapun	332,000,000	50.42%
	PRESIDENT	Shen Kuo-Jung		
Hwa Fong Rubber (USA) Inc.	DIRECTOR	Shen Kuo-Jung Chiu Shih-Chien Yan Ming-Shan Wu Pin-Yi Lin Wen-Cheng	500	100%
	PRESIDENT	Shen Kuo-Jung		
Hwa Fong Rubber (Hong Kong) Ltd.	DIRECTOR	Wu Pin-Yi Lin Wen-Cheng Lee Yuan-Chi	1,000,000	100%
Hwa Fong Rubber (Singapore) Holding Pte Ltd.	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	9,722,230	100%
Hwa Fong Rubber (China) Co., Ltd.	Chairman/General Manager	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
	director			
Hwa Fong Rubber (Suzhou) Co., Ltd.	director	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
	The supervisors			
HFR Holding Corp.	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	35,000	100%
Hwa Zhong (B.V.I.) Holding Corp.	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	32,000	100%
Hwa Fong Distribution Co., Ltd.	Chairman	Shen Kuo-Jung Chiu Shih-Chien Wu Pin-Yi Lee Yuan-Chi	26,919,141	100%
	director			
Hwa Fong Rubber (USA-WEST) INC.	director	Shen Kuo-Jung	1,000,000	100%
	The supervisors			
	DIRECTOR	Shen Kuo-Jung	1,000,000	100%
	PRESIDENT	Shen Kuo-Jung		

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., Ltd.	618,471	3,626,155	435,561	3,190,594	2,332,169	253,202	219,181	0.35	The denomination is 1 baht per share
Hwa Fong Rubber (USA) IC.	5,160	1,081,662	187,993	893,669	646,040	91,482	73,178	-	-
Hwa Fong Rubber (Hong Kong) Ltd.	224,519	69,851	696,408	-626,557	8,316	1,391	-196,718	-	-
Hwa Fong Rubber (Singapore) Holding Pte Ltd.	203,771	-	-	-101,584	-	-	-45,346	-	-
Hwa Fong Rubber (China) Co., Ltd	1,621,790	43,653	793,541	-749,888	91,669	-239,407	-334,598	-	-
Hwa Fong Rubber (Suzhou) Co., Ltd	2,221,624	810,774	274,081	536,693	-	-52,523	306,602	-	-
HFR Holding Corp.	2,239,289	759,186	-	759,186	-	-61	289,989	-	-
Hwa Zhong (B.V.I.) Holding Corp.	434,837	-	-	-194,746	-	-	-86,895	-	-
Hwa Fong Distribution Co., Ltd.	269,191	177,197	100	177,097	-	-106	-6,261	-	-
Hwa Fong Rubber (USA-WEST) INC.	30,150	27,533	-	27,533	-	-56	3,808	-	-

Note 1: The assets and liabilities account are based on the year-end exchange rate (USD/TWD 30.655; RMB/TWD 4.302; THB /TWD 0.8817)
The profit and loss accounts are based on the average exchange rate (USD/TWD 31.1109; RMB/TWD 4.3703; THB /TWD 0.8803)

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





華豐橡膠工業股份有限公司 2023年報
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