



CHENG SHIN RUBBER IND. CO., LTD.

Stock Code:2105

# Annual Report 2022

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# Chapter 1 Letter to Shareholders

2022 was a tumultuous year and the global economy was expected to recover initially, but the military conflict between Russia and Ukraine broke out at the beginning of the year, impacting global energy and raw material supply and demand. This led to a continuous rise in prices, and central banks around the world raised interest rates in response to soaring inflation. The US Federal Reserve raised interest rates by 425 basis points within the year and indicated that it would continue to raise them in 2023 until inflation eases. But the good news is that various countries are gradually lifting border restrictions and reopening, economic activities are returning to normal operation, logistics costs are stabilizing, automotive chip supply is gradually normalizing, and the automotive market is expected to grow, thereby driving demand for tires.

In this rapidly changing era, the adaptability of the Company is put to the test. Cheng Shin adopts "keeping integrity and innovation" as our core value, not only adhering to our primary business but also continuously innovating and seeking new business opportunities. With "100% quality, 100% service, 100% trust" as our corporate culture, shaping our principles and approach to work. In 2023, we are leveraging the competitive advantage of being both 'flexible and agile' and 'swift and nimble', effectively planning and implementing strategic goals, actively participating in racing and team activities, and enhancing the added value of products, taking into account both revenue and profit growth.

Cheng Shin continues to provide tires with cutting-edge technology and premium quality, which have been recognized by customers and consumers, has also been designated as the tire brand for new vehicles by major international automotive and motorcycle manufacturers. Cheng Shin also has been awarded the "Supplier of the Year Award" by General Motors (USA) for six years in a row, and has successfully established the Taiwanese international brand "MAXXIS" and is promoting its sales globally in more than 180 countries.

We appreciate all shareholders, customers, and colleagues for your support and trust, Cheng Shin embodies the concept of sustainable business, growing together with all partners, and creating a better future and value!

I. 2022 annual business report

(I) Implementation and results of the business plan

1. Production and Sales:

Unit: Thousand tires, %

| Core Products \ Year | Production in 2022 | Sales in 2022 | Sales in 2021 | Percentage of increase/decrease |
|----------------------|--------------------|---------------|---------------|---------------------------------|
| Radial cover - car   | 29,018             | 29,091        | 33,408        | -12.92                          |
| Radial cover - truck | 2,865              | 2,845         | 3,849         | -26.08                          |
| Motorcycle cover     | 43,777             | 44,587        | 44,436        | 0.34                            |
| Bicycle cover        | 82,456             | 82,957        | 94,796        | -12.49                          |
| Inner tube           | 115,135            | 121,274       | 145,282       | -16.53                          |
| Other tires          | 16,975             | 16,823        | 22,918        | -26.59                          |

2. Operating Conditions:

Consolidated:

Unit: NT\$ thousand; %

| Item \ Year          | 2022       | 2021        | Percentage of increase (decrease) |
|----------------------|------------|-------------|-----------------------------------|
| Net Operating Income | 98,622,877 | 101,536,961 | -2.87                             |
| Operating costs      | 77,639,710 | 79,149,642  | -1.91                             |
| Operating Expenses   | 13,608,989 | 14,733,508  | -7.63                             |
| Operating Profit     | 7,374,178  | 7,653,811   | -3.65                             |
| Net Profit           | 4,992,260  | 5,294,850   | -5.71                             |

Individual:

Unit: NT\$ thousand; %

| Item \ Year          | 2022       | 2021       | Percentage of increase (decrease) |
|----------------------|------------|------------|-----------------------------------|
| Net Operating Income | 20,409,294 | 20,707,983 | -1.44                             |
| Operating costs      | 14,436,516 | 15,190,338 | -4.96                             |
| Operating Expenses   | 3,139,024  | 3,378,430  | -7.09                             |
| Operating Profit     | 2,861,112  | 2,171,864  | 31.74                             |
| Net Profit           | 4,961,369  | 5,270,007  | -5.86                             |

(II) Budget Execution Status

In 2022, the Company realized an actual operating revenue of NT\$98.6 billion, fulfilling 86% of the objective.

## (III) Analysis of Financial Income and Expenditure and Profitability

Consolidated:

Unit: NT\$ thousand; %

| Item                             |                            | Year             |             | Percentage of increase (decrease) |       |
|----------------------------------|----------------------------|------------------|-------------|-----------------------------------|-------|
|                                  |                            | 2022             | 2021        |                                   |       |
| Financial Income and Expenditure | Operating income           | 98,622,877       | 101,536,961 | -2.87                             |       |
|                                  | Gross operating profit     | 20,983,167       | 22,387,319  | -6.27                             |       |
|                                  | Net Profit                 | 4,992,260        | 5,294,850   | -5.71                             |       |
| Analysis of Profitability        | Return on Assets (ROA) (%) | 3.80             | 3.80        | 0                                 |       |
|                                  | Return on Equity (ROE) (%) | 6.02             | 6.52        | -7.67                             |       |
|                                  | As a % of Paid-in Capital  | Operating Profit | 22.75       | 23.61                             | -3.64 |
|                                  |                            | Pre-tax Profit   | 21.51       | 22.08                             | -2.58 |
|                                  | Net Profit Margin (%)      | 5.06             | 5.21        | -2.88                             |       |
| Earnings per share (EPS)(NT\$)   | 1.53                       | 1.63             | -6.13       |                                   |       |

Individual:

Unit: NT\$ thousand; %

| Item                             |                            | Year             |            | Percentage of increase (decrease) |       |
|----------------------------------|----------------------------|------------------|------------|-----------------------------------|-------|
|                                  |                            | 2022             | 2021       |                                   |       |
| Financial Income and Expenditure | Operating income           | 20,409,294       | 20,707,983 | -1.44                             |       |
|                                  | Gross operating profit     | 5,972,778        | 5,517,645  | 8.25                              |       |
|                                  | Net Profit                 | 4,961,369        | 5,270,007  | -5.86                             |       |
| Analysis of Profitability        | Return on Assets (ROA) (%) | 4.43             | 4.71       | -5.94                             |       |
|                                  | Return on Equity (ROE) (%) | 6.02             | 6.53       | -7.81                             |       |
|                                  | As a % of Paid-in Capital  | Operating Profit | 8.83       | 6.70                              | 31.79 |
|                                  |                            | Pre-tax Profit   | 19.58      | 19.46                             | 0.62  |
|                                  | Net Profit Margin (%)      | 24.31            | 25.45      | -4.48                             |       |
| Earnings per share (EPS)(NT\$)   | 1.53                       | 1.63             | -6.13      |                                   |       |

## (IV) Researching the Development Situation

|   |   |
|---|---|
| Highway Terrain Product Development for 4X4 Vehicles                    | Ultra High Performance A/S Product Development for Passenger Cars |
| Ultra High Performance Summer Product Development for EV Passenger Cars | Racing Tire Product Development for Passenger Cars                |
| Gravel RT Product Development   | MTB Downhill Product Development                                  |
| Adventure Tire (BIAS) Product Development                               | Electric Vehicle Tire Product Development                         |
| Light Bike Sport Tire (BIAS) Product Development                        | MCR Hyper Sport Product Development                               |
| ATV EV Tire Product Development   | Go-kart RC-1K 2nd Generation Product Development                  |
| Electric Bus Product Development  | Light Truck (3.5T) All-Steel Product Development                  |

## II. Highlights of Operating Plan for 2023

### (I) Operating Policy

Implement Cheng Shin culture and adhere to the ESG spirit - uphold integrity and innovation, maintain a focus on our core business, and embrace an innovative corporate culture. Centered around the MAXXIS family, we uphold honesty and integrity as the most fundamental and important principles. Set goals from a customer-oriented perspective, leverage the competitive advantage of being both 'flexible and agile' and 'swift and nimble', and effectively lead and focus on execution. Forge the growth engine of the Company in a systemic manner to achieve the operating objectives.

- Leverage competitive advantages, break through the current situation, and enhance revenue and profit margins.
- Implement a corporate culture of 100% quality, service, and trust, maintaining our core values.
- Emphasize workplace safety as the first priority and practice the ESG philosophy.

### (II) Sales Volume Forecast and Basis

Below is the sales forecast of the Company for 2023:

Consolidated:

Unit: Thousand tires

| Item                 | Year | Estimated Quantity in 2023 |
|----------------------|------|----------------------------|
|                      |      | Quantity of Sale           |
| Radial cover - car   |      | 29,744                     |
| Radial cover - truck |      | 3,999                      |
| Motorcycle cover     |      | 76,874                     |
| Bicycle cover        |      | 64,314                     |
| Inner tube           |      | 90,831                     |
| Other tires          |      | 22,002                     |
| <b>Total</b>         |      | <b>287,764</b>             |

Individual:

Unit: Thousand tires

| Item                 | Year | Estimated Quantity in 2023 |
|----------------------|------|----------------------------|
|                      |      | Quantity of Sale           |
| Radial cover - car   |      | 3,548                      |
| Radial cover - truck |      | 183                        |
| Motorcycle cover     |      | 4,644                      |
| Bicycle cover        |      | 8,156                      |
| Inner tube           |      | 5,070                      |
| Other tires          |      | 5,430                      |
| <b>Total</b>         |      | <b>27,031</b>              |

Based on the assessment result announced at the sales meeting (January 18, 2023) of the Company.

### (III) Key Production and Distribution Policy

With the pursuit of “Customer Satisfaction, Quality First”, the company optimizes production processes and implements systematic management to improve overall capacity utilization to reduce production costs. In terms of sales, we adopt a customer-oriented approach, leveraging the competitive advantage of being both 'flexible and agile' plus 'swift and nimble'. We respond swiftly to market changes, adjust production capacity as needed, and fully meet customer demands. We take into consideration both revenue and profit growth while maintaining long-term cooperative partnerships with our clients.

### III. Future Development Strategy of the Company

Cheng Shin holds fast to the belief of the Founder & Chairman Luo, Jye when he started the business. Honesty and integrity are the most fundamental and most important concepts of the Company and also represent the supreme guiding principle that the Company has observed without change on the way to pursue a sustainable operation. In addition, we will also pursue the vision of a sustainable development oriented to three elements, including economy, environment, and society, with the center of the Maxxis Family and the foundation of safety first.

1. Implement corporate governance: We will hold fast to the philosophy of Integrity & Innovation, focus on the principal operation to embrace new opportunities and practice the corporate culture of honesty, integrity, and continuous innovation as one of the critical factors staking sustainable and sound development of the Company. Moreover, we will also urge related members of the Company to follow the good tradition of honesty and integrity and should the principal operation when they perform duties.
2. Develop a sustainable environment: Actively respond to the tide of environmental protection, develop and design “green and environment-friendly tires” and pursue “Safety, Oil Economy, Quietness and Environmental Performance”. Additionally, the Company has strived to realize energy saving and carbon emission reduction in the workshop and manufacturing process to contribute our wisdom and force to the earth's environment.
3. Safeguard employees’ rights: We have built a learning environment with heart and enhanced the concept of corporate ethics among employees.
4. Participate in social philanthropy: We are dedicated to enhancing social responsibility performance and realizing common harmony and prosperity within the society together with suppliers.

#### IV. Impacts from External Competition and Overall Operating Environment

In 2022, the tight supply of maritime transport has been eased, and demand has rebounded in various regions. However, during the pandemic, various countries adopted accommodative monetary policies to stimulate the economy, leading to an increase in raw material prices and further triggering inflation. After the United States announced interest rate hikes, countries around the world have also adjusted their monetary policy in response. To deal with such challenges, Cheng Shin partnered with suppliers and customers to form mutually-beneficial strategies based on past partnership experiences, thereby enhancing the scale and sales volume of our Group in spite of adversities. Cheng Shin has been closely monitoring the fluctuations in market supply and demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continued the process of integrating new and previous products and replacing the product portfolio with products of high-added value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2023 and the next three to five years, we envisage even more drastic changes, therefore we must promptly strengthen our ability to adapt, our core capabilities, and our competitiveness. Only by possessing world-class capabilities and competitiveness will we be able to adapt to the complicated and highly changeable market from now on. Therefore, in the future, we will take advantage of our capabilities in technology, sales and distribution, manufacturing, and management to build our core operations, achieve “Glocalization”, and enhance the regional sales and technical support so that the global headquarters can work closely with different regions and utilize local manufacturing to strengthen ties.

#### V. Impacts from Legal and Regulatory Environment

Tires are the key safety features of all types of vehicles, and, therefore, the regulations in each country provide clear and strict rules regarding tire standards, specifications and requirements applicable to tire products. In distribution and marketing, tire manufacturers are also required to comply with relevant laws and regulations and are prohibited from engaging in activities in violation of competition and marketing laws.

Increasingly rigorous environmental regulations and standards, including Air Pollution Control Act and water pollution charges and more, will lead to additional business operating costs. While focusing on our core business value and developing new products, we also dedicate our efforts to environmental protection and research of green products. Our products have obtained the certifications required by the European Union and our customers and complied with the Restriction of Hazardous Substances Directive (RoHS) to ensure that our products would not cause lasting damage to the environment. We have also made great strides in our product development with increasing technical cooperation with multiple raw material suppliers,

including Degussa and ExxonMobil. With the evolving of times and technology, we have included "durability and fuel efficiency", "safety and comfort" and "low rolling resistance" as the main features of our products to reduce carbon emissions from vehicles.

Finally, we are implementing the core culture of "100% quality, 100% service, 100% trust" in our work, adhering to a people-centered approach, upholding respect and care, on top of a grateful heart, we pursue company growth while implementing the ESG spirit of "sustainable corporate development".

Cheng Shin Rubber Industry Co., Ltd.



Chairman: Chen, Yun-Hwa



## Chapter 2 Company Profile

I. Date of Establishment of the Company: January 1, 1967

II. Company History

|      |  |
|------|--|
| 1967 | The Company was established as a limited liability company with 178 employees and NT\$6,000,000 in the capital, specializing in the production of motorcycle and bicycle tires. All products were approved by the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs to use the CNS® symbol.  |
| 1969 | The Company became a company limited by shares on December 19, and began the collaboration of technology and business with a Japanese corporation, Kyowa Ltd. The capital of the Company was increased to NT\$24,000,000, and the export business was expanded.  |
| 1971 | Our product quality was approved by the US Department of Transportation to use the DOT symbol. The Company also developed an excellent reputation in overseas markets. Employees increased to 600.   |
| 1972 | Factory construction was completed at the current site at the time, and officially became part of the production process. The sales of the products went from domestic-oriented to export-oriented.  |
| 1973 | The Company began planning and acquiring technical knowledge and adding equipment to manufacture automobile tires.   |
| 1974 | The Company was awarded as the number one rubber exporter in the industry. The capital of the Company was increased to NT\$120,000,000. The Company began manufacturing and selling truck tires in June.   |
| 1975 | The Company implemented strict product quality control and purchased the latest equipment for quality control. The office in Los Angeles, USA was set up. Employees increased to 1,200.  |
| 1976 | The Company, in accordance with new CNS standards, obtained further approval from BSMI to use the ® symbol for the outer tires of large trucks, small trucks, transport cars, agriculture vehicles, and motorcycles.   |
| 1977 | The Taipei office, responsible for export business, was established in the Taipei World Trade Building. The capital of the Company was increased to NT\$220,000,000.   |
| 1980 | The factory was awarded a product quality A rating by the Ministry of Economic Affairs. The capital of the Company was increased to NT\$420,000,000, and the employees of the Company were increased to 2,200.   |
| 1981 | The Zhung Zhuang Plant was completed, which specializes in the production of high-quality bicycle tires. The capital of the Company increased to NT\$583,800,000.  |
| 1982 | The Company signed a technical cooperation agreement with Toyo Tire & Rubber Co., Ltd., and established a factory for the latest radial tires for passenger cars. The capital of the Company increased to NT\$720,000,000.   |
| 1983 | Total domestic and export sales reached NT\$2,708,000,000. The Company was awarded number one in the tire industry in Taiwan. Full efforts were made to research and develop passenger car radial tires. The capital of the Company increased to NT\$828,000,000.  |
| 1984 | The Company received the Japanese government's approval to sue the Japanese Industrial Standard (JIS) Symbol for bicycle and motorcycle tires and tubes. The Company began producing and marketing passenger car radial tires and expanded its export market. The capital of the Company increased to NT\$910,800,000. The total domestic and export sales turnover was NT\$2,890,000,000. |
| 1986 | Total domestic and export sales turnover of the Company reached NT\$3,770,000,000.   |

|      |   |
|------|---|
|      | The bicycle tire sales volume reached 20,000,000 pcs. The Company invested in new mixing machines in order to increase production.  |
| 1987 | The Xi Zhou Plant was built and scheduled to produce bicycle tires. The capital of the Company reached NT\$1,332,045,000. The Company and Toyo Rubber Co., Ltd. established Yang Industrial Co., Ltd. jointly to co-produce shock-proof rubber auto parts. The automobile tires and inner tubes, tires for industrial vehicles, and farming machinery manufactured by the Company received the Japanese Industrial Standards (JIS) Symbol. The Company was listed on the Taiwan Stock Exchange on December 7.   |
| 1988 | The Xi Zhou Plant officially began production of bicycle tires. The Company's Main Plant added radial tire production capacity. The capital of the Company increased to NT\$1,625,094,900. The Company and Kyowa Ltd jointly established a tire sales corporation in Osaka to expand output in Japan. The Company also invested in domestic Pacific Securities Co., Ltd. to diversify investment avenues.   |
| 1989 | The Main Plant continued to expand facilities for the production of radial tires. The capital of the Company increased to NT\$2,031,368,630. The Company invested in the establishment of Cheng Shin Rubber (Hong Kong) Limited.  |
| 1990 | The Company's sales turnover exceeded NT\$5,100,000,000. The paid-in capital increased to NT\$2,437,640,000. The Company invested in the establishment of Cheng Shin Rubber USA, Inc. and San Yueh Textile Company.   |
| 1991 | Cheng Shin Germany was established in March. On September 16, Cheng Shin Germany relocated to the Netherlands and was renamed Cheng Shin Rubber (Europe) Ltd. in order to expand trade in Europe. The paid-in capital of the Company increased to NT\$2,632,653,750. On October 17, the Ministry of Economic Affairs approved that the Company may increase its capital by US\$20,000,000 through Cheng Shin Rubber Company (Hong Kong) Limited, and indirectly invest in the establishment of Xiamen Cheng Shin Rubber Industry Co., Ltd.  |
| 1992 | The sales turnover exceeded NT\$6,000,000,000. The paid-in capital of the Company increased to NT\$3,159,184,500. The Company was active in the production of the radial tires expansion plan. General Manager Chen, Yun-Hwa came on board on August 1. The business license of Cheng Shin Rubber (Europe) Limited was revoked.   |
| 1993 | Paid-in capital increased to NT\$3,633,062,180. Automated storage was completed and in use in July. The radial tire expansion plan was completed and began testing and production. CST Trading Ltd. was approved by the Investment Commission and established in November to indirectly invest in mainland China to set up Cheng Shin Tire & Rubber (China) Co., Ltd. We received the international standard quality assurance system ISO 9001 certification in December as the first company in the tire industry to obtain this qualification in the Republic of China.   |
| 1994 | Paid-in capital increased to NT\$4,214,352,130. In August, the Investment Commission approved the US\$15,000,000 investment in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. The Ford F1 Quality Certification was awarded to the Company in November.   |
| 1995 | Paid-in capital increased to NT\$5,015,079,030. The Investment Commission approved the US\$30,000,000 investment for increasing the equity capital of Cheng Shin Rubber (China) Co., Ltd in April.  |
| 1996 | Paid-in capital increased to NT\$5,515,079,000. In January, Toyo Rubber Co., Ltd. invested in Cheng Shin Rubber (China) Co., Ltd., to enable a capital increase to US\$72,000,000, accounting for 30% of the equities. In August, the Investment Commission approved the US\$2,500,000 investment for the establishment of Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd. with a capital of US\$5,000,000 which was jointly invested with Toyo Tire & Rubber Co., Ltd.; the Company's investment accounted for 50% of the equities. The second phase of Cheng Shin Rubber (Xiamen) Ind. Ltd. was completed and formally entered into production. |

|      |   |
|------|---|
| 1997 | Paid-in capital increased to NT\$6,068,245,620. On May 29, the QS9000 quality certification was obtained. The Cheng Shin Tire & Rubber (China) Co., Ltd. factory construction was completed and formally began production in July. Investment Commission approval was obtained in July to establish Maxxis International Co., Ltd. in the Cayman Islands to indirectly invest in Cheng Shin Rubber (Xiamen) Ind. Ltd.   |
| 1998 | Paid-in capital increased to NT\$6,796,435,090. In October, the Investment Commission approved an indirect investment via its subsidiary, MAXXIS International Co., Ltd. in Tianjin Tafeng Rubber Ind. Co., Ltd.; the capital of which is US\$12,000,000. On October 20, the Company's Xizhou Plant was awarded as a first-class distinguished plant under Japan's Total Productive Maintenance (TPM).  |
| 1999 | Paid-in capital increased to NT\$747607860. In November, a US technology center was set up by the US subsidiary.  |
| 2000 | Paid-in capital increased to NT\$7,849,882,530. The Company won the ROC National Quality Award in October. In November, the Company received the National Industrial Waste Reduction Award from the Industrial Development Bureau, Ministry of Economic Affairs. In December, the Company was awarded the group gold medal by the ROC Proposal Association.   |
| 2001 | Paid-in capital increased to NT\$8,360,124,890. The Xizhou Plant was awarded as the first-class distinguished plant under Japan's Total Productive Maintenance (TPM).   |
| 2002 | The Investment Commission approved an indirect investment in the capital increase of Cheng Shin Rubber (China) Co., Ltd. in the amount of US\$20,000,000 via the Company's subsidiary; CST Trading Ltd. MAXXIS tires won the Forbes Magazine 2002 Global Award for enterprise excellence. The Company's capital increased to NT\$8,861,732,380. On November 1, the Investment Commission approved the establishment of Cheng Shin Tire (Xiamen) Co., Ltd. through indirect investment in Xiamen Cheng Shin Swallow Tire Co., Ltd., and on December 31, approved the investment in establishing a new company, Maxxis International (Thailand) Co., Ltd. |
| 2003 | On March 6, Maxxis International (Thailand) Co., Ltd. officially started the construction of its plant. On September 23, the Company's MAXXIS brand was awarded by the Ministry of Economic Affairs and the international brand consultancy firm (INTERBRAND GROUP) as one of Taiwan's top twenty international brands, ranked fifth; the brand value was estimated at US\$256 million. In addition, the capital of the Company increased to NT\$9,570,670,970 by the end of 2003.  |
| 2004 | Cheng Shin Tire (Xiamen) Co., Ltd. and Maxxis International (Thailand) Co., Ltd. had completed the trial production stage. On October 4, the Company's MAXXIS brand won the 2004 Taiwan top twenty international brands, which was ranked sixth with a brand value of US\$264 million. Furthermore, the Company's paid-in capital increased to NT\$10,489,455,380.  |
| 2005 | Maxxis International (Thailand) Co., Ltd. completed its first phase of all-around production, with daily production of 6,000 passenger car tires. Cheng Shin Tire (Xiamen) Co., Ltd.'s daily production was 700 all-steel radial tires. The European technology center was established. The Company's MAXXIS brand continued to be in Taiwan's top twenty international brands in 2005, with a brand value of US\$264 million. In addition, the Company's paid-in capital increased to NT\$11,381,059,080.  |
| 2006 | Taiwan Cheng Shin R&D center was completed and soon opened for operations. Maxxis International (Thailand) Co., Ltd. and the expansion of the production capacity of Cheng Shin Tire (Xiamen) Co., Ltd. were completed. Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. began construction. The MAXXIS brand was once again awarded as Taiwan's Top Twenty International Brand in 2006, with a brand value of US\$271 million. The company's paid-in capital increased to NT\$12,177,733,220.  |
| 2007 | The first phase of construction of Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.'s factory was completed, and started trial production in March, which was projected to formally   |

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|      | begin production in August. Xiamen Cheng Shin Enterprise Co., Ltd. began production in January. The Company's MAXXIS brand continued to be awarded as Taiwan's top twenty international brands in 2017, with a brand value of US\$309 million. The Company's paid-in capital increased to NT\$13,030,174,540.   |
| 2008 | Construction of Plant B of Maxxis International (Thailand) Co., Ltd.; upgrade of production capacity of Cheng Shin Tire & Rubber (China) Co., Ltd. and Cheng Shin Tire (Xiamen) Co., Ltd.; Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. was all-around operational. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2008, with a brand value of US\$346 million. The Company's paid-in capital increased to NT\$14,984,700,720.   |
| 2009 | Maxxis International (Thailand) Co., Ltd. completed the first phase of the construction of its Plant B and started trial production in March, and formally began production in May. On November 13, the Investment Commission approved an indirect investment of US\$20,000,000 to establish CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. via MAXXIS International Co., Ltd. On December 16, the Investment Commission approved the acquisition by the Company's subsidiary of 22.36% of the equity interest in CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd. (which was held by Toyo Tire & Rubber Co., Ltd.). The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2009, with a brand value of US\$345 million. The Company's paid-in capital increased to NT\$16,483,170,790.  |
| 2010 | On April 16, the Investment Commission approved the Company to indirectly invest US\$30,000,000 in the capital increase of CHENG SHIN RUBBER (XIAMEN) IND., LTD. via its subsidiary MAXXIS International Co., Ltd. On April 23, the Investment Commission approved an investment of US\$30,000,000 via the Company's subsidiary CST Trading Limited to establish CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD., which began construction in June. In October, the Douliu Plant and Xiamen Jimei plant began construction. On November 30, the Investment Commission approved the Company to participate in the capital increase of CHENG SHIN RUBBER (XIAMEN) IND., LTD. via its subsidiary, MAXXIS International Co., Ltd. in the amount of US\$45,000,000. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2010, with a brand value of US\$391 million. The Company's paid-in capital increased to NT\$20,603,963,490.   |
| 2011 | On February 17, the Board of Directors approved an investment in the amount of US\$50,000,000 via the subsidiary CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd. to participate in the capital increase of CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. On August 11, the Investment Commission approved the Company's investment of US\$18,000,000 in the capital increase of the CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. via its subsidiary, MAXXIS International Co., Ltd. On July 19, the Board of Directors approved the establishment of the Remuneration Committee of the Company. On October 20, the Investment Commission approved the Company's indirect investment in the amount of RMB17,000,000 in CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. via subsidiary MAXXIS International (HK) Ltd. On December 6, the Board of Directors approved a capital increase of US\$15,000,000 in Cheng Shin Rubber (Vietnam) IND. Co., Ltd. via subsidiary MAXXIS Trading Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2011, with a brand value of US\$335 million. The Company's paid-in capital increased to NT\$24,724,756,190. |
| 2012 | On March 1, the Board of Directors approved the investment of US\$20,000,000 in the capital increase of CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. through the Company's subsidiary CHENG SHIN TIRE & RUBBER (CHINA) CO.,   |

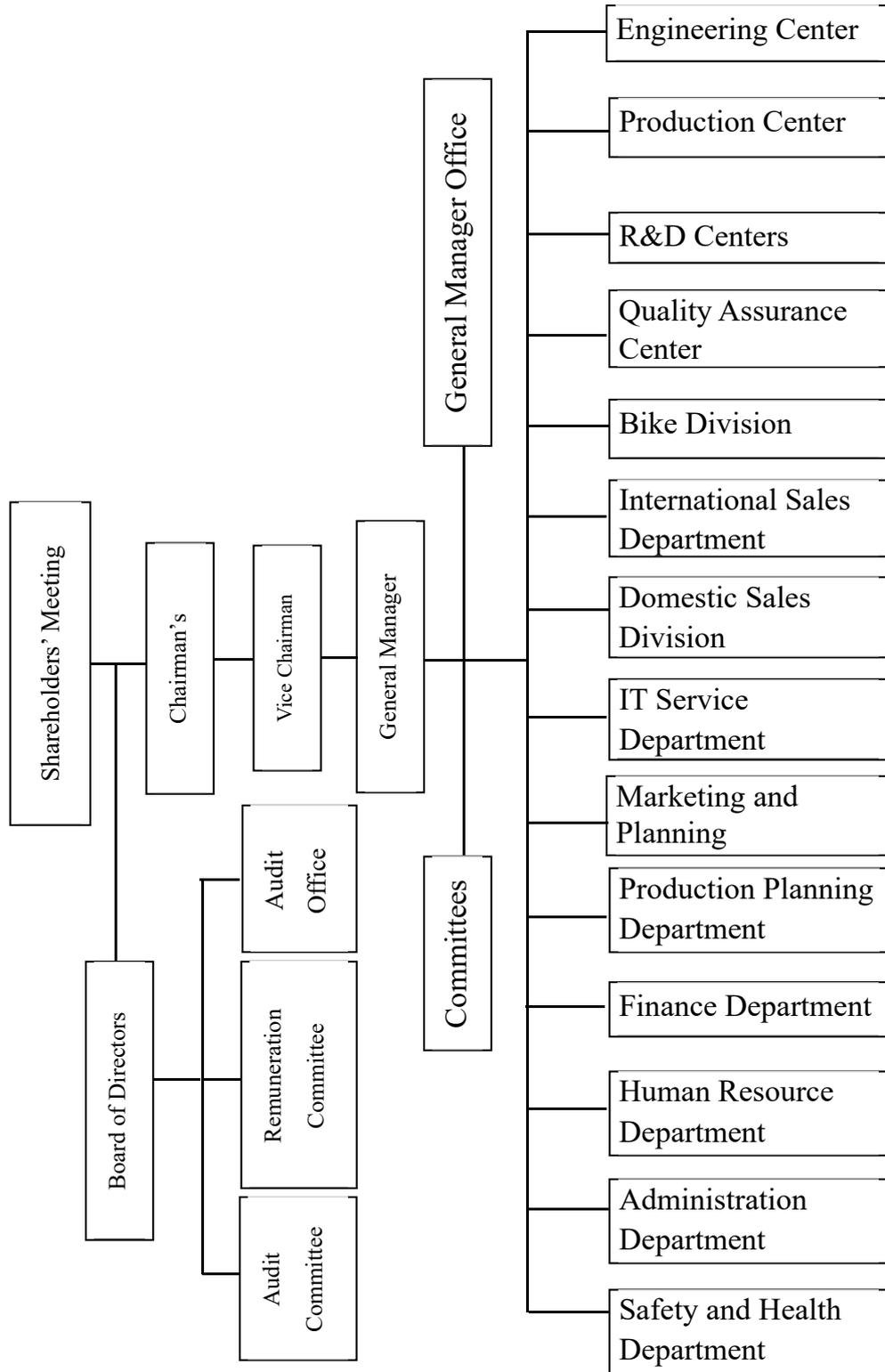
|      |  |
|------|--|
|      | Ltd. CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd. tire testing plant began operations in November 2012. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2012, with a brand value of US\$331 million. The Company's paid-in capital increased to NT\$28,186,222,060.  |
| 2013 | On October 15, the Board approved the resolution to make an additional investment in Indonesia. On November 26, the Investment Commission approved the investment of RMB75,000,000 in the capital increase of CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. via its subsidiary MAXXIS International (HK) Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2013, with a brand value of US\$ 370 million. The Company was named the top 50 best listed companies in 2013 by Forbes Magazine. The Company's paid-in capital increased to NT\$32,414,155,360.  |
| 2014 | On May 13, the Board approved the acquisition of the right to use lands in Indonesia's Greenland International Industrial Center. On November 11, the Board approved the increase in investment in India. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2014, with a brand value of US\$367 million.   |
| 2015 | The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2015, with a brand value of US\$348 million.   |
| 2016 | On November 9, the Board of Directors approved the establishment of PT. MAXXIS TRADING INDONESIA. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2016, with a brand value of US\$317 million.   |
| 2017 | On June 15, the Company established its first Audit Committee. The Board approved the proposal to participate in the capital increase of MAXXIS Rubber India Private Limited in the amount of INR 1,799,985,410 using its own capital, which officially began production in August 2017. And PT MAXXIS International Indonesia began production in October 2017. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2017, with a brand value of US\$324 million.  |
| 2018 | On January 24, the Board approved the proposal to participate in the capital increase of Maxxis Rubber India Private Limited in the amount of INR 999,991,890 and PT MAXXIS International Indonesia in the amount of US\$29,998,875 using its own capital. On March 20, the Board of Directors approved the establishment of the MAXXIS Tech Center Europe B.V. On November 8, the Board of Directors approved the establishment of a MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2018, with a brand value of US\$299 million.                      |
| 2019 | On July 3, the Board of Directors approved the establishment of a MAXXIS RUBBER JAPAN CO., LTD. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2019, with a brand value of US\$288 million.   |
| 2020 | On October 11, the Board approved the proposal to participate in the capital increase of Maxxis Rubber India Private Limited in the amount of INR 2,249,981,760, and on November 12, the Board approved the proposal to participate in the capital increase of PT MAXXIS International Indonesia in the amount of US\$29,998,875 using its own capital. The Company was successively included in the component stocks of the FTSE4Good TIP Taiwan ESG Index. The Company won the Taiwan Excellence Award. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2020, with a brand value of US\$285 million. |
| 2021 | On January 28, the Board approved the construction plan for the ATV tire plant at Douliu Plant No. 3, and on November 10, the Board approved the construction plan for the BC tire plant at Douliu Plant No. 3. The Company was successively included in the component stocks of the FTSE4Good TIP Taiwan ESG Index. The Company won the Taiwan Excellence Award. The Company's MAXXIS brand continues to be one of  |

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|      | Taiwan's top twenty international brands in 2021, with a brand value of US\$264 million.  |
| 2022 | On May 11, The Board approved the proposal to participate in the capital increase of MAXXIS Rubber India Private Limited in the amount of INR 2,309,981,270 using its own capital. On November 10, the Board approved to utilize own capital for a capital increase of US\$30,000,000 for PT MAXXIS International Indonesia. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2022, with a brand value of US\$250 million. |

# Chapter 3 Corporate Governance Report

## I. Organizational Structure

### (1) Organizational Structure Chart



## (II) Major Department Functions

| Department                        | Business  |
|-----------------------------------|---|
| General Manager Office            | Plan the medium and long-term development strategies of the Company and the procurement of raw materials  |
| Audit Office                      | Audit and evaluate the performance of departmental operating functions and the implementation of internal control policies.   |
| Safety and Health Department      | Plan and supervise the risk management of labor safety and health and environmental measures of all departments.  |
| Administration Department         | Responsible for the management of the Company's general affairs, assets, and operating and maintenance supplies   |
| Human Resource Department         | Responsible for short, medium and long-term human resources planning, personnel compensation, welfare and training.   |
| Finance Department                | Manage the working capital as well as matters pertaining to accounting and shares.  |
| Production Planning Department    | Manage manufacturing and sales planning and coordinate purchase orders of the Group.  |
| Marketing and Planning Department | Responsible for the Company brand and product promotion projects, implementation of external public welfare activities, publicity materials, and corporate culture promotion, and acting as the dedicated unit for promoting ESG sustainable development tasks. |
| IT Service Department             | Implement the company computerization, and control computer data and computer software security.  |
| Domestic Sales Division           | Determine domestic sales strategies and goals.  |
| International Sales Department    | Implement and manage global sales policy (excluding Taiwan) and promotion planning.   |
| Bike Division                     | Develop new customers and manage sales and services related to the OE factories and repair market of bike tires around the world  |
| Quality Assurance Center          | Plan, implement and manage quality assurance policy, quality enhancement and standardization of the whole Company.  |
| R&D Centers                       | Coordinate the research and development strategies for the development of product and formulation of each tire class  |
| Production Center                 | Plan and implement production schedules, manufacturing, delivery date, and quality affair pertaining to internal and external tires and rubber materials of the Company   |
| Engineering Center                | Design graphics for the development of mechanical devices and manage production.  |

II. Information about Directors, Independent Directors, General Manager, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

(I) Information of Directors

1. Information of Directors (I)

February 28, 2023

| Position Name                                     | Gender<br>Age | Nationality/<br>Place of Registration | Election Date<br><Initial Election<br>Date> | Tenure (Years) | Number of Shares<br>Held at the Time of<br>Election |                        | Current Number of<br>Shares Held |                        | Shares Held By<br>Spouse and Minor<br>Children |                        | Shares Held in Other's<br>Name |                        | Main<br>Experience<br>(Education)   | Current Posts in<br>Cheng Shin and<br>Other Companies                        | Executives, Directors, or<br>Supervisors who are<br>spouses or within the<br>second degree of kinship |  |                                   | Note   |
|---|---------------|---------------------------------------|---|----------------|---|------------------------|----------------------------------|------------------------|--|------------------------|--------------------------------|------------------------|---|--|---|--|-----------------------------------|--|
|   |               |                                       |   |                | Number of<br>Shares                                 | Sharehold<br>ing ratio | Number of<br>Shares              | Sharehold<br>ing ratio | Number of<br>Shares                            | Sharehold<br>ing ratio | Number of<br>Shares            | Sharehold<br>ing ratio |   |  | Position  | Name   | Relation                          |  |
| Chairman's<br>Chen, Yun-Hwa                       | Male<br>73    | ROC                                   | 2020.06.16<br><2020.06.16>                  | 3 years        | 120,570,531   | 3.72%                  | 120,570,531                      | 3.72%                  | 82,492,443                                     | 2.54%                  | 13,391,000                     | 0.41%                  | Honorary<br>Doctor of<br>Management,<br>National Yunlin<br>University of<br>Science and<br>Technology | General Manager<br>of the Company  | Directors   | Chen,<br>Hsiu-<br>Hsiung<br>Lo, Tsai-<br>Jen               | Second<br>degree<br>of<br>kinship | The<br>four<br>General<br>Managers of the<br>Company are<br>responsible for<br>the domestic and<br>international<br>operations; their<br>roles and<br>responsibilities<br>are clear and<br>match our<br>current<br>operating status. |
| Vice Chairman<br>Chen, Hsiu-<br>Hsiung            | Male<br>83    | ROC                                   | 2020.06.16<br><2020.06.16>                  | 3 years        | 67,819,456  | 2.09%                  | 67,819,456                       | 2.09%                  | 62,945,516                                     | 1.94%                  | 31,280,000                     | 0.97%                  | College of<br>Chemical<br>Industry,<br>Shizuoka<br>University   | General Manager<br>of the Company<br>and Chairman of<br>Xiamen Cheng<br>Shin | Directors   | Chen, Yun-<br>Hwa<br>Lo, Tsai-<br>Jen<br>Chen, Han-<br>Chi | Second<br>degree<br>of<br>kinship | At the same<br>time, less than<br>half of the<br>directors also act<br>as employees or<br>officers,<br>however, the<br>Company will<br>adhere to the<br>requirements of  |
| Directors Min<br>Hsing<br>Investment Co.,<br>Ltd. | -             | Taipei<br>City                        | 2020.06.16<br><2017.06.15>                  | 3 years        | 6,425,000   | 0.20%                  | 6,425,000                        | 0.20%                  | 0  | 0%                     | 0                              | 0%                     | N/A   | N/A  |   | N/A  |                                   |  |

|   |              |                 |                           |         |             |       |            |       |            |       |   |    |   |                           |           |                                    |  |  |
|---|--------------|-----------------|---------------------------|---------|-------------|-------|------------|-------|------------|-------|---|----|---|---------------------------|-----------|------------------------------------|--|--|
| Representative:<br>Chen, Han-Chi  | Female<br>52 | ROC             | 2020.06.16<br><2017.06.15 | 3 years | 5,591,867   | 0.17% | 5,313,806  | 0.16% | 15,000     | 0%    | 0 | 0% | Master of Accounting Science, University of Illinois at Urbana-Champaign        | None                      | Directors | Chen, Hsiu-Hsiung                  | First degree of kinship                              | the related laws and regulations by 2023 |
|   | -            | Taipei City     | 2020.06.16<br><2017.06.15 | 3 years | 13,391,000  | 0.41% | 13,391,000 | 0.41% | 0          | 0%    | 0 | 0% | N/A   | N/A                       | None      | N/A                                | None   |  |
| Directors Jiu Shun Investment Corporation, represented by Wu, Hsuan-Miao          | Male<br>75   | ROC             | 2020.06.16<br><2020.06.16 | 3 years | 0           | 0%    | 0          | 0%    | 0          | 0%    | 0 | 0% | Department of Public Finance, Feng Chia University                              | Consultant of the Company | None      | None                               | None   |  |
|   | -            | Taipei City     | 2020.06.16<br><2017.06.15 | 3 years | 15,580,000  | 0.48% | 15,580,000 | 0.48% | 0          | 0%    | 0 | 0% | N/A   | N/A                       | None      | N/A                                | None   |  |
| Directors Hsieh Shuen Investment Co., Ltd.<br>Representative:<br>Huang, Chung-Jen | Male<br>75   | ROC             | 2020.06.16<br><2020.06.16 | 3 years | 10,882      | 0%    | 10,882     | 0%    | 165        | 0%    | 0 | 0% | Department of Industrial Engineering, Tunghai University                        | Consultant of the Company | None      | None                               | None   |  |
|   | -            | Changhua County | 2020.06.16<br><2017.06.15 | 3 years | 33,331,000  | 1.03% | 33,331,000 | 1.03% | 0          | 0%    | 0 | 0% | N/A   | N/A                       | None      | N/A                                | None   |  |
| Directors Hong Jing Investment Corporation<br>Representative:<br>Lo, Tsai-Jen     | Male<br>70   | ROC             | 2020.06.16<br><2020.06.16 | 3 years | 283,225,502 | 8.74% | 91,662,430 | 2.83% | 27,829,793 | 0.86% | 0 | 0% | Department of Marketing and Materials Management, Newark College of Engineering | None                      | Directors | Chen, Yun-Hwa<br>Chen, Hsiu-Hsiung | Second degree of kinship<br>Second degree of kinship |  |
|   | -            | ROC             | 2020.06.16<br><2017.06.15 | 3 years | 33,331,000  | 1.03% | 33,331,000 | 1.03% | 0          | 0%    | 0 | 0% | N/A   | N/A                       | None      | N/A                                | None   |  |

| Position Name   | Gender<br>Age | Nationality/<br>Place of Registration | Election Date<br>>Initial Election<br>Date< | Tenure (Years) | Number of Shares<br>Held at the Time of<br>Election |                       | Current Number of<br>Shares Held |                       | Shares Held By<br>Spouse and Minor<br>Children |                       | Shares Held in Other's<br>Name |                       | Main<br>Experience<br>(Education)   | Current Posts in<br>Cheng Shin and<br>Other Companies  | Executives, Directors, or<br>Supervisors who are<br>spouses or within the<br>second degree of kinship |      |          | Note |
|---|---------------|---------------------------------------|---|----------------|---|-----------------------|----------------------------------|-----------------------|--|-----------------------|--------------------------------|-----------------------|---|--|---|------|----------|------|
|   |               |                                       |   |                | Number of<br>Shares                                 | Shareholding<br>ratio | Number of<br>Shares              | Shareholding<br>ratio | Number of<br>Shares                            | Shareholding<br>ratio | Number of<br>Shares            | Shareholding<br>ratio |   |  | Position  | Name | Relation |      |
| Directors<br>Tseng, Sung-<br>Ling   | Male<br>61    | Chinese Republic                      | 2020.06.16<br><2020.06.16>                  | 3 years        | 5,453,458   | 0.17%                 | 5,453,458                        | 0.17%                 | 0  | 0%                    | 0                              | 0%                    | Long Island<br>University,<br>New York,<br>America, C. W.<br>Post. Master of<br>Business<br>Administration<br>at the<br>Management<br>Institute | Director and<br>Deputy Chairman<br>of Merida<br>Industry Co. Ltd.<br>Chairman of<br>Dingsheng<br>Investment<br>Corporation | None  | None | None     |      |
| Directors<br>Hong Jing<br>Investment<br>Corporation<br>Representative:<br>Lee, Chin-<br>Chang | -             | Changhua<br>County                    | 2020.06.16<br><2017.06.15>                  | 3 years        | 33,331,000  | 1.03%                 | 33,331,000                       | 1.03%                 | 0  | 0%                    | 0                              | 0%                    | N/A   | N/A  | N/A   | N/A  | N/A      |      |
| Independent<br>Director Chen,<br>Tzu-Chen   | Female<br>66  | Chinese<br>Republic                   | 2020.06.16<br><2020.06.16>                  | 3 years        | 24,874  | 0%                    | 24,874                           | 0%                    | 5,725  | 0%                    | 0                              | 0%                    | Master of<br>International<br>Business<br>Management<br>Institute of<br>Dayeh<br>University   | The Company<br>General Manager   | None  | None | None     |      |
|   |               | Chinese<br>Republic                   | 2020.06.16<br><2020.06.16>                  | 3 years        | 2,155   | 0%                    | 2,155                            | 0%                    | 0  | 0%                    | 0                              | 0%                    | Master of Law,<br>National<br>Taiwan Ocean<br>University  | None   | None  | None |          |      |

| Position Name                                 | Gender<br>Age | Nationality/<br>Place of Registration | Election Date<br>>Initial Election<br>Date< | Tenure (Years) | Number of Shares<br>Held at the Time of<br>Election |                       | Current Number of<br>Shares Held |                       | Shares Held By<br>Spouse and Minor<br>Children |                       | Shares Held in Other's<br>Name |      | Main<br>Experience<br>(Education)   | Current Posts in<br>Cheng Shin and<br>Other Companies   | Executives, Directors, or<br>Supervisors who are<br>spouses or within the<br>second degree of kinship |      |      | Note |
|---|---------------|---------------------------------------|---|----------------|---|-----------------------|----------------------------------|-----------------------|--|-----------------------|--------------------------------|------|---|---|---|------|------|------|
|   |               |                                       |   |                | Number of<br>Shares                                 | Shareholding<br>ratio | Number of<br>Shares              | Shareholding<br>ratio | Number of<br>Shares                            | Shareholding<br>ratio | Position                       | Name |   |   | Relation  |      |      |      |
| Independent<br>Director<br>Hsu, En-De         | Male<br>60    | Chinese Republic                      | 2020.06.16<br>><<br>2014.06.17              | 3 years        | 0   | 0%                    | 0                                | 0%                    | 0  | 0%                    | 0                              | 0%   | Ph.D.,<br>Accounting,<br>National<br>Taiwan<br>University                         | 1. Independent<br>Director and<br>Remuneration<br>Committee<br>Member of<br>Silicon Touch<br>Technology<br>Inc.<br>2. Independent<br>Director and<br>Remuneration<br>Committee<br>Member of<br>Mobiletron<br>Electronics Co.<br>Ltd.  | None  | None | None |      |
| Independent<br>Director<br>Chen,<br>Shuei-Jin | Male<br>55    | Chinese Republic                      | 2020.06.16<br>><<br>2017.06.16              | 3 years        | 0   | 0%                    | 0                                | 0%                    | 0  | 0%                    | 0                              | 0%   | Master of<br>Business<br>Administration,<br>National Chung<br>Cheng<br>University | 1. Independent<br>Director and<br>Remuneration<br>Committee<br>Member of<br>Merida<br>Industry Co.<br>Ltd.<br>2. Independent<br>Director and<br>Remuneration<br>Committee<br>Member of San<br>Neng Group<br>Holdings Co.<br>Ltd.<br>Independent<br>Director and<br>Remuneration<br>Committee of<br>Acelon<br>Chemicals &<br>Fiber<br>Corporation. | None  | None | None |      |

| Position Name | Gender<br>Age | Nationality/<br>Place of Registration | Election Date           |        | Tenure (Years) | Number of Shares Held at the Time of Election |                    | Current Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Main Experience (Education) | Current Posts in Cheng Shin and Other Companies  | Executives, Directors, or Supervisors who are spouses or within the second degree of kinship |      |          | Note |
|---------------|---------------|---------------------------------------|-------------------------|--------|----------------|---|--------------------|-------------------------------|--------------------|--|--------------------|-----------------------------|--------------------|-----------------------------|--|--|------|----------|------|
|               |               |                                       | >Initial Election Date< | >Date< |                | Number of Shares                              | Shareholding ratio | Number of Shares              | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |                             |  | Position   | Name | Relation |      |
|               |               |                                       |                         |        |                |   |                    |                               |                    |  |                    |                             |                    |                             | 3. Supervisor of Linco Technology Co., Ltd.<br>4. Supervisor of Buffalo Machinery Company Limited. |  |      |          |      |

Note: Where the Chairperson of the Board of Directors and General Manager or a person of an equivalent post (the highest level manager) of a company are the same people, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example increasing the seats for independent directors, over half of the directors may not act as employees or officers, etc.).

Table 1. Substantial Shareholders of Corporate Shareholders

| Institutional Shareholder Name   | Substantial Shareholders of Corporate Shareholders                    |
|----------------------------------|---|
| Hsieh Shuen Investment Co., Ltd. | Chen, Han-Hsin (0.52%); Chen, Po-Chia (1.05%); Chen, Han-Chi (0.52%)  |
| Jiu Shun Investment Corporation  | Chen, Li-Chen (0.33%); Chen, Chi-Ying (0.32%); Chen, Ping-Hao (0.72%) |
| Hong Jing Investment Corporation | Chiu, Li-Ching (47.38%); Lo, Yuan-Yu (44.95%)                         |
| Min Hsing Investment Co., Ltd.   | Chen, Han-Chi (87.6%)   |

## 2. Information of Directors (II)

## (1) Professional Qualifications of Directors and Disclosure on the Independence of Independent Directors:

| Name   | Criteria | Professional Qualifications and Experience   | Independence Criteria  | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--|----------|--|--|---|
| Chen, Yun-Hwa  |          | <ol style="list-style-type: none"> <li>Experiences: Served as a Deputy Manager of the Sales Department, Manager of the Planning Department, Assistant Manager of the General Manager's Office, and the General Manager of the Company.</li> <li>Categories stated in Article 30 of the Company Act: None.</li> </ol> | Concurrently serves as General Manager and Chairman of the Company and a natural person substantial shareholder of the Company, therefore the criteria of independence is not met.   | 0   |
| Chen, Hsiu-Hsiung  |          | <ol style="list-style-type: none"> <li>Experiences: General Manager and Chairman of Cheng Shin Rubber (Xiamen) Ind., Ltd. Received Outstanding Constructor Award on the 30th Anniversary of the Xiamen Special Economic Zone.</li> <li>Categories stated in Article 30 of the Company Act: None.</li> </ol>          | Concurrently serves as General Manager and Vice Chairman of the Company and a natural person substantial shareholder of the Company as well as a second-degree family member of Director Chen, Yun-Hwa and Director Lo, Tsai-Jen; therefore the criteria of independence is not met. | 0   |
| Min Hsing Investment Co., Ltd.<br>(Representative: Cheng, Han-Chi) |          | <ol style="list-style-type: none"> <li>Professional Qualifications: <ol style="list-style-type: none"> <li>Obtained a U.S. CPA certificate.</li> <li>Obtained Internal Auditor certificate of the ROC Taiwan</li> <li>Obtained International Internal Auditor certificate.</li> </ol> </li> </ol>                    | Was not an employee of the Company or its affiliate from two years before being elected to this current day, but a first-degree  | 0   |

| Name \ Criteria  | Professional Qualifications and Experience  | Independence Criteria  | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--|---|--|---|
|  | 2. Experiences: Has served as a Deputy Manager of the Finance Department of the Company.<br>3. Categories stated in Article 30 of the Company Act: None.  | family member of Director Chen, Hsiu-Hsiung; therefore the criteria of independence is not met.  |   |
| Representative of Jiu Shun Investment Corporation: Wu, Hsuan-Miao  | 1. Experiences: Served as Manager of the Financial Department, Assistant Manager, and Deputy General Manager of the Company<br>2. Categories stated in Article 30 of the Company Act: None.   | Was not an employee of the Company or its affiliate from two years before being elected to this current day, but a representative of an institutional director; therefore the criteria of independence are not met.                                    | 0   |
| Hsieh Shun Investment Corporation, represented by Huang, Chung-Jen | 1. Experiences: Served as Assistant Manager of the Marketing and Planning Department and Deputy General Manager of the Company.<br>2. Categories stated in Article 30 of the Company Act: None.   | Was an employee of the Company for two years before being elected and a representative of an institutional director; therefore the criteria of independence is not met.  | 0   |
| Hong Jing Investment Corporation, represented by Lo, Tsai-Jen      | 1. Experiences: Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd., General Manager and Chairman of Cheng Shin Rubber (China) Co., Ltd.; Deputy Chairman and Chairman of Cheng Shin.<br>2. Categories stated in Article 30 of the Company Act: None. | Was an employee of the Company for two years before being elected and retired in July 2020; nevertheless, a second-degree family member of Director Chen, Yun-Hwa and Director Chen, Hsiu-Hsiun and therefore the criteria of independence is not met. | 0   |
| Tseng, Sung-Ling   | 1. Experiences: Person in charge of Ding-Yu Investment Co., Ltd; Vice Chairman and Director of Merida Industry Co. Ltd.<br>2. Categories stated in Article 30 of the Company Act: None.   | Was not an employee of the Company or its affiliate but a specific company that has engaged in financial transactions with the   | 0   |

| Name \ Criteria  | Professional Qualifications and Experience  | Independence Criteria  | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--|---|--|---|
|  |   | Company; therefore the criteria of independence is not met.  |   |
| Hong Jing Zi Investment Corporation, represented by Lee, Chin-Chang    | <ol style="list-style-type: none"> <li>Experiences: Served as Manager of the Manufacturing Department, Assistant Manager of the General Manager's Office, and Deputy General Manager and General Manager of the Company.</li> <li>Categories stated in Article 30 of the Company Act: None.</li> </ol>  | Was an employee of the Company for two years before being elected and to date, and a representative of an institutional director; therefore the criteria of independence is not met.   | 0   |
| Independent Director and Member of the Audit Committee: Chen, Tzu-Chen | <ol style="list-style-type: none"> <li>Professional Qualifications:               <ol style="list-style-type: none"> <li>Professional and qualified attorney.</li> <li>Legal background and experience, has served as a Judge for the Taiwan Taipei District Court.</li> </ol> </li> <li>Experience:               <ol style="list-style-type: none"> <li>Judge, Taiwan Taipei District Court.</li> <li>Judge, Taiwan High Court.</li> <li>Judge, Taipei High Administrative Court.</li> </ol> </li> <li>Categories stated in Article 30 of the Company Act: None.</li> </ol>   | 1. No conditions stipulated in Items 1 through 9, Paragraph 1, Article 3 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies have occurred two years prior to the appointment and during the term of service.          | 0   |
| Independent Director and Member of the Audit Committee: Hsu, En-De     | <ol style="list-style-type: none"> <li>Professional Qualifications:               <ol style="list-style-type: none"> <li>Obtained professional qualification as an Internal Auditor.</li> <li>An instructor in a department of commerce, finance, accounting, or other academic department related to business needs in a public or private junior college, college, or university.</li> </ol> </li> <li>Experience:               <ol style="list-style-type: none"> <li>Accounting Professor and Dean of Accounting and Industry Academic Cooperation Research Center, Tunghai University.</li> <li>Member of Social Empowerment Engineering Promotion Committee, Taichung City Government.</li> <li>President, Association of Sustainable Social Enterprise of Taiwan.</li> </ol> </li> <li>Categories stated in Article 30 of the Company Act: None.</li> </ol> | <ol style="list-style-type: none"> <li>Compensations received for providing commercial, legal, financial, accounting or related services to the Company, or any affiliate of the Company in the past 2 years: None.</li> <li>All three Independent Directors have met</li> </ol> | 2   |

| Criteria<br>Name   | Professional Qualifications and Experience  | Independence Criteria          | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--|---|--------------------------------|---|
| Independent Director and Member of the Audit Committee:<br>Chen, Shuei-Jin | 1. Professional Qualifications:<br>(1) Obtained Certified Public Accountant certification.<br>(2) An instructor in a department of commerce, finance, accounting, or other academic department related to business needs in a public or private junior college, college, or university.<br>(3) Professional experience in commerce, finance and accounting, and currently employed by the Yuan Sheng Accounting Firm.<br>2. Experience:<br>(1) CPA, Deloitte Taiwan<br>(2) CPA, Deloitte & Touche<br>(3) Adjunct Lecturer, Department of Industrial Management, Nan Kai University of Technology.<br>3. Categories stated in Article 30 of the Company Act: None. | the criteria for independence. | 3   |

(2) Diversity and Independence of the Composition of the Board:

\* Diversity of the Board of Directors:

The Corporate Governance Best Practice Principles of the Company require that the Board composition should follow the diversity policy, focus on divisiveness and gender equality, and the members of the Board shall be generally equipped with sufficient knowledge, skills, and competency to perform their duties. All Directors are required to engage in continuing studies courses each year and achieve the required number of hours of study. Currently, among the 11 directors serving on the Board, three of whom, or 27%, are concurrent employees of the Company, and two of them are female, which takes up 18%. The ratio of the three Independent Directors to all Directors is 27%; all of whom have served in the office for less than 9 years. 4 directors are aged over 71; 4 directors are aged between 61-70; and 3 directors are aged under 60. All Directors are from Taiwan, R.O.C. The Directors are separately equipped with expertise from manufacturing, commerce, finance, industry, law, and accounting fields. The Company pays attention to the diversified structure of the directors and expects to appoint Directors with expertise other than the aforementioned as well as female Directors in the next election.

\* Independence of the Composition of the Board:

The Company has set up three seats of Independent Directors, accounting for 27% of all Directors.

Four of the Directors have spousal and second degree of kinship relations with one another, accounting for 36% of all Directors, which does not violate the matters stipulated by Paragraph 3, Article 26-3 of the Securities and Exchange Act, and complies with the conditions of independence.

\* Implementation of Diversity Policy by Individual Directors:

| Directors Name    | Basic Composition |                         |  |          |          |          |                                   | Industrial knowledge and professional expertise |                    |                         |                   |                      |                                   |                         |                   |                              |
|-------------------|-------------------|-------------------------|--|----------|----------|----------|-----------------------------------|---|--------------------|-------------------------|-------------------|----------------------|-----------------------------------|-------------------------|-------------------|------------------------------|
|                   | Gender            | Professional background | Serve concurrently as employees of the Company | Age      |          |          | Longevity of Independent Director |   | Operation judgment | Business Administration | Crisis management | Industrial Knowledge | Accounting and financial analysis | Global market viewpoint | Leadership skills | Capability to make decisions |
|                   |                   |                         |  | 51 to 60 | 61 to 70 | Above 71 | Less than 3 years                 | 3-9 years                                       |                    |                         |                   |                      |                                   |                         |                   |                              |
| Chen, Yun-Hwa     | Male              | Business Management     | √  |          |          | √        |                                   |   | √                  | √                       | √                 | √                    | √                                 | √                       | √                 | √                            |
| Chen, Hsiu-Hsiung | Male              | Chemical                | √  |          |          | √        |                                   |   | √                  | √                       | √                 | √                    | √                                 | √                       | √                 | √                            |
| Chen, Han-Chi     | Female            | Finance and Accounting  |  | √        |          |          |                                   |   | √                  | √                       |                   | √                    | √                                 | √                       |                   |                              |
| Wu, Hsuan-Miao    | Male              | Finance and Accounting  |  |          |          | √        |                                   |   | √                  |                         |                   | √                    | √                                 | √                       |                   |                              |
| Huang, Chung-Jen  | Male              | Industrial Engineering  |  |          |          | √        |                                   |   |                    | √                       |                   | √                    |                                   |                         | √                 | √                            |
| Lo, Tsai-Jen      | Male              | R&D                     |  |          |          | √        |                                   |   | √                  | √                       | √                 | √                    |                                   | √                       | √                 | √                            |
| Tseng, Sung-Ling  | Male              | Business Management     |  |          |          | √        |                                   |   | √                  | √                       | √                 | √                    |                                   | √                       | √                 | √                            |

| Directors Name  | Basic Composition |                         |  |          |          |          |                                   | Industrial knowledge and professional expertise |                    |                         |                   |                      |                                   |                         |                   |                              |
|-----------------|-------------------|-------------------------|--|----------|----------|----------|-----------------------------------|---|--------------------|-------------------------|-------------------|----------------------|-----------------------------------|-------------------------|-------------------|------------------------------|
|                 | Gender            | Professional background | Serve concurrently as employees of the Company | Age      |          |          | Longevity of Independent Director |   | Operation judgment | Business Administration | Crisis management | Industrial Knowledge | Accounting and financial analysis | Global market viewpoint | Leadership skills | Capability to make decisions |
|                 |                   |                         |  | 51 to 60 | 61 to 70 | Above 71 | Less than 3 years                 | 3-9 years                                       |                    |                         |                   |                      |                                   |                         |                   |                              |
| Lee, Chin-Chang | Male              | Business Management     | √  |          | √        |          |                                   |   | √                  | √                       | √                 | √                    |                                   | √                       | √                 | √                            |
| Hsu, En-De      | Male              | Finance and Accounting  |  | √        |          |          |                                   | √   | √                  |                         | √                 | √                    | √                                 | √                       | √                 | √                            |
| Chen, Tzu-Chen  | Female            | Legal science           |  |          | √        |          | √                                 |   | √                  | √                       |                   | √                    |                                   | √                       |                   | √                            |
| Chen, Shuei-Jin | Male              | Finance and Accounting  |  | √        |          |          |                                   | √   | √                  |                         | √                 | √                    | √                                 | √                       | √                 | √                            |

(II) Information on General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

February 28, 2023

| Position               | Name                | Gender | Nationality | Election Date | Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Major Experience (Education)  | Current Posts in Other Companies | Managers who are Spouses or Within the second degree of Kinship |                                |   | Note   |
|------------------------|---------------------|--------|-------------|---------------|-----------------------|--------------------|--|--------------------|-----------------------------|--------------------|---|----------------------------------|---|--------------------------------|---|--|
|                        |                     |        |             |               | Number of Shares      | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |   |                                  | Position  | Name                           | Relation  |  |
| General Manager        | Chen, Yun-Hwa       | Male   | ROC         | 2020.07.07    | 120,570,531           | 3.72%              | 82,492,443                               | 2.54%              | 13,391,000                  | 0.41%              | Honorary Doctor of Management, National Yunlin University of Science and Technology | None                             | General Manager   | Chen, Hsiu-Hsiung              | Second degree of kinship                            | The four General Managers of the Company are responsible for the domestic and international operations; their roles and responsibilities are clear and match our current operating status. At the same time, less than half of the directors also act as employees or officers, however, the Company will adhere to the requirements of the related laws and regulations by 2023 |
| General Manager        | Chen, Hsiu-Hsiung   | Male   | ROC         | 1997.04.01    | 67,819,456            | 2.09%              | 62,945,516                               | 1.94%              | 31,280,000                  | 0.97%              | College of Chemical Industry, Shizuoka University                                   | None                             | General Manager Assistant Manager                               | Chen, Yun-Hwa<br>Chen, Po-Chia | Second degree of kinship<br>First degree of kinship |  |
| General Manager        | Lee, Chin-Chang     | Male   | ROC         | 2020.04.01    | 24,874                | 0%                 | 5,725                                    | 0%                 | 0                           | 0%                 | Master of International Business Management Institute of Dayeh University           | None                             | None  | None                           | None  |  |
| General Manager        | Hsu, Chih-Ming      | Male   | ROC         | 2020.04.01    | 300,844               | 0%                 | 4,665,356                                | 0.14%              | 0                           | 0%                 | Ph.D. Electrical Engineering, National Tsing Hua University                         | None                             | General Manager   | Chen, Hsiu-Hsiung              | First-degree family member of spouse                |  |
| Deputy General Manager | Peng, Wen-Hsiung    | Male   | ROC         | 2007.02.01    | 4,326                 | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Mechanical Engineering, Lunghwa Junior College                        | None                             | None  | None                           | None  |  |
| Deputy General Manager | Huang, Chieh-Hsiung | Male   | ROC         | 2008.07.01    | 233,322               | 0%                 | 0  | 0%                 | 0                           | 0%                 | Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd.                     | None                             | None  | None                           | None  |  |

| Position              | Name            | Gender | Nationality | Election Date | Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Major Experience (Education)   | Current Posts in Other Companies | Managers who are Spouses or Within the second degree of Kinship |      |          | Note |
|-----------------------|-----------------|--------|-------------|---------------|-----------------------|--------------------|--|--------------------|-----------------------------|--------------------|--|----------------------------------|---|------|----------|------|
|                       |                 |        |             |               | Number of Shares      | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |  |                                  | Position  | Name | Relation |      |
| Deputy General Manage | Lin, Yu-Yu      | Male   | ROC         | 2012.08.0     | 2,242                 | 0%                 | 2,793                                    | 0%                 | 0                           | 0%                 | Department of Industrial Engineering, National Taipei Junior College             | None                             | None  | None | None     |      |
| Deputy General Manage | Liao, Cheng-Yao | Male   | ROC         | 2013.08.0     | 400                   | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of English Studies, National Taichung Business College                | None                             | None  | None | None     |      |
| Deputy General Manage | Lee, Hung-Ko    | Male   | ROC         | 2016.07.0     | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Mechanical Engineering, National Chin Yi Junior College            | None                             | None  | None | None     |      |
| Deputy General Manage | Liu, Chao-Sheng | Male   | ROC         | 2016.07.01    | 4,326                 | 0%                 | 0  | 0%                 | 0                           | 0%                 | MBA, National Yunlin University of Science and Technology                        | None                             | None  | None | None     |      |
| Deputy General Manage | Lai, Kuo-Ti     | Male   | ROC         | 2016.07.01    | 2,438                 | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Accounting Statistics, Tamsui Institute of Business Administration | None                             | None  | None | None     |      |
| Deputy General Manage | Lo, Yung-Li     | Male   | ROC         | 2018.09.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Public Finance, Feng Chia University                               | None                             | None  | None | None     |      |
| Deputy General Manage | Chen, Shu-Yu    | Male   | ROC         | 2020.12.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Master, Food & Chemical Engineering, Da Yeh University                           | None                             | None  | None | None     |      |

| Position              | Name              | Gender | Nationality | Election Date | Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Major Experience (Education)   | Current Posts in Other Companies | Managers who are Spouses or Within the second degree of Kinship |      |          | Note |
|-----------------------|-------------------|--------|-------------|---------------|-----------------------|--------------------|--|--------------------|-----------------------------|--------------------|--|----------------------------------|---|------|----------|------|
|                       |                   |        |             |               | Number of Shares      | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |  |                                  | Position  | Name | Relation |      |
| Deputy General Manage | Ho, Chin-Fang     | Male   | ROC         | 2021.08.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Chemical Engineering Technicality, National Taipei Institute of Technology | None                             | None  | None | None     |      |
| Deputy General Manage | Chang, Ghi-Jung   | Male   | ROC         | 2021.08.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Mechanical Engineering, Feng Chia University                               | None                             | None  | None | None     |      |
| Deputy General Manage | Liu, Ching-Chung  | Male   | ROC         | 2021.08.01    | 0                     | 0%                 | 396                                      | 0%                 | 0                           | 0%                 | Department of Industrial Engineering, Feng Chia University                               | None                             | None  | None | None     |      |
| Deputy General Manage | Lo, Chen-Jung     | Male   | ROC         | 2021.08.01    | 189                   | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Electrical Engineering, Chienkuo Junior College                            | None                             | None  | None | None     |      |
| Assistant Manager     | Lin, Chin-Chuan   | Male   | ROC         | 99.05.01      | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Master in Mechanical Engineering, National Chiao Tung University                         | None                             | None  | None | None     |      |
| Assistant Manager     | Chang, Chuan-Shun | Male   | ROC         | 99.05.01      | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Industrial Management, National Chin Yi Junior College                     | None                             | None  | None | None     |      |
| Assistant Manager     | Chiang, Kui-Yung  | Male   | ROC         | 105.07.01     | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Mechanical Engineering, National United University                         | None                             | None  | None | None     |      |

| Position          | Name            | Gender | Nationality | Election Date | Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Major Experience (Education)  | Current Posts in Other Companies | Managers who are Spouses or Within the second degree of Kinship |                   |                         | Note |
|-------------------|-----------------|--------|-------------|---------------|-----------------------|--------------------|--|--------------------|-----------------------------|--------------------|---|----------------------------------|---|-------------------|-------------------------|------|
|                   |                 |        |             |               | Number of Shares      | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |   |                                  | Position  | Name              | Relation                |      |
| Assistant Manager | Hu, Ming-Te     | Male   | ROC         | 105.07.01     | 10,000                | 0%                 | 4,320                                    | 0%                 | 0                           | 0%                 | Diploma in Electrical Engineering from Zhen Del High School                                 | None                             | None  | None              | None                    | None |
| Assistant Manager | Ting, Iso-Lin   | Male   | ROC         | 2018.09.02    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Bachelor in Spanish, Tamkang University   | None                             | None  | None              | None                    | None |
| Assistant Manager | Chen, Jin-Long  | Male   | ROC         | 2019.12.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Bachelor in Spinning Engineering, Nanya Institute of Technology                             | None                             | None  | None              | None                    | None |
| Assistant Manager | Yang, Jin-Cheng | Male   | ROC         | 2019.12.01    | 0                     | 0%                 | 25,177                                   | 0%                 | 0                           | 0%                 | Bachelor in Mechanical Engineering, National Chin Yi Junior College                         | None                             | None  | None              | None                    | None |
| Assistant Manager | Lo, Yuan-Long   | Male   | ROC         | 2020.04.01    | 61,064,766            | 1.88%              | 0  | 0%                 | 0                           | 0%                 | PhD in Physics, University of Washington  | None                             | None  | None              | None                    | None |
| Assistant Manager | Chen, Po-Chia   | Male   | ROC         | 2020.04.01    | 35,603,449            | 1.098%             | 0  | 0%                 | 0                           | 0%                 | Master in Electrical Engineering, Cheng Kung University                                     | None                             | General Manager   | Chen, Hsiu-Hsiung | First degree of kinship | None |
| Assistant Manager | Lai Ming-Han    | Male   | ROC         | 2021.02.01    | 0                     | 0%                 | 115,936                                  | 0%                 | 0                           | 0%                 | Industrial Engineering Department of Lughwa University of Science and Technology Graduation | None                             | None  | None              | None                    | None |

| Position                | Name             | Gender | Nationality | Election Date | Number of Shares Held |                    | Shares Held By Spouse and Minor Children |                    | Shares Held in Other's Name |                    | Major Experience (Education)   | Current Posts in Other Companies | Managers who are Spouses or Within the second degree of Kinship |                   |                         |
|-------------------------|------------------|--------|-------------|---------------|-----------------------|--------------------|--|--------------------|-----------------------------|--------------------|--|----------------------------------|---|-------------------|-------------------------|
|                         |                  |        |             |               | Number of Shares      | Shareholding ratio | Number of Shares                         | Shareholding ratio | Number of Shares            | Shareholding ratio |  |                                  | Position  | Name              | Relation                |
| Assistant Manager       | Chiang, Chih-Wei | Male   | ROC         | 2021.08.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Bachelor in Civil Engineering, Chun Yuan Christian University            | None                             | None  | None              | None                    |
| Assistant Manager       | Huang, Yung Nan  | Male   | ROC         | 2021.08.01    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Mechanical Design, National Yunlin Institute of Technology | None                             | None  | None              | None                    |
| Assistant Manager       | Chen, Han-Hsin   | Female | ROC         | 2021.08.01    | 24,224,294            | 0.75%              | 300,844                                  | 0%                 | 0                           | 0%                 | Master's in Accounting, University of Illinois, USA                      | None                             | General Manager   | Chen, Hsiu-Hsiung | First degree of kinship |
| Assistant Manager       | Chen, Chih Hsien | Male   | ROC         | 2021.08.01    | 80                    | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of International Business, Shih Chien University              | None                             | None  | None              | None                    |
| Chief Financial Officer | Lo, Yung-Li      | Male   | ROC         | 99.07.19      | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Department of Public Finance, Feng Chia University                       | None                             | None  | None              | None                    |
| Accounting Supervisor   | Yu, Ching-Tang   | Male   | ROC         | 2020.11.12    | 0                     | 0%                 | 0  | 0%                 | 0                           | 0%                 | Accounting Department, National Chengchi University                      | None                             | None  | None              | None                    |

Note: Where the Chairperson of the Board of Directors and General Manager or a person of an equivalent post (the highest level manager) of a company are the same people, spouses, or first-degree family member, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

III. Remuneration of Directors (including Independent Directors), General Managers, and Deputy General Managers

(I) Remunerations of General Directors and Independent Directors

December 31, 2022 Unit: NTD in thousands

| Position      | Name   | Remuneration of Directors |             |               |                                 | Total Remuneration (A+B+C+D) to Net Income After Tax Ratio (%) |                                       | Relevant Remuneration Received by Directors Who are Also Employees |                                       |                                     |             | Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax Ratio (%) |                                       | Compensation from any Invested Company Other Than the Company's Subsidiary |                 |                 |             |
|---------------|--|---------------------------|-------------|---------------|---------------------------------|--|---------------------------------------|--|---------------------------------------|-------------------------------------|-------------|--|---------------------------------------|--|-----------------|-----------------|-------------|
|               |  | Base Compensation (A)     | Pension (B) | Directors (C) | Business Expense Allowances (D) | The Company  | Companies in the financial statements | The Company  | Companies in the financial statements | Salary, Bonuses, and Allowances (E) | Pension (F) | The Company  | Companies in the financial statements |  | Cash Amount     | Stock Amount    | The Company |
| Chairman's    | Chen, Yun-Hwa  |                           |             |               |                                 |  |                                       |  |                                       |                                     |             |  |                                       |  |                 |                 |             |
| Vice Chairman | Chen, Hsiu-Hsiung  |                           |             |               |                                 |  |                                       |  |                                       |                                     |             |  |                                       |  |                 |                 |             |
| Directors     | Min Hsing Investment Co., Ltd.<br>(Representative: Cheng, Han-Chi)     |                           |             |               |                                 |  |                                       |  |                                       |                                     |             |  |                                       |  |                 |                 |             |
| Directors     | Hsieh shuen Investment Corporation,<br>represented by Huang, Chung-Jen | 0                         | 0           | 93,729        | 280                             | 94,009 (1.89%)   | 94,009 (1.89%)                        | 25,402   | 0                                     | 0                                   | 178         | 0  | 178                                   | 0  | 119,589 (2.41%) | 119,589 (2.41%) | None        |
| Directors     | Representative of Jiu Shun Investment Corporation:<br>Wu, Hsuan-Miao   |                           |             |               |                                 |  |                                       |  |                                       |                                     |             |  |                                       |  |                 |                 |             |
| Directors     | Hong Jing Investment Corporation,<br>represented by Lo, Tsai-Jen       |                           |             |               |                                 |  |                                       |  |                                       |                                     |             |  |                                       |  |                 |                 |             |



2. Except as otherwise disclosed herein, remunerations received by the Directors of the Company for providing services (in a non-employee capacity, such as an advisor to the parent company/all companies in the financial statements/reinvestment) to any of the companies in the consolidated financial statements within the current fiscal year are as follows:

\* The remunerations received by the Company's Directors for serving as advisors in a non-employee capacity totaled NT\$4.1 million.

**Table of Range of Remuneration**

| Range of Remuneration paid to Directors of the Company | Name of Director   |  |  |  |  |  |
|--|--|--|--|--|--|--|
|  | Total of (A+B+C+D)   |  | Total of (A+B+C+D+E+F+G)   |  |  |  |
|  | The Company<br>Hsu, En-De, Chen, Tzu-Chen, Chen, Shuei-Jin                           | Companies in the financial statements H<br>Hsu, En-De, Chen, Tzu-Chen, Chen, Shuei-Jin | The Company<br>Hsu, En-De, Chen, Tzu-Chen, Chen, Shuei-Jin                           | Companies in the financial statements I<br>Hsu, En-De, Chen, Tzu-Chen, Chen, Shuei-Jin |  |  |
| Less than NT\$ 1,000,000                               | -  | -  | -  | -  | -  | -  |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000              | -  | -  | -  | -  | -  | -  |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000              | -  | -  | -  | -  | -  | -  |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000              | Jiu Shun Investment Corporation  | Jiu Shun Investment Corporation  | Jiu Shun Investment Corporation  | Jiu Shun Investment Corporation  | Jiu Shun Investment Corporation  | Jiu Shun Investment Corporation  |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000             | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd. | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd.   | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd. | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd.   | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd. | Tseng, Sung-Ling, Hsieh Shuen Investment Corporation, Min Hsing Investment Co., Ltd. |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000            | -  | -  | -  | -  | -  | -  |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000            | Chen, Yun-Hwa, Chen, Shiu-Hsiung, Hong Jing Investment Corporation                   | Chen, Yun-Hwa, Chen, Shiu-Hsiung, Hong Jing Investment Corporation                     | Chen, Yun-Hwa, Chen, Shiu-Hsiung, Hong Jing Investment Corporation                   | Hong Jing Investment Corporation   | Hong Jing Investment Corporation   | Hong Jing Investment Corporation   |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000            | -  | -  | -  | -  | -  | -  |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000           | -  | -  | -  | -  | -  | -  |
| NT\$100,000,000 or more                                | -  | -  | -  | -  | -  | -  |
| Total  | 10 persons   | 10 persons   | 10 persons   | 10 persons   | 10 persons   | 10 persons   |

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purposes.

(II) Remunerations of General Managers and Deputy General Managers

December 31, 2022 Unit: NTD in thousands

| Position              | Name                | Salary(A)   |                                       | Pension (B) |                                       | Bonuses and Allowances (C) |                                       | Profit Sharing- Employee Bonus (D) |                                       |                | Total amount of A, B, C and D and ratio to after-tax net income (%) |             | Compensation from any Company Other Than the Company's Subsidiary |
|-----------------------|---------------------|-------------|---------------------------------------|-------------|---------------------------------------|----------------------------|---------------------------------------|------------------------------------|---------------------------------------|----------------|---|-------------|---|
|                       |                     | The Company | Companies in the financial statements | The Company | Companies in the financial statements | The Company                | Companies in the financial statements | The Company                        | Companies in the financial statements | The Company    | Companies in the financial statements                               | The Company |   |
| General Manager       | Chen, Yun-Hwa       |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| General Manager       | Chen, Hsiu-Hsiung   |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| General Manager       | Hsu, Chih-Ming      |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| General Manager       | Lee, Chin-Chang     |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lin, Hung-Yu        |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Huang, Chieh-Hsiang |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Peng, Wen-Hsing     |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lin, Yu-Yu          |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Liao, Cheng-Yao     |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lee, Hung-Ko        | 31,635      | 31,635                                | 9,100       | 9,100                                 | 55,258                     | 55,258                                | 1,422                              | 0                                     | 97,415 (1.96%) | 97,415 (1.96%)  | 0           | None  |
| Deputy General Manage | Liu, Chao-Sheng     |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lai, Kuo-Ti         |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lo, Yung-Li         |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Chen, Shu-Yu        |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Ho, Chin-Fang       |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Chang, Ghi-Jung     |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Liu, Ching-Chung    |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |
| Deputy General Manage | Lo, Chen-Jung       |             |                                       |             |                                       |                            |                                       |                                    |                                       |                |   |             |   |

Note: Lin, Hung-Yu Deputy General Manager Retired on 2022.02.28

Table of Range of Remuneration

| Range of remunerations paid to General Managers and Deputy General Managers of the Company | Name of General Manager and Deputy General Manager  |   |
|--|---|---|
|  | The Company   | Companies in the consolidated financial statements E  |
| Less than NT\$1,000,000  | -   | -   |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000  | -   | -   |
| NT\$2,000,000 (inclusive) ~ NT\$ 3,500,000   | -   | -   |
| NT\$3,500,000 (inclusive) ~ NT\$ 5,000,000   | Hsu, Chih-Ming, Peng, Wen-Hsing, Huang, Chieh-Hsiang, Lin, Yu-Yu, Liao, Cheng-Yao, Chen, Shu-Yu Lee, Hung-Ko, Sheng, Lai, Kuo-Ti, Lo, Yung-Li, Chang, Ghi-Jung, Chung, Ho, Chin-Fang, Lo, Chen-Jung | Hsu, Chih-Ming, Peng, Wen-Hsing, Huang, Chieh-Hsiang, Lin, Yu-Yu, Liao, Cheng-Yao, Chen, Shu-Yu Lee, Hung-Ko, Liu, Chao-Sheng, Lai, Kuo-Ti, Lo, Yung-Li, Chang, Ghi-Jung, Liu, Ching-Jung |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000   | Chen, Yun Hwa, Lee, Chin-Chang  | Chen, Yun Hwa, Lee, Chin-Chang  |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000  | Chen, Hsiu-Hsiung, Lin, Hung-Yu   | Chen, Hsiu-Hsiung, Lin, Hung-Yu   |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000  | -   | -   |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000  | -   | -   |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000   | -   | -   |
| NT\$100,000,000 or more  | -   | -   |
| Total  | 18 persons  | 18 persons  |

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purposes.

## (III) Manager's Name and the Distribution of Employee Bonus

December 31, 2022 Unit: NTD in thousands

|                         | Position              | Name                | Stock Amount | Cash Amount | Total | The proportion of the total amount to after-tax net income (%) |
|-------------------------|-----------------------|---------------------|--------------|-------------|-------|--|
| Manager                 | General Manager       | Chen, Yun-Hwa       | 0            | 2,756       | 2,756 | 0.056%   |
|                         | General Manager       | Chen, Hsiu-Hsiung   |              |             |       |  |
|                         | General Manager       | Hsu, Chih-Ming      |              |             |       |  |
|                         | General Manager       | Lee, Chin-Chang     |              |             |       |  |
|                         | Deputy General Manage | Lin, Hung-Yu        |              |             |       |  |
|                         | Deputy General Manage | Huang, Chieh-Hsiang |              |             |       |  |
|                         | Deputy General Manage | Peng, Wen-Hsing     |              |             |       |  |
|                         | Deputy General Manage | Lin, Yu-Yu          |              |             |       |  |
|                         | Deputy General Manage | Liao, Cheng-Yao     |              |             |       |  |
|                         | Deputy General Manage | Lee, Hung-Ko        |              |             |       |  |
|                         | Deputy General Manage | Liu, Chao-Sheng     |              |             |       |  |
|                         | Deputy General Manage | Lai, Kuo-Ti         |              |             |       |  |
|                         | Deputy General Manage | Lo, Yung-Li         |              |             |       |  |
|                         | Deputy General Manage | Chen, Shu-Yu        |              |             |       |  |
|                         | Deputy General Manage | Ho, Chin-Fang       |              |             |       |  |
|                         | Deputy General Manage | Chang, Ghi-Jung     |              |             |       |  |
|                         | Deputy General Manage | Liu, Ching-Chung    |              |             |       |  |
|                         | Deputy General Manage | Lo, Chen-Jung       |              |             |       |  |
|                         | Assistant Manager     | Lin, Chen-Chieh     |              |             |       |  |
|                         | Assistant Manager     | Lin, Chin-Chuan     |              |             |       |  |
|                         | Assistant Manager     | Chang, Chuan-Shun   |              |             |       |  |
|                         | Assistant Manager     | Huang, Kuo-Tsai     |              |             |       |  |
|                         | Assistant Manager     | Huang, Yang-Hsun    |              |             |       |  |
|                         | Assistant Manager     | Chen, Ying-Kuang    |              |             |       |  |
|                         | Assistant Manager     | Chiang, Kui-Yung    |              |             |       |  |
|                         | Assistant Manager     | Hu, Ming-Te         |              |             |       |  |
|                         | Assistant Manager     | Ting, Tso-Lin       |              |             |       |  |
|                         | Assistant Manager     | Chen, Jin-Long      |              |             |       |  |
|                         | Assistant Manager     | Yang, Jin-Cheng     |              |             |       |  |
|                         | Assistant Manager     | Lo, Yuan-Long       |              |             |       |  |
|                         | Assistant Manager     | Chen, Po-Chia       |              |             |       |  |
|                         | Assistant Manager     | Lai Ming-Han        |              |             |       |  |
|                         | Assistant Manager     | Chen, Han-Hsin      |              |             |       |  |
| Assistant Manager       | Huang, Yung Nan       |                     |              |             |       |  |
| Assistant Manager       | Chen, Chih Hsien      |                     |              |             |       |  |
| Assistant Manager       | Chiang, Chih-Wei      |                     |              |             |       |  |
| Chief Financial Officer | Lo, Yung-Li           |                     |              |             |       |  |
| Accounting Supervisor   | Yu, Ching-Tang        |                     |              |             |       |  |

(IV) Remuneration paid by the Company and by all companies included in the consolidated financial statements to Directors, General Managers and Deputy General Managers in the Most Recent Two Fiscal Years to after-tax net profit ratio; and Remuneration Policy, Standards, Portfolios for The Payment of The Remuneration, and Procedure for Determining Remuneration, and their Connection with Business Performance and Future Risks.

- Total remuneration of Directors, General Managers and Deputy General Managers of the Company to after-tax net income ratio:

Unit: NT\$ Thousand; %

| Year/Item                              | Net Income After Tax | Total remuneration of Directors, General Managers and Deputy General Managers to net profit after tax ratio |
|--|----------------------|---|
| The Company in 2022                    | 4,961,369            | 3.91%   |
| 2022 Consolidated Financial Statements | 4,992,260            | 3.89%   |
| The Company in 2021                    | 5,270,007            | 3.63%   |
| 2021 Consolidated Financial Statements | 5,294,850            | 3.61%   |

- The policies, standards and portfolios for the payment of remuneration, the procedures for determining remuneration, and their connection with business performance and future risks:

To the extent that the Company has profit in the year, the Company shall set aside at least 2% of such profit as employee compensation and no more than 3% of such profit as director compensation, provided that the Company shall first offset the cumulative losses, if any. The independent directors may not participate in the distribution of the Company's director remuneration and are only paid a fixed compensation and honorarium for attending meetings. The policy of directors' remuneration is based on the Company's "Performance Evaluation of the Functional Committees of the Board of Directors", and also includes suggestions that either point out the Company's problems or offer constructive criticism, assisting the Company in problem-solving through substantial actions, drafting and receiving support for proposals at the Board meetings, and material benefits generated from such proposals and attendance at the Board meetings, and reasonable compensations are given upon review from the Remuneration Committee and upon resolution from the Board of Directors.

The compensation policy for managers is determined by the Remuneration Committee of the Company in accordance with the market average of each position's academic background and experiences, the duties and responsibilities of such position, as well as personal contribution to the Company's operation target. Besides taking the overall operating performance of the Company into consideration, personal achievements and contributions made to business operations, which includes achievement status of the Group's management performance, internationalization and Group-centered performance, talent development, achievement of strategic and target objectives, whether the person serves in concurrent positions, are also evaluated during the remuneration determination process. The Audit Committee and the Board of Directors would then approve a remuneration that is fair and reasonable.

#### IV. Corporate Governance of the Company

##### (I) Implementation of Board Meetings

1. The Board of Directors held 7 meetings (A) in 2022 (as of December 31, 2022).  
The attendance of directors (including independent directors) is as follows:

| Position             | Name (Note 1)   | Actual Attendance (B) | Attendance by Proxy | Ratio of Actual Attendance (%)<br>【B/A】 (Note 2) | Note |
|----------------------|---|-----------------------|---------------------|--|------|
| Chairman's           | Chen, Yun-Hwa   | 7                     | 0                   | 100%   |      |
| Vice Chairman        | Chen, Hsiu-Hsiung   | 7                     | 0                   | 100%   |      |
| Directors            | Min Hsing Investment Co., Ltd.<br>(Representative: Cheng, Han-Chi)  | 7                     | 0                   | 100%   |      |
| Directors            | Hsieh shuen Investment Corporation, represented by Huang, Chung-Jen | 7                     | 0                   | 100%   |      |
| Directors            | Representative of Jiu Shun Investment Corporation: Wu, Hsuan-Miao   | 7                     | 0                   | 100%   |      |
| Directors            | Hong Jing Investment Corporation, represented by Lo, Tsai-Jen       | 7                     | 0                   | 100%   |      |
| Directors            | Tseng, Sung-Ling  | 7                     | 0                   | 100%   |      |
| Directors            | Hong Jing Zi Investment Corporation, represented by Lee, Chin-Chang | 7                     | 0                   | 100%   |      |
| Independent Director | Hsu, En-De  | 6                     | 1                   | 86%  |      |
| Independent Director | Chen, Tzu-Chen  | 7                     | 0                   | 100%   |      |
| Independent Director | Chen, Shuei-Jin   | 7                     | 0                   | 100%   |      |

##### Other Required Disclosures:

- I. The date, session number of the Board meeting, proposal contents, opinions of all Independent Directors, and the Company's reactions towards Independent Director's opinions shall be recorded in case the following Board operation occurs:
- (1) Items specified in Article 14-3 of the Securities and Exchange Act: As stated in the table below.
  - (2) Other than the matters mentioned above, the resolutions with records or written statements on which independent directors have dissenting opinions or qualified opinions: As stated in the table below.

| Date  | Proposal Contents  | Independent Director's Opinion | Company's Reaction towards Independent Director's Opinions |
|---|--|--------------------------------|--|
| 2022.01.18<br>(The 11th session of the 11th term) | (1) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration.<br>(2) Retroactive approval of personnel appointments and dismissals by the Company.<br>(3) Lin, Hung-Yu, Deputy General Manager of the Company, pension payment case.<br>(4) Proposal for the Company's loan line.<br>(5) Proposal for the "CSR Working Group" of the Company to be renamed to the "ESG Promotional Team". | None                           | N/A  |
| 2022.03.16<br>(The 12th session of the 11th term) | (1) Proposal to discuss the Company's self-prepared financial information for the year 2021.<br>(2) Proposal to decide the date and location of the 2022 Annual Shareholders' Meeting as well as the reasons to convene the meeting.   | None                           | N/A  |

|   | (3) Proposal to accept shareholders' proposals for the 2022 Annual Shareholders Meeting.   |                                |  |
|---|--|--------------------------------|--|
| Date  | Proposal Contents  | Independent Director's Opinion | Company's Reaction towards Independent Director's Opinions |
| 2022.03.24<br>(The 13th session of the 11th term) | (1) Proposal for the 2021 performance evaluation of the Board and the functional committee.<br>(2) Proposal for the distribution of directors' and employees' 2021 remuneration.<br>(3) Proposal to discuss the Company's 2021 business report, consolidated financial statements, and individual financial statements.<br>(4) Proposal for the distribution of the Company's 2021 earnings.<br>(5) Proposal for the Review of Effectiveness of Internal Control System and the Statement of Internal Control System of the Company for 2021.<br>(6) Proposal for independent evaluation of the Company's CPAs.<br>(7) Proposal for the appointment and compensation of the Company's CPAs.<br>(8) Proposal for amendment to the Company's Articles of Incorporation.<br>(9) Proposal for amendment to amendments of the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others.<br>(10) Proposal for amendment to the Company's Procedures for the Acquisition and Disposal of Assets.<br>(11) Proposal for amendment to the Company's Rules of Procedure for Shareholders' Meetings.<br>(12) Amendment to the Code of Practice on Corporate Social Responsibility of the Company<br>(13) Amendment to the Company's Corporate Governance Best Practice Principles<br>(14) Amendments to the Company's Subsidiary Oversight Procedures.<br>(15) Proposal for amendment to the Company's Procedures to Prevent Insider Trading.<br>(16) Proposal for the Company's loan line.<br>(17) Proposal for the Company's endorsements/guarantees. | None                           | N/A  |
| 2022.05.11<br>(The 14th session of the 11th term) | (1) Proposal to accept the Company's Q1 2022 Consolidated Financial Statements.<br>(2) Proposal to establish an employee shareholding trust.<br>(3) The Company's personnel appointments and dismissals.<br>(4) Proposal to appoint an Internal Chief Audit Officer of the Company.<br>(5) The company's greenhouse gas (GHG) emission inspection and verification schedule plan.<br>(6) Proposal for the Maxxis Rubber India Private Limited capital increase project.<br>(7) Proposal for the Company's endorsements/guarantees.   | None                           | N/A  |
| 2022.07.07<br>(The 11th and 15th)                 | (1) Proposal to fix the ex-dividend base date.<br>(2) Proposal for 2021 directors' remuneration distribution.<br>(3) Proposal to appoint a manager for pension payments.<br>(4) The Company's personnel appointments and dismissals.<br>(5) Proposal for the Company's loan line.  | None                           | N/A  |
| 2022.08.10<br>(The 11th and 16th)                 | (1) Proposal to accept the Company's Q2 2022 Consolidated Financial Statements.<br>(2) Proposal for the Company's endorsements/guarantees.<br>(3) Proposal for the Company's loan line.  | None                           | N/A  |
| 2022.11.10  | (1) Proposal to accept the Company's Q3 2022   | None                           | N/A  |

| (The 11th and 17th) | Consolidated Financial Statements.<br>(2) Proposal to establish the Company's 2023 Audit Plan.   |                                |  |
|---------------------|--|--------------------------------|--|
| Date                | Proposal Contents  | Independent Director's Opinion | Company's Reaction towards Independent Director's Opinions |
|                     | (3) Amendment to the Company's Board Meeting Procedural Rules.<br>(4) Proposal to establish the Company's Procedures for the Preparation and Validation of Sustainability Reports.<br>(5) Finalize the Company's Procedures for Internal Material Information Processing.<br>(6) PT. Proposal for the Maxxis International Indonesia capital increase project.<br>(7) Maxxis Europe B.V. Capital increase project.<br>(8) Proposal to issue unsecured general corporate bonds of the Company.<br>(9) Proposal to set up an Information and Communications Security Department and appoint a Chief Information and Communications Security Officer.<br>(10) Proposal for the Company's loan line.<br>(11) Proposal for the Company's endorsements/guarantees. |                                |  |

II. In regards to the recusal of directors due to conflict of interests, the name of the directors, proposal contents, the reasons for recusal due to conflict of interests and voting result:

None.

III. Information disclosure of the Company regarding the frequency and period, scope, method, and content of the Board's self-evaluation. The execution of the Board's evaluation: Please refer to the Execution of the Board's Evaluation.

IV. Evaluation of the measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status:

(1) The Company has independent directors on the Board and an audit committee in place, and holds Board meetings and Audit Committee meetings on a regular basis. We also invite accountants/auditors to sit in on the Board meetings to help the directors have a better understanding of the global market, industry trends, and financial, accounting, and tax regulations, thereby benefiting the management and operations of the Company.

(2) The Company has amended the Company's Rules for the Election of Directors, Rules, and Procedures for Board Meetings, and adopted corporate governance rules, which are made available on the corporate website and on the Market Observation Post System (MOPS).

(3) All of the Company's directors including the independent directors must meet the training hours requirement of the annual continuing education.

(4) The Company discloses information in respect of directors' continuing education, Board meeting attendance, and remuneration of directors on MOPS.

(5) The Company posts important matters resolved by the Board of Directors, Board attendance, director profiles (including independent directors), and descriptions of the diversification independence of the composition of the Board on the

corporate website.

Note 1: The names of a corporate shareholder and its representative shall be disclosed if the director or supervisor is a juristic person.

Note 2:

- (1) If a director or supervisor resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of board meetings held during his or her tenure and the number of such meetings attended.
- (2) If a director or supervisor is re-elected before the end of the accounting year, the names of the current and previous director or supervisor shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of board meetings held during his or her tenure and the number of such meetings attended.

## 2. The Execution of the Board's Evaluation

The performance evaluation result of the Board and functional committee in 2022 is as follows:

\* The performance evaluation result of the Company's Board and its functional committees in 2022 was reviewed and evaluated by the Remuneration Committee on March 13, 2023 and submitted to the Board on March 14, 2023 for resolution.

| Evaluation Frequency | Evaluation Period   | Scope of Evaluation   | Evaluation Method                                     | Evaluation Content  | Evaluation Result  |
|----------------------|---|---|---|---|--|
| Once a year          | Evaluates the performance of the Board from January 1, 2022 to December 31, 2022                                      | Board of Directors' performance evaluation                  | Chairman's overall evaluation                         | 1. Degree of involvement in company operations<br>2. Improvement in the quality of the Board's decision making<br>3. Composition and structure of the Board<br>4. Election and continuing education of the directors<br>5. Internal Controls  | The weighted average score was 92.89 points.<br>Overall comment: Directors can strengthen the use of information to make audits and recommendations.   |
| Once a year          | Self-evaluation from members of the Board regarding the Board's performance from January 1, 2022 to December 31, 2022 | Evaluation on the performance of Board members              | Self-evaluation by the directors                      | 1. Execution of the Company's goals and tasks<br>2. Understanding of the director's roles and responsibilities<br>3. Procedures for participating in the Company's operation<br>4. Management and communication of the internal relations<br>5. Expertise and continuing education of the directors<br>6. Internal Controls | The weighted average score was 95.42 points.<br>Suggestion and improvement item: Directors need to enhance their understanding of the tire industry market conditions.<br>Overall comment: Regularly attends meetings, presents a balanced perspective, demonstrates sincerity and perseverance, and performs outstandingly. |
| Once a year          | Evaluate the performance of the Remuneration Committee from January 1, 2022 to December 31, 2022                      | Evaluation on the performance of the Remuneration Committee | Self-evaluation by the Remuneration Committee members | 1. Procedures for participating in the Company's operation<br>2. Understanding of the Remuneration Committee's roles and responsibilities<br>3. Improvement in the quality of the Remuneration Committee's decision-making<br>4. Composition and member election of the Remuneration Committee                              | The weighted average score was 88.42 points.<br>Overall comment: The committee can operate effectively and independently, and perform the duties of the Remuneration Committee well, urging the company to act in accordance with the law.   |

| Evaluation Frequency | Evaluation Period   | Scope of Evaluation                                  | Evaluation Method                              | Evaluation Content  | Evaluation Result   |
|----------------------|---|--|--|---|---|
| Once a year          | Evaluate the performance of the Audit Committee from January 1, 2022 to December 31, 2022 | Evaluation on the performance of the Audit Committee | Self-evaluation by the Audit Committee members | 1. Degree of involvement in company operations<br>2. Understanding of the Audit Committee's roles and responsibilities<br>3. Improvement in the quality of the Audit Committee's decision-making<br>4. Composition and member election of the Audit Committee<br>5. Internal Controls | The weighted average score was 93.03 points. Overall comment: The Audit Committee adheres to professionalism and encourages open communication. |

Note: Executed in line with the Company's "Regulations for Performance Evaluation of the Board and Functional Committees."

## (II) Implementation of Audit Committee Operations

- The Company appoints 3 independent audit committee members, one of whom is a female independent director, in assisting the Board to supervise the Company's performance quality and credibility in accounting, audit, financial reporting process, and financial control. Please refer to Professional Qualifications of Directors and Disclosure on the Independence of Independent Directors for the professional qualifications and experiences of the Audit Committee members (Pages #21-26 in the Annual Report).
- The major tasks of the Audit Committee in 2022 included:  
Financial reports, audit and accounting policy and procedures, policy and procedures related to the internal control system, significant asset or derivatives transactions, significant endorsements and guarantees, subsidiaries capital increase projects, qualifications and independency evaluation of the independent auditor, the delegation of the independent auditor, the appointment of the Internal Chief Audit Officer, Performance Self-Evaluation of the Audit Committee, and legal and regulatory compliance.
- The Audit Committee held 4 meetings (A) in 2022, the attendance status of independent directors was as follows:

| Position             | Name            | Actual Attendance (B) | Attendance by Proxy | Actual attendance rate (%) (B/A) (Note 1, Note 2) | Note |
|----------------------|-----------------|-----------------------|---------------------|---|------|
| Independent Director | Hsu, En-De      | 4                     | 0                   | 100%  |      |
| Independent Director | Chen, Shuei-Jin | 4                     | 0                   | 100%  |      |
| Independent Director | Chen, Tzu-Chen  | 4                     | 0                   | 100%  |      |

### Other Required Disclosures:

- If Audit Committee has any of the following circumstances, the date and session number of the Audit Committee meeting, proposal contents, contents of the independent director's dissenting opinion, reserved opinion, or major suggestion, the resolution made by the Audit Committee, and how the Company handled the Audit Committee's opinions shall be specified.

(I) Items specified in Article 14-5 of the Securities and Exchange Act.

Implementation Status in 2022

| Date of the Audit Committee meeting              | Proposal contents  | The independent director's dissenting opinion, reserved opinion, or major suggestions | Resolution made by Audit Committee                               | The Company's reactions towards Audit Committee's opinions  |
|--|--|---|--|---|
| 2022.03.24<br>(The 8th session of the 2nd term)  | <ul style="list-style-type: none"> <li>(1) Proposal to discuss the Company's 2021 business report, consolidated financial statements, and individual financial statements.</li> <li>(2) Proposal for the distribution of the Company's 2021 earnings.</li> <li>(3) Proposal for the Review of Effectiveness of Internal Control System and the Statement of Internal Control System of the Company for 2021.</li> <li>(4) Proposal for independent evaluation of the Company's CPAs.</li> <li>(5) Proposal for the appointment and compensation of the Company's CPAs.</li> <li>(6) Proposal for amendment to the Company's Articles of Incorporation.</li> <li>(7) Proposal for amendment to amendments of the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others.</li> <li>(8) Proposal for amendment to the Company's Procedures for the Acquisition and Disposal of Assets.</li> <li>(9) Proposal for amendment to the Company's Rules of Procedure for Shareholders' Meetings.</li> <li>(10) Amendment to the Code of Practice on Corporate Social Responsibility of the Company</li> <li>(11) Amendment to the Company's Corporate Governance Best Practice Principles</li> <li>(12) Amendments to the Company's Subsidiary Oversight Procedures.</li> <li>(13) Proposal for amendment to the Company's Procedures to Prevent Insider Trading.</li> <li>(14) Proposal for the Company's endorsements/guarantees.</li> </ul> | None.   | Unanimously approved by all the Audit Committee members present. | Unanimously approved by all the directors present at the 13th session of the Board of Directors on March 24, 2022.    |
| 2022.05.11<br>(The 9th session of the 2nd term)  | <ul style="list-style-type: none"> <li>(1) Proposal to accept the Company's Q1 2022 Consolidated Financial Statements.</li> <li>(2) Proposal to appoint an Internal Chief Audit Officer of the Company.</li> <li>(3) Proposal for the Maxxis Rubber India Private Limited capital increase project.</li> <li>(4) Proposal for the Company's endorsements/guarantees.</li> </ul>  | None.   | Unanimously approved by all the Audit Committee members present. | Unanimously approved by all the directors present at the 14th session of the Board of Directors on May 11, 2022.      |
| 2022.08.10<br>(The 10th session of the 2nd term) | <ul style="list-style-type: none"> <li>(1) Proposal to accept the Company's Q2 2022 Consolidated Financial Statements.</li> <li>(2) Proposal for the Company's endorsements/guarantees.</li> </ul>   | None.   | Unanimously approved by all the Audit Committee members present. | Unanimously approved by all the directors present at the 16th session of the Board of Directors on August 10, 2022.   |
| 2022.11.10<br>(The 11th session of the 2nd term) | <ul style="list-style-type: none"> <li>(1) Proposal to accept the Company's Q3 2022 Consolidated Financial Statements.</li> <li>(2) Proposal to establish the Company's 2023 Audit Plan.</li> <li>(3) Amendment to the Company's Board Meeting Procedural Rules.</li> </ul>  | None.   | Unanimously approved by all the Audit Committee members present. | Unanimously approved by all the directors present at the 17th session of the Board of Directors on November 10, 2022. |

| Date of the Audit Committee meeting | Proposal contents   | The independent director's dissenting opinion, reserved opinion, or major suggestions | Resolution made by Audit Committee | The Company's reactions towards Audit Committee's opinions |
|-------------------------------------|---|---|------------------------------------|--|
|                                     | (4) Proposal to establish the Company's Procedures for the Preparation and Validation of Sustainability Reports.<br>(5) Proposal to establish the Company's "Internal Regular Procedures for the Processing of Major Information".<br>(6) PT. Proposal for the Maxxis International Indonesia capital increase project.<br>(7) Maxxis Europe B.V. Capital increase project.<br>(8) Proposal to issue unsecured general corporate bonds of the Company.<br>(9) Proposal for the Company's endorsements/guarantees. |   |                                    |  |

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

II. In regards to the recusal of independent directors due to conflict of interests, the name of the independent directors, proposal contents, the reasons for recusal due to conflict of interests and voting result: None.

III. Communication between Independent Directors, Internal Chief Audit Officer, and CPAs (which should include the important matters, methods, and results regarding the Company's finance and operations):

1. Summary of communication between independent directors and Internal Chief Audit Officer in 2022

| Meeting Date                     | Attendees  | Discussion Points   | Results  |
|----------------------------------|--|---|--|
| 2022.03.24<br>Audit<br>Committee | Independent Director - Hsu, En-De (Video)<br>Independent Director - Chen, Shuei-Jin<br>Independent Director - Chen, Tzu-Chen (Video)<br>Chief Audit Officer- Lin, Chen-Chieh<br>CPA- Chou, Chien-Hung<br>CPA- Wu, Yu-Long<br>CPA- Wang, Yu-Chuan         | Presentation<br>1. Reporting on internal audit activities.<br>(1) Implementation of routine audits<br>(2) Audit of subsidiary projects<br>(3) Report on the results of audit deficiency tracking<br>(4) Contingent matters report<br>2. Proposal for the Review of Effectiveness of Internal Control System and the Statement of Internal Control System of the Company for 2021. | Report acknowledged. No further opinions were given. |
| 2022.05.11<br>Audit<br>Committee | Independent Director - Hsu, En-De (Video)<br>Independent Director - Chen, Shuei-Jin (Video)<br>Independent Director - Chen, Tzu-Chen (Video)<br>Chief Audit Officer- Lin, Chen-Chieh<br>CPA- Chou, Chien-Hung<br>CPA- Wu, Yu-Long<br>CPA- Wang, Yu-Chuan | Presentation<br>Report of internal audit findings<br>(1) Implementation of routine audits<br>(2) Audit of subsidiary projects<br>(3) Report on the results of audit deficiency tracking<br>(4) Contingent matters report  | Report acknowledged. No further opinions were given. |
| 2022.08.10<br>Audit<br>Committee | Independent Director - Hsu, En-De  | Presentation<br>1. Reporting on internal audit activities.  | Independent Director's Recommendations               |

| Meeting Date                  | Attendees   | Discussion Points  | Results  |
|-------------------------------|---|--|--|
|                               | Independent Director - Chen, Shuei-Jin<br>Independent Director - Chen, Tzu-Chen (Video)<br>Chief Audit Officer - Liu, Chao-Sheng<br>CPA- Chou, Chien-Hung<br>CPA- Wu, Yu-Long   | (1)Implementation of routine audits<br>(2)Annual report on the results of audit deficiency tracking<br>(3)Contingent matters report<br>2. Chief Audit Officer's work and objectives report.  | 1. Evaluate the current operating and control risks of each subsidiary, and identify the key focus areas for the plan to strengthen audit efforts.<br>2. Specify how the Company will improve internal audit performance in the future and the capabilities that need to be strengthened.<br>3. Draft a plan to make good use of information technology to strengthen internal audit work. |
| 2022.11.10<br>Audit Committee | Independent Director - Hsu, En-De (Video)<br>Independent Director - Chen, Shuei-Jin<br>Independent Director - Chen, Tzu-Chen (Video)<br>Chief Audit Officer - Liu, Chao-Sheng<br>CPA- Chou, Chien-Hung<br>CPA- Wu, Yu-Long<br>CPA- Wang, Yu-Chuan | Presentation<br>1. Chief Audit Officer's work and objectives report.<br>2. Reporting on internal audit activities.<br>(1)Implementation of routine audits<br>(2)Audit of subsidiary projects<br>(3)Report on the results of audit deficiency tracking<br>(4)Contingent matters report<br>3. Report of the audit plan 2023. | Report acknowledged. No further opinions were given.   |

2. Summary of separate communication between independent directors and the CPAs in 2022

| Meeting Date   | Attendees   | Communication and interaction methods and key points   | Results  |
|--|---|--|--|
| 2022.03.24<br>Communication meeting between governance unit and CPAs | Independent Director - Hsu, En-De (Video)<br>Independent Director - Chen, Shuei-Jin<br>Independent Director - Chen, Tzu-Chen (Video)<br>CPA- Wu, Yu-Long<br>CPA- Wang, Yu-Chuan | Presentation<br>1. Communication with the governance unit as well as the basis and opinion of the financial report audit<br>2. Material findings during the review<br>3. CPA independence<br>4. Notes to financial report matters              | Report acknowledged. No further opinions were given. |
| 2022.11.10<br>Communication meeting between governance unit and CPAs | Independent Director - Hsu, En-De (Video)<br>Independent Director - Chen, Shuei-Jin<br>Independent Director - Chen, Tzu-Chen (Video)<br>CPA- Wu, Yu-Long<br>CPA- Wang, Yu-Chuan | Presentation<br>1. Audit Quality Indicator Information (AQI)<br>2. CPA independence.<br>3. Communication Plan<br>Annual Audit Plan -<br>(1)CPA independence.<br>(2)Checking and verification plan<br>(3)Preliminary Views on Key Audit Matters | Report acknowledged. No further opinions were given. |

Note 1: If an independent director resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

Note 2: If any independent director is re-elected before the end of the accounting year, the names of current and previous independent directors shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

(III) Corporate Governance Implementation Status, Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations

| Evaluation Items  | Implementation Status |    | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations   |
|---|-----------------------|----|---|
|   | Yes                   | No |   |
| I. Does the Company establish and disclose the Corporate Governance Best-Practice Principles according to Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies? | V                     |    | The Company has established Corporate Governance Best Practice Principles, which are disclosed on the Market Observation Post System and our corporate website, in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.  |
| II. Shareholding structure & shareholders' interests  |                       |    |   |
| (I) Does the Company establish an internal operating procedure to handle shareholders' suggestions, inquiries, disputes, and litigations and implement these procedures?                | V                     |    | (I) For ensuring shareholder's interests, the Company has appointed a dedicated shareholder affairs unit to handle the suggestions, inquiries, and disputes of shareholders.  |
| (II) Does the Company possess the list of its major shareholders as well as the ultimate beneficial owners of those shares?   | V                     |    | (II) The Company provides a shareholder list via a shareholder service agency and monitors the declaration system of shareholding changes of insiders.  |
| (III) Does the Company establish and execute the risk management and firewall mechanism between affiliated companies?   | V                     |    | (III) The personnel, assets, and financial management responsibilities of the Company and its affiliated companies are clearly separated. In addition to the subsidiary oversight procedures established and adopted by the Company, the internal auditors regularly monitor the implementation of such procedures. |
| (IV) Does the Company establish internal rules against insiders trading on undisclosed information?   | V                     |    | (IV) The Company has established internal rules, Management Procedures for Preventing Insider Trading, and disclosed the rules on its corporate website.  |

| Evaluation Items   | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations  |
|--|-----------------------|--|--|
|  | Yes                   | No   |  |
| <p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the board of directors have a diversity policy, specific management objectives and implementation for the composition of the board?</p> | V                     | <p>(I) The Corporate Governance Best Practice Principles of the Company require that the Board composition should follow the diversity policy, focusing on divisiveness, and gender equality, and the members of the Board shall be generally equipped with sufficient knowledge, skills, and competency to perform their duties. All Directors are required to engage in continuing studies courses each year and achieve the required number of hours of study. Currently, among the 11 directors serving on the Board, 27% of all directors are concurrent employees of the Company, and two of them are female, which takes up 18%. The 3 independent directors have served in the office for less than 9 years; 4 directors are aged over 71; 4 directors are aged between 61-70; and 3 directors are aged under 60. The directors' areas of expertise include business, finance, industry, law, and accounting. The Company pays attention to the diversity in the composition of the directors and going forward, we have set a goal to appoint directors with expertise other than the above-mentioned as well as increase the ratio of female Directors to 25%.</p> | (I) None   |
| <p>(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>  | V                     | <p>(II) The Company currently has no other functional committees.</p>  | (II) The Company will establish other functional committees depending on future operation situations, scale, and demand. |
| <p>(III) Does the Company establish a standard to measure the performance of the</p>   | V                     | <p>(III) On August 9, 2019, the Board of Directors approved the establishment of the Regulations for Performance Evaluation of</p>   |  |

| Evaluation Items   | Implementation Status |   | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|--|-----------------------|---|---|
|  | Yes                   | No  |   |
| <p>Board and perform the evaluation annually? And report the evaluation results to the Board of Directors, and use them as a reference for individual compensation and nomination for reappointment?</p> |                       | <p>the Board and Functional Committees, and the evaluation is conducted once a year and completed at the end of December annually. The scope of the evaluation includes the performance of the entire Board, individual directors, and the functional committee in the form of self-evaluation. The evaluation result of 2022 was submitted to the Remuneration Committee for review on March 13, 2023, and was then reported to the Board on March 14, 2023, as the reference for individual remuneration and nomination for the next term.</p> <p>For the performance evaluation result of the Board and functional committee, please refer to Pages 42-43 of the Annual Report.</p>  | (III) None.   |
| <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>  | V                     | <p>(IV) In accordance with the Audit Quality Indicators (AQIs), the Audit Committee and the Board of Directors regularly evaluate the professionalism, quality control, independence, innovation capability, and supervision of the CPAs in five aspects. They confirm that the CPAs and their firms have above-average audit experience and training hours compared to others in the industry. Additionally, they continue to introduce digital audit tools to improve audit quality. After discussion by the Audit Committee and the Board of Directors on 14 March, 2022, the following initiatives were approved:</p> <ol style="list-style-type: none"> <li>1. The CPAs of the Company have not worked in the Company during the two years before providing audit services.</li> <li>2. The CPAs of the Company do not hold any shares of the Company.</li> <li>3. The CPAs of the Company and the Company have no loan relationship.</li> </ol> | (IV) None.  |

| Evaluation Items   | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|--|-----------------------|--|---|
|  | Yes                   | No   |   |
|  |                       | <p>Summary</p> <p>4. The CPAs of the Company and the Company do not have any joint investments or profit sharing.</p> <p>5. The CPAs of the Company do not hold any concurrent position in the Company nor receive any fixed salary.</p> <p>6. The CPAs of the Company do not participate in the decision-making process in a management function of the Company.</p> <p>7. The CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company.</p> <p>8. The CPAs of the Company do not receive any business-related commissions from the Company.</p> <p>9. The CPAs of the Company have signed the payment amount and method of the service fees in advance.</p> <p>10. The CPAs of the Company do not charge fees on the condition that certain findings or results are achieved.</p> <p>11. A statement from the CPAs certifying their independence has been obtained.</p> |   |
| IV. Has the TWSE/TPEX listed company established a department or position which is responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with the information necessary to carry out their duties, coordinating board meetings and shareholders' meetings pursuant to | V                     | <p>The Company has established a department to handle corporate governance-related matters, and appointed Deputy General Manager Lo, Yung-Li from the Finance Department as the chief corporate governance officer and two other officers on March 21, 2019. Deputy General Manager Lo, Yung-Li had over three years of experience in the managerial roles of financial operations of public companies.</p> <p>(I) The work functions are as follows:</p> <p>1. Inquire the opinions of the directors prior to a board meeting for the purpose of planning and drafting the meeting agenda, and notify all the directors of the meeting at least 7 days</p>  |   |

| Evaluation Items  | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|---|-----------------------|--|---|
|   | Yes                   | No   |   |
| proper legal procedures, company registration and request for change of registration information and preparing minutes of the board meetings and shareholders' meetings)? |                       | <p>before the meeting and provide them with appropriate information regarding the meeting so that the directors may be aware of the proposals. If any of the proposals involve stakeholders that require recusal, a reminder shall be given to such persons prior to the meeting.</p> <p>2. Arrange the annual continuing education for the directors and share the internal legal and regulatory compliance matters with the directors quarterly and inform them of the amendments of the relevant laws and regulations on an ad hoc frequency.</p> <p>3. Register the date of the shareholders annually as required by the law, prepare and file meeting notices, handbooks, and minutes within the prescribed period, and file for a change of information when the Articles of Incorporation is amended or after the re-election of directors.</p> <p>4. Promote the quality of corporate governance practices for the sustainable development of the Company by formulating guidelines based on the indicators provided by the corporate governance evaluation system, thereby building a culture of corporate governance.</p> <p>5. Arrange a communication meeting between independent directors and the internal chief audit officer or CPAs.</p> <p>6. Legal compliance review during Independent Director's nomination, appointment and tenure period.</p> <p>(II) The performance in 2022 is as follows:</p> <p>1. Assisted the directors in business management and provided the information requested by the directors.</p> | None  |

| Evaluation Items | Implementation Status |   | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|------------------|-----------------------|---|---|
|                  | Yes                   | No  |   |
|                  |                       | <p>Summary</p> <ol style="list-style-type: none"> <li>2. Assisted the Board and the shareholder meeting in legal and regulatory compliance resolution matters and made filing for change to the competent authority within the time limit.</li> <li>3. Assisted the directors to arrange the directors continuing studies courses in 2022.</li> <li>4. Communicated with the directors whenever required so that the directors understood the Company's operation.</li> <li>5. Completed the renewal of the directors' and important staff's liability insurance.</li> <li>6. Sought each director's opinion to draft the agenda before the Board meeting and completed the Board meeting minutes and delivered them to the directors in accordance with the regulation.</li> <li>7. Filed for registration of the shareholder meeting date, the Annual Report, the notification of the shareholder meeting, the agenda handbook, and the meeting minutes in accordance with the regulations.</li> </ol> <p>(III) 2022 annual continuing education is as follows:</p> <ol style="list-style-type: none"> <li>1. Attended the "Recent Development and Amendment Trends in International and Domestic Taxation" training held by the Taiwan Corporate Governance Association from January 18, 2022 to January 18, 2022 with a total of 3 hours.</li> <li>2. Attended the "The Grand Strategy of the Company - Don't Overlook the Protection of the Company's Trade Secrets" training held by the Taiwan Corporate Governance Association from July 7, 2022 to July 7, 2022, with a total of 3 hours.</li> </ol> | None  |

| Evaluation Items  | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|---|-----------------------|--|---|
|   | Yes                   | No   |   |
|   |                       | Summary<br>3. Attended the "SAP NOW Taiwan – Enabling Sustainable Intelligent Enterprise" training held by the Taiwan Institute of Directors from August 18, 2022 to August 18, 2022 with a total of 3 hours.<br>4. Attended the "Prevention of Insider Trading Promotion Conference" held by the Securities and Futures Institute from October 28, 2022 to October 28, 2022 with a total of 3 hours.  |   |
| V. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues? | V                     | <p>The Company has a "Corporate Sustainability" section and a "Stakeholders" section on our corporate website and has been publishing and filing the corporate sustainability report (formerly known as the Corporate Social Responsibility Report before 2020) annually as required by regulations. Moreover, we also post activities related to corporate sustainability on our Facebook Page and YOUTUBE, in order to encourage communication and interactions with stakeholders.</p>   <p>E-mail accounts have been created on the website for banks that we have regular transactions with, as well as other creditors, employees, customers, and suppliers; we maintain open communication channels and respect their lawful rights.</p> | None  |

| Evaluation Items   | Implementation Status |   | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations   |
|--|-----------------------|---|---|
|  | Yes                   | No  |   |
| VI. Does the Company appoint a professional shareholder service agency to handle shareholder affairs?  | V                     | The Company designates Yuanta Securities Co., Ltd. to handle shareholder affairs.   | None  |
| VII. Information Disclosure  |                       |   |   |
| (I) Does the Company have a corporate website to disclose information on financial standing, business, and the status of corporate governance?   | V                     | (I) The Company has set up a corporate website, which is maintained and updated by designated staff members and discloses information regarding the Company's financial and business information for the public and shareholders' reference.  | (I) None  |
| (II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)? | V                     | (II) The Company has established a spokesperson system to ensure the information that likely affects shareholders' and stakeholders' decisions are properly disclosed in a timely and proper manner. We also have designated staff members to maintain our corporate website in order to provide up-to-date investor information, such as audio, video, and text files of the investor conferences, financial statements, and Annual Reports in both Chinese and English. | (II) None.  |
| (III) Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?  |                       | (III) The Company publicly announced and filed the first, second, and third quarter financial reports of 2022 three to eight days ahead of the required deadline, and report the operation of each month in accordance with legal regulations within two days prior to the deadline.  | (III) The Company will further improve the financial statements and operations announcement process to improve information transparency and to give earlier notice to shareholders. |

| Evaluation Items  | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|---|-----------------------|--|---|
|   | Yes                   | No   |   |
| VIII. Is there any other important information that facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)? | V                     | <p>(I) Employee benefits and care:<br/> (1) The Employee Welfare Committee meets regularly and adopts and implements benefits and allowance programs. It is our commitment to look after the welfare of our employees. We also partner with various stores near our offices to provide special offers or employee discounts. Furthermore, we have set up a Food Committee to help our employees maintain a healthy lifestyle and to enhance our food safety management.<br/> (2) We also offer a variety of welfare programs to our employees, including: Mandatory insurance coverage; Regular physical examinations, health education and tips, and consolation payment to hospitalized employees; Recreation and fitness facilities and sports events; Convenience stores in the factories, company uniforms, free parking, and employee housing. Our overseas offices also offer free meals, pre-paid round-trip plane tickets to Taiwan, and rides to and from the airport.<br/> (3) On-site medical consultation: Once a month, we have doctors and nurses on-site to provide employees with health and medical services.</p> <p>(II) Investor relations: The Company maintains positive interactions with investors and communicates with them via email, on-site visits, and phone interviews. To maintain good communications and interactions with the investors, suggestions, and opinions from investors are also provided to senior management and relevant units for consideration and the</p> | None  |

| Evaluation Items | Implementation Status |   | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|------------------|-----------------------|---|---|
|                  | Yes                   | No  |   |
|                  |                       | <p>Summary</p> <p>proper response is also given on a timely basis.</p> <p>(III) Supplier relations: The Company has always managed relations with raw material suppliers by treating them as partners. We pursue a close-knit, long-term partnership with suppliers based on the concept of teamwork, and have set up stringent review procedures, including product verifications, qualification reviews, and on-site plant visits and audits, on the suppliers as the basis for supplier review and approval.</p> <p>(IV) Rights and interests of shareholders: To formulate fair channels of communication with stakeholders, the Company has set up a Stakeholder page on its corporate website and is committed to topics of stakeholders' concern. We undertake stakeholder engagement and communications via different channels and platforms with the seven major stakeholder groups of Cheng Shin, including customers, shareholders, employees, the community, government institutions, suppliers, and transacting financial institutions.</p> <p>(V) Directors' continuing studies: Please refer to pages 81-83 of this Annual Report.</p> <p>(VI) Implementation status of the risk management policy and risk evaluation standard: For the operational risks the Company may face, we implement thoroughly at the system level, and design emergency response mechanisms for specific situations. For details, please refer to Pages 317-323 of this Annual Report.</p> <p>(VII) Implementation status of customer policy: The Company has set up post-sale service and customer service sections on our website (website: <a href="http://www.cst.com.tw">http://www.cst.com.tw</a>). The Company's</p> |   |

| Evaluation Items   | Implementation Status |  | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations |
|--|-----------------------|--|---|
|  | Yes                   | No   |   |
|  |                       | Summary<br>distributors nationwide also provide consumers with consultation and complaint channels.<br>(VIII) Directors' liability insurance and social responsibilities: The Company has added a clause to the Articles of Incorporation in accordance with Articles 39 and 50 of Corporate Governance Practice Principles which provides that the Company shall purchase liability insurance to cover the liabilities incurred by the directors under the law while they perform relevant duties during their tenures. The relevant implementation is also reported to the Board of Directors. The liability insurance for the directors in 2023 has been covered and reported to the Board of Directors on January 12, 2023.<br>(IX) The Company's social responsibilities: In addition to focusing on business development, the Company has also made a long-term investment in corporate social responsibilities such as consumer rights and public interest, and gives back to society as it sees fit. |   |
| IX. Improvements were made in the most recent fiscal year in response to the results of the corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.<br><br>The Company's score in the 9th corporate governance evaluation, which was announced in April 2023, was 87.48 points (first 21%-35% percentile among listed companies). In terms of our main achievements, we obtained external verification of the overall greenhouse gas emissions data, and we also launched the employee shareholding trust program, introduced the Taiwan Intellectual Property Management Standards (TIPS), and obtained the disclosure of tips A-level certification, and increased the implementation of sustainable development. Under our corporate governance blueprint, we will continue working towards strengthening the following two areas: "Improving Information Transparency" and "Enhancing Board Composition and Function" in order to enhance the overall level of our corporate governance. |                       |  |   |

(IV) Composition, Responsibilities, and Operations of the Remuneration Committee

1. Roles and responsibilities of the Remuneration Committee Review directors and managers' annual and long-term performance targets and the policies, systems, standards, and compositions of salary and bonus on a regular basis in line with the Regulations for Performance Evaluation of the Board and Functional Committees; regularly evaluate the implementation status regarding directors and managers' performance targets, and determine individual contents and amount of salary and bonus.
2. Composition of the Remuneration Committee: The Remuneration Committee of the Company was established on July 19, 2011. As of February 28, 2023, information on the Remuneration Committee members are as follows:

| ID   | Criteria<br>Name | Professional Qualifications and Experiences   | Independence Criteria  | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member |
|--|------------------|---|--|---|
| Independent Director<br>(Remuneration Committee: Convener) | Chen, Shuei-Jin  | Professional Qualifications:<br>1. Obtained Certified Public Accountant certification.<br>2. An instructor in a department of commerce, finance, accounting, or other academic department related to business needs in a public or private junior college, college, or university.<br>3. Professional experience in commerce, finance and accounting, and currently employed by the Yuan Sheng Accounting Firm.<br>Experience:<br>1. CPA, Deloitte Taiwan<br>2. CPA, Deloitte & Touche<br>3. Adjunct Lecturer, Department of Industrial Management, Nan Kai University of Technology. | None of the Company's independent directors are involved in any of the matters listed below and all have met the criteria for independence:<br>1. None of the categories stated in Article 30 of the Company Act.<br>2. In line with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", the person is not involved in any condition stipulated in Clauses 5 to 8 of Article 6-1 two years prior to his/her appointment and during his/her term of service. | 3   |
| Independent Director                                       | Chen, Tzu-Chen   | Professional Qualifications:<br>1. Professional and qualified attorney.<br>2. Legal background and experience, has served as a Judge for the Taiwan Taipei District Court.<br>Experience:<br>1. Judge, Taiwan Taipei District Court.<br>2. Judge, Taiwan High Court.<br>3. Judge, Taipei High Administrative Court.   | None of the Company's independent directors are involved in any of the matters listed below and all have met the criteria for independence:<br>1. None of the categories stated in Article 30 of the Company Act.<br>2. In line with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", the person is not involved in any condition stipulated in Clauses 5 to 8 of Article 6-1 two years prior to his/her appointment and during his/her term of service. | 0   |
| Others   | Lin, Chieh-Chung | Professional Qualifications:<br>1. Professional and qualified physician. s currently employed by Taichung Veterans General Hospital.<br>Experience:   | None of the Company's independent directors are involved in any of the matters listed below and all have met the criteria for independence:<br>1. None of the categories stated in Article 30 of the Company Act.<br>2. In line with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", the person is not involved in any condition stipulated in Clauses 5 to 8 of Article 6-1 two years prior to his/her appointment and during his/her term of service. | 0   |

| ID | Criteria | Professional Qualifications and Experiences  | Independence Criteria  | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member |
|----|----------|--|--|---|
|    | Name     |  |  |   |
|    |          | 1. 6th term of President of Taiwan Society of Pediatric Gastroenterology, Hepatology and Nutrition.<br>2. Director, Taiwan Pediatric Association.<br>3. Attending Physician, Department of Pediatrics, Taichung Veterans General Hospital. | financial, accounting or related services to the Company, or any affiliate of the Company in the past 2 years: None. |   |

### 3. Operation Status of the Remuneration Committee:

The Remuneration Committee of the Company has a total of 3 members. The tenure of the current Remuneration Committee members is from August 11, 2020, to June 15, 2023. A total of 4 (A) Remuneration Committee meetings were held in 2022. The titles and attendance records of the Remuneration Committee members were as follows:

| Position                    | Name             | Actual Attendance (B) | Attendance by Proxy | Actual attendance rate (%) (B/A) (Note) | Note |
|-----------------------------|------------------|-----------------------|---------------------|---|------|
| Committee Member (Convener) | Chen, Shuei-Jin  | 4                     | 0                   | 100%                                    |      |
| Committee Member            | Lin, Chieh-Chung | 4                     | 0                   | 100%                                    |      |
| Committee Member            | Chen, Tzu-Chen   | 4                     | 0                   | 100%                                    |      |

#### Other Required Disclosures:

- I. If the Board of Directors declines to adopt or amend the recommendations made by the Remuneration Committee, the date and session of the Board of Directors' meeting, proposal contents, details of the resolutions by the Board of Directors, and the Company's response to the opinions of the Remuneration Committee shall be specified:

#### Implementation Status in 2022

| Remuneration Committee                          | Proposal Contents   | Resolution result of the Remuneration Committee                 | The Company's Response to the opinions of the Remuneration Committee  |
|---|---|---|---|
| 2022.01.14<br>(The 5th session of the 4th term) | (1) Lin, Hung-Yu, Deputy General Manager of the Company, pension payment case.<br>(2) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration.            | Unanimously approved by all the Audit Committee members present | Unanimously approved by all the directors present at the 11th session of the 11th term of the Board of Directors on January 18, 2022. |
| 2022.03.17<br>(The 6th session of the 4th term) | (1) Proposal for the distribution of directors' and employees' 2021 remuneration.<br>(2) Proposal for 2021 performance evaluation reports on the Board of Directors and the Audit Committee | Unanimously approved by all the Audit Committee members present | Unanimously approved by all the directors present at the 13th session of the 11th term of the Board of Directors on March 24, 2022.   |

|  | of the Company.  |   |   |
|--|--|---|---|
| Remuneration Committee   | Proposal Contents  | Resolution result of the Remuneration Committee                 | The Company's Response to the opinions of the Remuneration Committee  |
| 2022.05.05<br>(The 7th session of the 4th term)  | Proposal to establish an employee shareholding trust.  | Unanimously approved by all the Audit Committee members present | Unanimously approved by all the directors present at the 14th session of the 11th term of the Board of Directors on May 11, 2022. |
| 2022.07.04<br>(The 8th session of the 4th term)  | (1) Proposal to appoint a manager for pension payments.<br>(2) Proposal for 2021 directors' remuneration distribution. | Unanimously approved by all the Audit Committee members present | Unanimously approved by all the directors present at the 15th session of the 11th term of the Board of Directors on July 7, 2022. |
| <p>II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, the content of the motion, all members' opinions, and the response to members' opinion shall be specified:<br/>None.</p> |  |   |   |

Note:

- (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the "Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated based on the number of meetings called and the actual number of meetings he/she attended, during his/her term of office.
- (2) If a Remuneration Committee member is re-elected before the end of the accounting year, the names of current and previous members shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Remuneration Committee meetings held during his or her tenure and the number of such meetings attended.

(V) Implementation of Sustainable Development and Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

| Implementation Item  | Implementation Status |    |   | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary   |   |
| I. Does the Company have a governance structure that promotes sustainable development, and set up dedicated (or ad-hoc) sustainable development units, with Board of Directors authorization for senior management which reports its supervisory status to the Board of Directors? | V                     |    | In 2015, the Company established and promoted a dedicated department for sustainable development, assigning the Planning Department as its dedicated department. Moreover, upon resolution from the Board of Directors on January 18, 2022, the unit was renamed the “ESG Promotional Team”, and Director Huang, Chung-Jen has been assigned as its convener by the Board. The team oversees four major groups, namely, Corporate Governance, Social, Environmental, and Product, which are comprised of managers from the Finance Department, HR Department, Marketing and Planning, Administration Department, and R&D Department from each plant to fuse the concept of sustainable management into the Company’s business strategies, practice governance in the Company’s operations, and to achieve a sound risk management mechanism. In addition, we publish the CSR Report each year. The content and future plans to be included in the 2021 Sustainable Development Report were reported to the Board meeting on March 24, 2022, and the Board of Directors also supervises the team to practice environmental protection and energy conservation and to strengthen the overall management based on the philosophy of ESG. | None  |
| II. Does the Company follow the materiality principle to conduct a risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management-related policy or strategy?   | V                     |    | The year of the current disclosure is for information in 2022 and the scope of which includes all branches and plants in Taiwan and the subsidiary “Cheng Shin Rubber (China) Co., Ltd.” Following the materiality principle, the Company has conducted a risk assessment for relevant important topics and established various internal regulations based on the assessed risks. Based on the types of individual risk factors, the competent units within the Company have carried out risk management at different   | None  |

| Implementation Item  | Implementation Status |  | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|--|---|
|  | Yes                   | No   |   |
| <p>III. Environmental Topics</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p> | V                     | <p>levels and developed various controls, and at the same time conduct these controls, in order to minimize the uncertainty of business operations. The Company has also paid attention to climate change, energy, resource and other relevant issues, and set goals and regularly reviewed the results of the implementation.</p> <p>Please find the relevant established policies and procedures of risk management on pages 317-323.</p> <p>1. The Company implements the ISO14001 Environmental Management System, in which the Safety and Health Department is responsible for implementing environmental management policies, assisting in promoting voluntary greenhouse gas reduction plans, establishing an enterprise environmental management system, committing to product designs that conform to environmental protection concepts, improving equipment and working environment to reduce exhaust gas, waste water, noise, waste generated in the process and save energy, properly proceeding with recycling, and strengthening industrial safety advocacy, and continuing the preventions and controls of various pollution. Additionally, each year, an external audit is conducted to ensure the effectiveness of our management system.</p> <p>2. Third-party management system assurance (Metal Industries Research &amp; Development Centre) for ISO14001:2015 version update has been obtained on November 14, 2020 for the Company's Taiwan operations. External follow-up review has been carried out from September 9, 2022 to November 11, 2022, and the certificate is valid until November 13, 2023. Third-party management system assurance (Hangzhou Wantai Certification Co., Ltd.) for ISO50001:2018 Energy Management System version update has been obtained on December</p> | None  |

| Implementation Item  | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof   |
|--|-----------------------|----|---|
|  | Yes                   | No |   |
|  |                       |    | 2, 2020 for the Company's China operations, and the certificate is valid until December 1, 2023. Energy Saving, Resources Recycling, Operation Safety, and Pollution Prevention are the Company's core principles. The Company also promotes the 5S management activities in every aspect and regularly examines the environmental performance of each department.  |
| (II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?        | V                     |    | Since a tire's fuel efficiency is highly relevant to our environment, we use lightweight designs and implement material simplification to reduce the weight of tires and the amount of semi-finished materials when developing new products. These design methods not only enhance the fuel efficiency of tires but are also highly effective in reducing the waste produced during the manufacturing process. In light of these benefits, we have been promoting low-rolling resistance tires and increasing production efficiency in our product development, thereby making a contribution to environmental sustainability. The materials we use fully comply with EU regulations and the requirements of major car assembly factories on environmental protection, and all of our manufacturers are required to submit third-party testing reports from REACH and RoHS. In addition, we only use eco-friendly process oils with reduced aromatic hydrocarbons, and any raw material (e.g., process oil, synthetic rubber) used in the production process should be accompanied by a third-party-issued PAHs testing report. |
| (III) Does the Company evaluate current and future climate change potential risks and opportunities and take relevant response measures? | V                     |    | To respond to the risks and impact posed by the extreme climate, the Company has asked the ESG Promotional Team to call on the responsible staff of each department to work in groups to identify the material climate risk issues related to the Company in accordance with the materiality principle and Task Force on Climate-Related Financial Disclosures (TCFD) and analyze the impact level and opportunities. Through the   |

| Implementation Item   | Implementation Status |   | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|---|---|
|   | Yes                   | No  |   |
| (IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies? | V                     | <p>identification of the physics and transition risks, the matrix of climate change risks and opportunities is drawn and the climate change core actions and strategies aiming at the material risks are stipulated to take risk countermeasures, reinforce the Company's adaptability to the extreme climate and lower the risks. Meetings are held regularly to review the effectiveness of the mitigating measures to stipulate standardized procedures and shorten the response time of handling similar risks in the future.</p> <p>1. Both the Company's main plant and the Douliu plant have received the Energy Efficiency and Carbon Reduction Marks from the Environmental Protection Administration. In March 2017, Douliu 2nd plant became the 78th factory (and the first in the rubber product manufacturing industry) in Taiwan to have received the Clean Production Evaluation System Certification from the Industrial Development Bureau. In July 2018, we underwent a follow-up audit by the Industrial Development Bureau.</p> <p>2. Under the Greenhouse Gas Reduction and Management Act, the Company's main plant is the only manufacturing facility that is required to conduct greenhouse gas emission inspection and registration (with an annual fossil fuel emission of more than 25,000 t-CO2e). This year the Company has participated in the greenhouse gas emission reduction initiative promoted by the Industrial Development Bureau, and received a certificate from a third-party validation and verification agency AFNOR. The agency verified the greenhouse gas emission from the main plant in the last three years: 2022: 59,197-Co2e, which was 14% lower than 2021; 2021: 68,856.005-Co2e, which was 3.9% lower than 2020; and 2020: 71,662.370-CO2e, which was 10.3% lower than in 2019. We will</p> | None  |

| Implementation Item                   | Implementation Status |         | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
|---------------------------------------|-----------------------|---------|--|----------------------------------|------|------|-----------------------------|--------|--------|---------------------------------------|---------|--------|-------|---------|---------|------------------------------|------|------|---------------|---------|---------|-------------|---------|---------|-------|-----------|---------|
|                                       | Yes                   | No      |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
|                                       |                       |         | <p>strive to continue this annual decrease going forward.</p> <p>3. The Company's GHG reduction policy is formulated in line with the ISO14064-1: 2006 Quantification and Reporting of GHG emissions at the Organizational Level. We voluntarily disclose GHG emissions in each year, and the GHG emissions in the past two years are listed below: Compared with 2022, the emissions in 2021 have been reduced by 7%.</p> <table border="1"> <thead> <tr> <th>Greenhouse Gas Emission (t-CO2e)</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Category I: Direct Emission</td> <td>44,396</td> <td>50,297</td> </tr> <tr> <td>Category II: Energy Indirect Emission</td> <td>110,088</td> <td>93,802</td> </tr> <tr> <td>Total</td> <td>154,484</td> <td>144,099</td> </tr> </tbody> </table> <p>4. The water use management policy is formulated in accordance with the ISO14001 Environmental Management System: The boilers use RO purified water, the residual water is used by the manufacturing process, and the water used by the manufacturing process is recycled, with the goal of regulatory compliance in mind to reduce the water used by the manufacturing process and wastewater discharge. The source of water includes running water and groundwater. The wells extracting groundwater have all obtained the certificates of water rights and their extraction follows the permitted volume. The total volume of water usage in 2022 was lower than that of 2021.</p> <table border="1"> <thead> <tr> <th>Water Resources Usage (tons)</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Running Water</td> <td>288,722</td> <td>236,964</td> </tr> <tr> <td>Groundwater</td> <td>790,964</td> <td>517,786</td> </tr> <tr> <td>Total</td> <td>1,079,686</td> <td>754,750</td> </tr> </tbody> </table> | Greenhouse Gas Emission (t-CO2e) | 2021 | 2022 | Category I: Direct Emission | 44,396 | 50,297 | Category II: Energy Indirect Emission | 110,088 | 93,802 | Total | 154,484 | 144,099 | Water Resources Usage (tons) | 2021 | 2022 | Running Water | 288,722 | 236,964 | Groundwater | 790,964 | 517,786 | Total | 1,079,686 | 754,750 |
| Greenhouse Gas Emission (t-CO2e)      | 2021                  | 2022    |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Category I: Direct Emission           | 44,396                | 50,297  |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Category II: Energy Indirect Emission | 110,088               | 93,802  |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Total                                 | 154,484               | 144,099 |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Water Resources Usage (tons)          | 2021                  | 2022    |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Running Water                         | 288,722               | 236,964 |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Groundwater                           | 790,964               | 517,786 |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |
| Total                                 | 1,079,686             | 754,750 |  |                                  |      |      |                             |        |        |                                       |         |        |       |         |         |                              |      |      |               |         |         |             |         |         |       |           |         |

| Implementation Item   | Implementation Status |         | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
|---|-----------------------|---------|--|---------|--|--|-----------------------------|------|------|---|---------|---------|-------------------|------|------|----------------------------------|-----|-------|------------------------|-------|--------|
|   | Yes                   | No      |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
|   |                       |         | <table border="1"> <thead> <tr> <th colspan="3">Summary</th> </tr> <tr> <th>Wastewater Discharge Volume</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Mainly consists of domestic wastewater and cooling wastewater</td> <td>555,293</td> <td>374,999</td> </tr> </tbody> </table> <p>Note: The wastewater volume of the plants in Taiwan is measured by the flow meter on the facilities. The flow meter is regulated by the environmental protection regulations in Taiwan and calibrated by a qualified verification third party once a year.</p> <p>5. The waste management policy made by the Company is in accordance with the "business waste disposal proposal" permitted by the local environmental protection authority. A qualified waste disposal company verified by the competent authority is commissioned to handle the Company's waste disposal. A qualified waste disposal company verified by the competent authority is commissioned to handle the Company's waste disposal. The employees' awareness of recycling has been raised so that the waste items and containers are recycled to the extent possible to reduce the waste disposal types and volume. The recycling system has been properly set up. The recycling companies are commissioned according to categories defined by the public announcement to handle the Company's recyclable waste. The disposable tableware use has been reduced by giving the employees personal tableware and asking the restaurant to use reusable stainless tableware. All items are maintained regularly to extend their use and the environmentally friendly consumables and raw materials are introduced step by step. Total waste disposal in 2022 was 24% lower than that in 2021.</p> <table border="1"> <thead> <tr> <th>Waste type (tons)</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Residential and commercial waste</td> <td>313</td> <td>161.9</td> </tr> <tr> <td>General Business Waste</td> <td>3,617</td> <td>2829.6</td> </tr> </tbody> </table> | Summary |  |  | Wastewater Discharge Volume | 2021 | 2022 | Mainly consists of domestic wastewater and cooling wastewater | 555,293 | 374,999 | Waste type (tons) | 2021 | 2022 | Residential and commercial waste | 313 | 161.9 | General Business Waste | 3,617 | 2829.6 |
| Summary   |                       |         |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
| Wastewater Discharge Volume                                   | 2021                  | 2022    |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
| Mainly consists of domestic wastewater and cooling wastewater | 555,293               | 374,999 |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
| Waste type (tons)   | 2021                  | 2022    |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
| Residential and commercial waste                              | 313                   | 161.9   |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |
| General Business Waste  | 3,617                 | 2829.6  |  |         |  |  |                             |      |      |   |         |         |                   |      |      |                                  |     |       |                        |       |        |



| Implementation Item  | Implementation Status |   | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|---|---|
|  | Yes                   | No  |   |
|  |                       |   |   |
| <p>conserving measures in 2022 amounted to NT\$2,330 thousand, and 2,894 thousand kWh of energy was conserved.</p>   |                       |   |   |
| <p>IV. Social Topics<br/>(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> | V                     |   | None  |
|  |                       | <p>1. The Company follows the International Bill of Human Rights. In accordance with the "Responsible Business Alliance Code of Conduct," the Company sets its "Responsible Business Alliance Code of Conduct regarding Labor Profile and Business Ethics" and prescribes the following procedures in its management policy: "Prohibition of Child Labor and Misuse Remedy Management Procedure", "Anti-Discipline, Anti-Forced Labor, Anti-Prisoner Management Procedure", "Student, Interns, and Part-Time Workers Management Procedure", "Anti-Discrimination Management Procedure", "Whistleblower Protection and Anti-Retaliation Management Procedure", "Privacy and Confidentiality Management Procedure", etc. The Company regularly reviews and assesses the relevant policies and procedures, and incorporates these policies and procedures into the 3-hour training programs for the new employees. The Company did not hire any underage workers, and we have not received any reports of child labor. Under the Labor Standards Act in Taiwan, forced labor is prohibited; the same applies to expatriate employees. One of the items under our annual raw material supplier audit also prohibits suppliers from hiring child labor, and their employee recruiting and hiring process should comply with the Labor Standards Act. In 2022, there were no violations by our suppliers.</p> <p>2. To elevate work efficiency, improve work conditions and strengthen harmony between employees and employers, the Company has set up a labor union in accordance with local regulations. The employees are all protected by the collective agreements signed by the Company and</p> |   |

| Implementation Item   | Implementation Status |   | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|---|---|
|   | Yes                   | No  |   |
|   |                       | the labor union. As of December 31, 2022, a total of 2,400 employees, or 50.02% of the total employees, have joined the labor union.  |   |
| (II) Has the Company established appropriately managed employee welfare measures (including salary and compensation, leave, and other benefits), and properly linked operational performance or achievements with employee salary and compensation? | V                     | The Company has established a reasonable salary remuneration policy and, subject to the annual business performance, granted remuneration based on the achievement rate of individual employee's performance and the employees' evaluation results of his or her contribution to the Company's performance. The Company has regularly held educational training programs for the employees to enhance their understanding of corporate ethical values, in order to inspire employees to grow along with the Company. For the welfare of our employees, we provide benefits in addition to salaries to our employees. In October 2022, the Company officially launched the Employee Shareholding Trust Plan, which provides employee benefits that are superior to government regulations. Please refer to pages 119-120 for more details. | None  |
| (III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?  | V                     | 1. The Company establishes the occupational safety and health management system for years, including personnel education and training, early risk assessment, the determination of the occupational safety and health management system goals and objectives, the documents issuance for the occupational safety and health management system, the verification and confirmation of the occupational safety and health management system performance (internal audit) and the external assessment and verification of the occupational safety and health management system. The Company received a third-party management system certification (Metal Industry Research and Development Centre); certification information: ISO45001:2018/CNS45001:20185/TOSHMS,  | None  |

| Implementation Item | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof  |
|---------------------|-----------------------|----|--|
|                     | Yes                   | No |  |
|                     | Summary               |    |  |
|                     |                       |    | <p>certification number: 514S001-02, expiration date: 2025/5/2. The previous follow-up inspection was conducted on 2022/5/3.</p> <p>2. The safety devices of the machinery and equipment are inspected by the operators daily before operation. Dangerous machinery and equipment are routinely inspected each year. The health and safety officers perform an on-site inspection daily, conduct auditing from time to time, and issue a checklist for safety improvements in case of any violations. Every six months, the Company conducts an assessment of the operating environment.</p> <p>3. Each new employee is required to participate in general health and safety educational training; advanced training is also provided based on the type of machinery and equipment he/she will be operating once he/she arrives at the operating site. The Learning and Development Division under the HR Department arranges for training and seminars regarding health and safety from time to time for employees to participate in. The Learning and Development Division under the HR Department provides trainings and seminars regarding health and safety from time to time for employees to participate in. Regulations related to health and safety, environmental protection, training information, and SDS downloads are also made available by the Safety &amp; Health Department on the Company's intranet.</p> <p>4. Each year in July, we offer health checkups to our employees pursuant to the Labor Health Protection Act at selected hospitals. Employee health checkups include general (for all employees) and specialized health checkups (for employees who work in a hazardous environment). In 2022, the number of employees who received specialized health checkups was 651. Employees with abnormality</p> |

| Implementation Item | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof  |
|---------------------|-----------------------|----|--|
|                     | Yes                   | No |  |
|                     |                       |    | <p>found in their chest X-ray, or cholesterol level, blood pressure or blood sugar level above normal range will be notified for a follow-up appointment. In addition, the Company especially provides the logistics drivers with annual checkups for night vision, visual field, electrocardiogram, and heart-related functions, so as to prevent driving accidents caused by health factors.</p> <p>5. The Company has invited a contract physician to organize employee healthcare seminars, promote a smoke-free workplace, put up health promotional posters, promote health consultations, and more. In 2022, a total of 176 health consultation sessions were held across all plants, serving 944 participants. In addition, the Company also collaborated with local health departments to organize flu vaccinations for employees. The main plant conducted 1 session with a total of 117 participants on 24 February 2022.</p> <p>6. In accordance with the published data on Frequency-Severity Indicator across all industries from the Occupational Safety and Health Administration, Ministry of Labor, for the rubber and plastics manufacturing industry for 2020 to 2022: Disabling Injury Frequency Rate (FR): 2.7; Disabling Injury Severity Rate (SR): 68; Frequency-Severity Indicator (FSI): 0.42. The Company had 7 incidents of occupational hazards that required employees to be away from work in 2022; the total number of employees involved in such incidents was 7 (accounting for 0.1% of the total number of employees as of December 31, 2021); and a Disabling Injury Frequency Rate (FR): 0.73; Disabling Injury Severity Rate (SR): 29; Frequency-Severity Indicator (FSI): 0.15, which was far lower than the industry average. In accordance with the Company's rules, the unit where the</p> |

| Implementation Item   | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof   |
|---|-----------------------|----|---|
|   | Yes                   | No |   |
|   |                       |    |   |
|   |                       |    |   |
| (IV) Has the Company established effective career development training plans?   | V                     |    | occupational hazard occurs is required to fill out an Occupational Hazard Investigation Form to research its cause and to draft improvement measures for review and follow-up. All occupational hazard incidents have been improved.<br>The Company is dedicated to creating a continuous and abundant learning environment. Each year, its employees participate in educational training regarding vocational development for enhancing their capabilities in respect of career development. Please refer to the relevant items of educational training and required hours on pages 119-121 of the Annual Report.  |
| (V) For issues regarding customers' health and safety, privacy, sales, and labeling, does the Company's product and service comply with related regulations and international rules and set policies to protect consumers' and customers' rights and provide appeal procedures? | V                     |    | "Quality first, customers satisfied" is the Company's core competitive strategy for its products. With respect to the internal regulations on the products' qualities, the Company implements Total Quality Management (TQM) from Japan and acquires ISO9001 and IATF16949 certifications for quality management systems, and establishes the Quality Department to promote Company's quality management. Automotive markets around the world have tire labeling requirements in order to help consumers pick out tires that are suitable for their use. Our products are sold around the world and are in compliance with applicable product labeling regulations in the countries/regions of distribution. Due to environmental and safety considerations, each region and country have adopted tire labeling regulations, mainly governing rolling noise, wet grip capacity, and rolling resistance of the tires. For passenger cars, light trucks, and truck/bus tires, manufacturers must put a sticker on the tire tread that includes information on the tire's level of rolling noise, wet grip, and rolling resistance. Our tires sold to all regions and countries are in compliance with applicable regulations. The Company has disclosed its advertisement |

| Implementation Item   | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof   |
|---|-----------------------|----|---|
|   | Yes                   | No |   |
|   |                       |    |   |
| (VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status? | V                     |    | <p>and labeling information of the products and services on the corporate website, and all the certifications and awards received for regulatory compliance can be found in the "About Maxxis" section (URL: <a href="http://www.cst.com.tw">http://www.cst.com.tw</a>). The Company has a "Stakeholders" section as well as a post-sale service department and a customer service web page on our website (URL : <a href="http://www.cst.com.tw">http://www.cst.com.tw</a>) and nationwide distributors that can provide consumer-related consultations and complaints.</p> <p>1. The Company has a rigorous review process for its suppliers, which includes product verification, qualification review and on-site visits. In the environmental aspect, the Company places particular emphasis on compliance with the EU's Restriction of Hazardous Substances Directive 2002/95/EC (RoHS) and chemical safety and material composition regulations (REACH) - Regulation (EC) No 1907/2006 European Union Special Mention Substance and Material Component (SHVC) (such as the International Material Data System (IMDS)). In the labor and human rights aspect, we pay close attention to suppliers' recruitment, training, and health, and comply with various international treaties and local labor laws from Responsible Business Alliance (RBA). In terms of ethical standards, we conduct reviews by focusing on prohibitions against conflict minerals, while in terms of social responsibilities, we adhere to and promote the Global Platform for Sustainable Natural Rubber (GPSNR) policy.</p> <p>2. We grade the supplier evaluation results into four tiers, namely A, B+, B, or C. Re-evaluation will be conducted on the approved suppliers based on their delivery quality and performance in a year, and a further re-evaluation will be conducted at least once every three years for all</p> |
|   |                       |    | None  |

| Implementation Item | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof  |
|---------------------|-----------------------|----|--|
|                     | Yes                   | No |  |
|                     | Summary               |    |  |
|                     |                       |    | <p>suppliers that receive A scores in each year. To ensure continuous improvement in the quality of suppliers, the re-evaluation process of existing suppliers is exactly the same as the new supplier approval process.</p> <p>3. In addition to this evaluation process, the raw material suppliers are required to provide quality laboratories or third-party inspection reports for each batch of goods. After entering the factory, the Company will conduct batch inspections or random inspections to ensure the quality of raw materials. The Company specifies damages and termination clauses in contracts with the suppliers regarding the suppliers' breaches of their social responsibilities and ethical operations. If a breach occurs by any of the suppliers, the Company will no longer do business with such suppliers.</p> <p>4. The Company requires all suppliers to observe the Responsible Business Alliance (RBA) standards, abide by RBA, and sign the letter of commitment. The Company's internal employees should sign the Letter of Commitment on Clean Practice for Employees to prevent abuses and combat corruption.</p> <p>5. To ensure the timely raw material supply to production and operation, the Company has worked out the internal management procedure for the implementation of the Emergency Response Plan. Moreover, the Company decides on an emergency topic based on external climate change every year and organizes an emergency response drill. In 2022, each production unit conducted at least 2 drills, including emergency response drills for hazardous substance leakage, liquid nitrogen leakage, fire, and explosion emergency response drills, etc.</p> |

| Implementation Item   | Implementation Status |    | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof   |
|---|-----------------------|----|---|
|   | Yes                   | No |   |
| V. Does the Company refer to international reporting rules or guidelines to publish a Sustainable Development Report to disclose non-financial information about the Company? Has the said Report acquired third-party certification or statement of assurance?   | V                     |    | 1. The Company has followed the internationally accepted preparation guidelines (GRI Standard) and referred to the Sustainability Accounting Standards Board (SASB) in preparing the Sustainable Development Report. Prior to publishing the report, the ESG Promotional Team and relevant units will confirm the validity and accuracy of its information.<br>2. The Company has not yet acquired a verification or a statement of assurance from third-party certification. |
| VI. If the Company has established its Sustainable Development Code of Practice according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and its practices:<br>The Board of Directors approved the amendment of "Corporate Social Responsibility Best Practice Principles" into the "Sustainable Development Best Practice Principles" on March 24, 2022 and implements according to these principles. The relevant operations and principles have been reviewed and improved, and no discrepancies have been found.  |                       |    |   |
| VII. Other important information which facilitates a better understanding of the Company's promotion of sustainable development practices:<br><br>Upholding the concept of "Building A Better Society", Cheng Shin commits itself to charity and social philanthropy, continues to integrate internal and external resources, and fulfills its corporate social responsibilities. We are involved in social philanthropy in multiple manners, through "Industry-academy cooperation", "Sports Sponsorship", "Arts and Cultural Promotion", "Educational Support", and "Community Feedback", we actively participate in charity activities, caring for the community, and giving back to society.<br><br>With regard to the care for the underprivileged, we provided free meal boxes for disadvantaged groups, poor families, and the elderly living alone. We donated the luggage trolleys at several airports and ports around Taiwan. As for education, we provided all kinds of scholarships and student aids to encourage students to realize their potential of continuing their educations. In addition, Cheng Shin's donation to the public can be seen on the community park benches and at blood donation events.<br>Cheng Shin also continues to annually hold public welfare lectures and sponsor all types of sports events in Taiwan such as the national tennis group championships with First Financial Holding Company and the national table tennis championships with Taiwan Cooperative Financial |                       |    |   |

| Implementation Item   | Implementation Status |   | Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|---|---|
|   | Yes                   | No  |   |
| <p>Holding Company. Cheng Shin also promotes all types of cycling sports and sponsors the cycling events around Taiwan such as Changhua Classic 100.</p> <p>Key performance - Charity donations</p> <p>Industry-academy cooperation</p> |                       | <p>Summary</p> <ul style="list-style-type: none"> <li>• The amount of the 2022 public welfare donation in Taiwan reached NT\$8,846,106.</li> <li>• The amount of the 2022 public welfare donation in the Mainland reached RMB1,020,800.</li> <li>• As of December 31, 2022, a total of 12 students have participated in the overseas apprentice plan in Taiwan Region</li> <li>• In 2020-2022, we organized a total of 87 MAXXIS University Recruitment Tours in the Mainland Region.</li> <li>• In 2022, launched the "University Internship Program," with 79 students participating in internships at the Company</li> <li>• In 2022, the Company signed a cooperation agreement with the School of Management of Xiamen University Tan Kah Kee College for a period of 3 years, and the Company would provide relevant job vacancies to the School from time to time.</li> <li>• In 2022, the Company participated in a total of 12 on-campus job fairs.</li> </ul> |   |

(VI) Implementation of Ethical Corporate Management, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

| Evaluation Items   | Implementation Status |    | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:   |
|--|-----------------------|----|---|
|  | Yes                   | No |   |
| <p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Has the Company established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines consequences of violation and complaint procedures, and periodically reviewed and revised</p> | V                     | V  | <p>(I) The Ethical Corporate Management Best Practice Principles and Procedures to Prevent Insider Trading have been adopted by the Company, which provide guidelines on business conduct for the Board and management to implement ethical corporate management.</p> <p>(II) The Company believes that a culture of ethical corporate management is one of the keys to the Company's sustainability and success. It establishes Ethical Corporate Management Best Practice Principles and other internal rules providing guidelines for the conduct of directors, managers, and employees of the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties. Related rules are stipulated by clauses 6 to 13 of the Ethical Corporate Management Best Practice Principles.</p> <p>(III) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, into its Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting</p> |
|  |                       |    | None  |

| Evaluation Items   | Implementation Status |       | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof:   |
|--|-----------------------|-------|---|
|  | Yes                   | No    |   |
| such policies?   |                       |       | <p>policies, and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management.</p>  |
| <p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate the ethical records of business counterparties and include clauses stipulating ethical conduct in business contracts?</p>                               | V                     | (I)   | <p>The Company has included clauses related to ethical conduct in the contractual agreements with its business counterparties, which allow the Company to terminate agreements and claim damages or terminate partnerships due to the counterparties' violations of the clauses.</p>  |
| <p>(II) Has the Company established a business unit, which is supervised by the Board and is exclusively or concurrently dedicated to business ethics and integrity, to report to the Board on the implementation status regularly (at least)?</p> |                       | V     | <p>On March 14, 2023, the Company established the Ethical Corporate Management Group, consisting of the General Manager's Office Legal Office and formulating the Ethical Corporate Management Best Practice Principles Operating Procedures, and Guidelines, which stipulates that the Company shall report to the Board of Directors at least once a year on its performance.</p> |
| <p>(III) Has the Company established policies to prevent conflicts of interest, provided appropriate communication channels, and implemented the policies?</p>   | V                     | (III) | <p>The Company has a "Stakeholders" section on the corporate website providing a platform for its stakeholders to express their opinions and complaints.</p>  |
| <p>(IV) Has the Company established an effective accounting system and internal control system to facilitate ethical corporate management, which is audited by either internal auditors or certified public</p>                                    | V                     | (IV)  | <p>The internal auditors are appointed and authorized under the rules of the Company and revise the internal control system from time to time in accordance with applicable laws and regulations, implement the system under the law and</p>  |

| Evaluation Items  | Implementation Status |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof: |
|---|-----------------------|---|---|
|   | Yes                   | No  |   |
| <p>accountants on a regular basis?</p> <p>(V) Does the Company regularly hold internal and external training on business ethics?</p>  | V                     | <p>regulations and routinely submit audit reports to the Board for review.</p> <p>(V) The Company provides training for new employees on the day of their arrival, and such training includes a 2- hour ethical corporate management training. In addition, ethical and code of practice training is provided to current employees, and descriptions and promotions of conduct that employees shall comply with and refrain from are also provided in the employee service rules. In 2022, the Company recorded a total of 370 hours for ethical corporate management education and training, which covered communication and test and was included in the annual performance evaluation.</p> |   |
| <p>III. Implementation Status of the Grievance System</p> <p>(I) Has the Company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for a follow-up?</p> <p>(II) Has the Company established standard operating procedures and confidentiality measures for the investigation of reported incidents?</p> <p>(III) Does the Company have proper measures in place to protect whistleblowers from reprisals?</p> | V                     | <p>(I) The Company has established a grievance system and whistleblowing procedures both on its intranet and on its website providing a channel for its employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the Company.</p> <p>(II) The Company's Workplace Rules stipulate whistleblowing procedures and confidentiality measures, which enhance its code of conduct and ethics.</p> <p>(III) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any</p>                         | None  |

| Evaluation Items   | Implementation Status |  | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof: |
|--|-----------------------|--|---|
|  | Yes                   | No   |   |
|  |                       | Summary  |   |
|  |                       | employee in violation of the Company's ethical standards will be subject to disciplinary actions according to the Company's rewards and disciplinary system.   |   |
| IV. Enhancing Information Disclosure<br>Has the company disclosed its ethical corporate management policies and results of implementation on the company's website and the Market Observation Post System?   | V                     | The Company has made available its Ethical Corporate Management Best Practice Principles, corporate culture, missions and values, and other information on its website and the Market Observation Post System. | None  |
| V. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ("Best Practice Principles"), please describe any discrepancy between the policies and its practices:<br>The Company has adopted the Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Best Practice Principles Operating Procedures and Guidelines. There is no discrepancy between our practices and the Best Practice Principles.   |                       |  |   |
| VI. Other important information which facilitates a better understanding of the Company's ethical corporate management practices:<br>The Company has made available on its website the Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Best Practice Principles Operating Procedures and Guidelines, Rules, and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading, and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business |                       |  |   |

(VII) If the Company established the Corporate Governance Guidelines and Rules, it should disclose the way of inquiry:

The Company has formulated the Corporate Governance Best Practice Principles and relevant rules and have made these rules available on its corporate website (<http://www.cst.com.tw>). The rules can be found via the following path: Home page > Investor Information > Corporate Governance > Important Internal Rules.

(VIII) Other important information regarding corporate governance that should be also disclosed together:

1. The Company has formulated the “Procedures to Prevent Insider Trading” and set up key management controls as well as specified management tasks in handling internal material information and in preventing insider trading. The aforementioned mechanisms are used as management mechanisms to prevent insider trading, prevent improper leaks of Company information, and ensure the timeliness and accuracy of externally published information.

2. Directors’ Continuing Education:

| Position                             | Name              | Period of training |            | Organizer                               | Course Name  | Hours from | Total training hours in 2022 |
|--------------------------------------|-------------------|--------------------|------------|---|--|------------|------------------------------|
|                                      |                   | From               | Until      |   |  |            |                              |
| Directors                            | Chen, Yun-Hwa     | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |
| Directors                            | Chen, Hsiu-Hsiung | 2022.0.18          | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |
| Representative of Corporate Director | Lo, Tsai-Jen      | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |
| Representative of Corporate Director | Chen, Han-Chi     | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |
| Representative of Corporate Director | Lee, Chin-Chang   | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |
| Representative of Corporate Director | Wu, Hsuan-Miao    | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax | 3          | 6                            |
|                                      |                   | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets        | 3          |                              |

| Position                             | Name             | Period of training |            | Organizer                               | Course Name  | Hours from | Total training hours in 2022 |
|--------------------------------------|------------------|--------------------|------------|---|--|------------|------------------------------|
|                                      |                  | From               | Until      |   |  |            |                              |
| Representative of Corporate Director | Huang, Chung-Jen | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax   | 3          | 6                            |
|                                      |                  | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets  | 3          |                              |
| Directors                            | Tseng, Sung-Ling | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax   | 3          | 6                            |
|                                      |                  | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets  | 3          |                              |
| Independent Director                 | Hsu, En-De       | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax   | 3          | 6                            |
|                                      |                  | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets  | 3          |                              |
| Independent Director                 | Chen, Tzu-Chen   | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax   | 3          | 9                            |
|                                      |                  | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets  | 3          |                              |
|                                      |                  | 2022.10.11         | 2022.10.11 | Taiwan Stock Exchange Corporation       | Release Conference 2022: A reference guide for Independent Director & Audit Committee  | 3          |                              |
| Independent Director                 | Chen, Shuei-Jin  | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association | Latest development trends and law amendment trends in international and domestic tax   | 3          | 24                           |
|                                      |                  | 2022.06.10         | 2022.06.10 | Securities & Futures Institute          | 2022 Insider Trading Prevention Advocacy Meeting   | 3          |                              |
|                                      |                  | 2022.06.29         | 2022.06.29 | Taiwan Corporate Governance Association | Ethical Corporate Management Best Practice Principles and Guidelines on Avoiding Crossing the Red Line of Directors' and Supervisors' Responsibilities | 3          |                              |
|                                      |                  | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association | Corporate Strategy Warfare - The Often Overlooked Protection of Trade Secrets  | 3          |                              |
|                                      |                  | 2022.10.06         | 2022.10.06 | Taiwan Stock Exchange Corporation       | Release Conference 2022: A reference guide for Independent Director & Audit Committee  | 3          |                              |
|                                      |                  | 2022.11.08         | 2022.11.08 | Taiwan Corporate Governance Association | Corporate Sustainable Governance from the Perspective of Risks - from Governance to ESG  | 3          |                              |
|                                      |                  | 2022.11.11         | 2022.11.11 | Taiwan Corporate Governance Association | Taiwanese Companies' Coherent Plan for Managing the Risks Derived From the Changes in World Economy and China's Political Economic Environment         | 3          |                              |
|                                      |                  | 2022.11.11         | 2022.11.11 | Taiwan Corporate Governance Association | Analysis of recent cases of the Securities and Futures Investors Protection Center and Director's and Supervisor's civil liabilities                   | 3          |                              |

### 3. Managers' participation in training and learning about corporate governance

| Position                           | Name           | Period of training |            | Organizer   | Course Name   | Hours from | Total training hours in 2022 |
|------------------------------------|----------------|--------------------|------------|---|---|------------|------------------------------|
|                                    |                | From               | Until      |   |   |            |                              |
| Accounting Supervisor              | Yu, Ching-Tang | 2022.06.27         | 2022.06.28 | Taiwan Accounting Research and Development Foundation | Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms, and the Securities Exchange | 12         | 12                           |
| Chief Corporate Governance Officer | Lo, Yung-Li    | 2022.01.18         | 2022.01.18 | Taiwan Corporate Governance Association               | Latest development trends and law amendment trends in international and domestic tax                                  | 3          | 12                           |
|                                    |                | 2022.07.07         | 2022.07.07 | Taiwan Corporate Governance Association               | The Grand Strategy of the Company - Don't Overlook the Protection of the Company's Trade Secrets                      | 3          |                              |
|                                    |                | 2022.08.18         | 2022.08.18 | Taiwan Institute of Directors                         | SAP NOW Taiwan: Co-creating Sustainable Intelligent Enterprises   | 3          |                              |
|                                    |                | 2022.10.28         | 2022.10.28 | Securities & Futures Institute                        | 2022 Insider Trading Prevention Advocacy Meeting  | 3          |                              |

(IX) Disclosure matters of the status of Internal Control:

1. Statement of Internal Control System

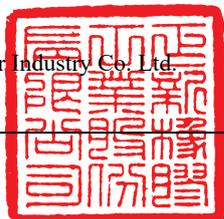
Cheng Shin Rubber Industry Co. Ltd.  
Statement of Internal Control System

Date: March 14, 2023

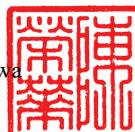
Based on the self-evaluation of the internal control system of the Company in 2022, we hereby state that:

- I. The Company understands that the Board and management of the Company are responsible for establishing, implementing, and maintaining adequate internal control. The Company has established an effective internal control system that aims to reasonably assure the operational results and effectiveness (including profitability, performance, assets security, etc.), the reliability, timeliness, and transparency of its report, and compliance with applicable laws and regulations.
- II. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Besides, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
- III. The Company has assessed the design and operating effectiveness of the internal control system in accordance with the criteria effectiveness assessment of the internal control system listed in the Framework for the Establishment of Internal Control Systems by Public Companies (the "Framework"). The criteria listed in the Framework divide the internal control system into five components based on the management control process. The five components are i) Control environment, ii) Risk assessment, iii) Control activities, iv) Information and communication, and v) Monitoring. Each component comprises several elements. For more information, please refer to the Framework.
- IV. We have assessed the design and operating effectiveness of the Company's internal control system based on the criteria listed in the Framework.
- V. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2022, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations and the status of goal achievement, reliability, timeliness and transparency of reporting, and compliance with applicable laws and regulations.
- VI. This statement will be included as an integral part of the Annual Report and the prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. This statement has been unanimously approved by the Board of Directors on March 14, 2023, with 11 directors present at the meeting.

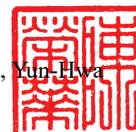
Cheng Shin Rubber Industry Co. Ltd.



Chairman: Chen, Yun-Hwa



General Manager: Chen, Yun-Hwa



2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: N/A

(X) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions were taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies, and subsequent improvements: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings within the current fiscal year and as at the date of the Annual Report

1. Status of Resolutions Made by Shareholders' Meetings and Implementation Status

| Year                                 | Date            | Proposal  | Resolution  | Implementation Status  |
|--------------------------------------|-----------------|---|---|--|
| 2022<br>Annual<br>General<br>Meeting | May 31,<br>2022 | Proposal to accept the Company's 2021 Business Report and Financial Statements.   | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 2,237,673,464 votes, accounted for 96.16% of the total voting shares;<br>Number of votes cast against the proposal: 1,646,441;<br>Forfeit/did not vote: 87,473,373;<br>Invalid votes: 0, this proposal has been acknowledged as it is. | Completed in accordance with the shareholders' meeting resolution announcement.  |
|                                      |                 | Proposal to accept the Company's 2021 Earnings Distribution.  | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 2,240,469,647, accounted for 96.29% of the total voting shares;<br>Number of votes cast against the proposal: 874,790;<br>Forfeit/did not vote: 85,448,841;<br>Invalid votes: 0, this proposal has been acknowledged as it is.         | The cash dividends were paid to the shareholders at NT\$1.2 per share on August 17, 2021.  |
|                                      |                 | Proposal to discuss the amendment to the Company's "Articles of Incorporation"  | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 1,987,555,964, accounted for 85.42% of the total voting shares;<br>Number of votes cast against the proposal: 251,926,218;<br>Forfeit/did not vote: 87,311,096;<br>Invalid votes: 0, this proposal has been acknowledged as it is.     | The Company amended the Articles of Incorporation as per the resolution made by the Shareholders' Meeting and completed the change of registration with the MOEA on June 13, 2022. |
|                                      |                 | Discussion of the proposed amendments to the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others. | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 2,238,613,388, accounted for 96.21% of the total voting shares;<br>Number of votes cast against the proposal: 877,789;<br>Forfeit/did not vote: 87,302,101;<br>Invalid votes: 0, this proposal has been                                | Amended as per the resolution announcement of the Shareholders' Meeting.   |

| Year | Date | Proposal   | Resolution  | Implementation Status  |
|------|------|--|---|--|
|      |      |  | acknowledged as it is.  |  |
|      |      | Discuss the Amendment to the Procedures for the Acquisition and Disposal of Assets | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 2,005,057,120, accounted for 86.17% of the total voting shares;<br>Number of votes cast against the proposal: 234,473,057;<br>Forfeit/did not vote: 87,263,101;<br>Invalid votes: 0, this proposal has been acknowledged as it is. | Amended as per the resolution announcement of the Shareholders' Meeting. |
|      |      | Discuss the Amendment to the "Rules and Procedures of the Shareholders' Meeting".  | The proposal was approved by votes of the shareholders (including e-voting),<br>Number of votes cast for the proposal: 2,238,728,368, accounted for 96.21% of the total voting shares;<br>Number of votes cast against the proposal: 740,384;<br>Forfeit/did not vote: 87,324,526;<br>Invalid votes: 0, this proposal has been acknowledged as it is.     | Amended as per the resolution announcement of the Shareholders' Meeting. |

## 2. Major Resolutions of the Board of Directors

| Meeting Date                                      | Major Resolutions of the Board of Directors  | Resolution Results                                 |
|---|--|--|
| 2022.01.18<br>(The 11th session of the 11th term) | <ol style="list-style-type: none"> <li>(1) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration.</li> <li>(2) Retroactive approval of personnel appointments and dismissals by the Company.</li> <li>(3) Lin, Hung-Yu, Deputy General Manager of the Company, pension payment case.</li> <li>(4) Proposal for the Company's loan line.</li> <li>(5) Proposal for the "CSR Working Group" of the Company to be renamed to the "ESG Promotional Team".</li> </ol>   | Unanimously approved by all the directors present. |
| 2022.03.16<br>(The 12th session of the 11th term) | <ol style="list-style-type: none"> <li>(1) Proposal to discuss the Company's self-prepared financial information for the year 2021.</li> <li>(2) Proposal to decide the date and location of the 2022 Annual Shareholders' Meeting as well as the reasons to convene the meeting.</li> <li>(3) Proposal to accept shareholders' proposals for the 2022 Annual Shareholders Meeting.</li> </ol>   | Unanimously approved by all the directors present. |
| 2022.03.24<br>(The 13th session of the 11th term) | <ol style="list-style-type: none"> <li>(1) Proposal for the 2021 performance evaluation of the Board and the functional committee.</li> <li>(2) Proposal for the distribution of directors' and employees' 2021 remuneration.</li> <li>(3) Proposal to discuss the Company's 2021 business report, consolidated financial statements, and individual financial statements.</li> <li>(4) Proposal for the distribution of the Company's 2021 earnings.</li> <li>(5) Proposal for the Review of Effectiveness of Internal Control System and the Statement of Internal Control System of the Company for 2021.</li> <li>(6) Proposal for independent evaluation of the Company's CPAs.</li> <li>(7) Proposal for the appointment and compensation of the Company's CPAs.</li> <li>(8) Proposal for amendment to the Company's Articles of Incorporation.</li> <li>(9) Proposal for amendment to amendments of the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others.</li> <li>(10) Proposal for amendment to the Company's Procedures for the Acquisition and Disposal of Assets.</li> <li>(11) Proposal for amendment to the Company's Rules of Procedure for Shareholders' Meetings.</li> <li>(12) Amendment to the Code of Practice on Corporate Social Responsibility of the Company</li> <li>(13) Amendment to the Company's Corporate Governance Best Practice Principles</li> <li>(14) Amendments to the Company's Subsidiary Oversight Procedures.</li> <li>(15) Proposal for amendment to the Company's Procedures to Prevent Insider Trading.</li> <li>(16) Proposal for the Company's loan line.</li> <li>(17) Proposal for the Company's endorsements/guarantees.</li> </ol> | Unanimously approved by all the directors present. |
| 2022.05.11<br>(The 14th session of the 11th term) | <ol style="list-style-type: none"> <li>(1) Proposal to accept the Company's Q1 2022 Consolidated Financial Statements.</li> <li>(2) Proposal to establish an employee shareholding trust.</li> <li>(3) The Company's personnel appointments and dismissals.</li> </ol>   | Unanimously approved by all the directors          |

| Meeting Date                      | Major Resolutions of the Board of Directors   | Resolution Results                                 |
|-----------------------------------|---|--|
|                                   | (4) Proposal to appoint an Internal Chief Audit Officer of the Company.<br>(5) The company's greenhouse gas (GHG) emission inspection and verification schedule plan.<br>(6) Proposal for the Maxxis Rubber India Private Limited capital increase project.<br>(7) Proposal for the Company's endorsements/guarantees.  | present.   |
| 2022.07.07<br>(The 11th and 15th) | (1) Proposal to fix the ex-dividend base date.<br>(2) Proposal for 2021 directors' remuneration distribution.<br>(3) Proposal to appoint a manager for pension payments.<br>(4) The Company's personnel appointments and dismissals.<br>(5) Proposal for the Company's loan line.   | Unanimously approved by all the directors present. |
| 2022.08.10<br>(The 11th and 16th) | (1) Proposal to accept the Company's Q2 2022 Consolidated Financial Statements.<br>(2) Proposal for the Company's endorsements/guarantees.<br>(3) Proposal for the Company's loan line.   | Unanimously approved by all the directors present. |
| 2022.11.10<br>(The 11th and 17th) | (1) Proposal to accept the Company's Q3 2022 Consolidated Financial Statements.<br>(2) Proposal to establish the Company's 2023 Audit Plan.<br>(3) Amendment to the Company's Board Meeting Procedural Rules.<br>(4) Proposal to establish the Company's Procedures for the Preparation and Validation of Sustainability Reports.<br>(5) Finalize the Company's Procedures for Internal Material Information Processing.<br>(6) PT. Proposal for the Maxxis International Indonesia capital increase project.<br>(7) Maxxis Europe B.V. Capital increase project.<br>(8) Proposal to issue unsecured general corporate bonds of the Company.<br>(9) Proposal to set up an Information and Communications Security Department and appoint a Chief Information and Communications Security Officer.<br>(10) Proposal for the Company's loan line.<br>(11) Proposal for the Company's endorsements/guarantees. | Unanimously approved by all the directors present. |

(XII) Major issues of record or written statements made by any director or supervisor dissenting to major resolutions passed by the Board during the current fiscal year and as of the date of the Annual Report: None.

(XIII) Summary of resignation and removal of key individuals involved in the financial reporting of the Company, including Chairman, General Manager, Head of Accounting, Head of Finance, Chief Internal Auditor, and Head of Research and Development departments, during the current fiscal year and as of the date of the Annual Report: None.

| Position            | Name            | Date of Appointment | Date of Termination | Reasons for Resignation or Termination |
|---------------------|-----------------|---------------------|---------------------|--|
| Chief audit officer | Lin, Chen-Chieh | 2014.07.07          | 2022.05.11          | Retirement                             |

V. CPA Service Fee Information

(I) CPA Service Fee Information

Unit: NT\$ Thousand

| Name of the Accounting Firm     | Name of CPA                     | Audit Period              | Audit Fees | Non-audit Fees | Total | Note   |
|---------------------------------|---------------------------------|---------------------------|------------|----------------|-------|--|
| Pricewaterhouse Coopers, Taiwan | Wu, Yu-Long<br>Chou, Chien-Hung | 2022.01.01~<br>2022.12.31 | 5,500      | 1,885          | 7,385 | Information on Non-audit Fees:<br>Audit of business income tax, review and consideration of other information, transfer pricing report fees and countries report fees, fees for direct deduction method verifications for dual-status business entities, fees for English translations of consolidated financial statements, fees for verifying salaries and wages for full-time non-managerial employees, cash capital increase for Maxxis Rubber India Pvt. Ltd. |

Note: If there has been a change of certified public accountants or independent public accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor auditor and successor auditor, the reasons for the change of auditors in the commentary column, as well as to disclose audit and non-audit fees paid. For non-audit fees, the Company shall describe the content of such services.

- (II) Disclosure of the amount and reasons for the decrease in audit fees where there has been a change of auditors and the audit fees are lower than the previous fiscal year: N/A.
- (III) If the audit fees decrease by more than 10% compared to the previous year, the amount, percentage, and reasons for the decrease should be disclosed: There was no difference between the Company's audit fee for 2020 and 2021.

VI. Information on Changes in CPA

- (I) Regarding the Previous CPA: N/A
- (II) Regarding the Succeeding CPA: N/A
- (III) The former CPA's written response regarding the disclosures the Company is making pursuant to Sections 1, 2, and 3, Paragraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A.

VII. Disclosure of any of the Company's Chairman, General Manager, General Manager, Manager in charge of financial or accounting affairs who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year: None.

VIII. Transfer or Pledge of Shares by Directors, Managers, and Shareholders who hold 10% of the Company's shares or more during the current fiscal year and as of the date of the Annual Report

(I) Changes in Share Ownership of Directors, Managers, and Substantial Shareholders

| Position   | Name of Director or Major Shareholder | Change in Equity in 2022   |                     | As February 28, 2023       |                     |
|--|---------------------------------------|----------------------------|---------------------|----------------------------|---------------------|
|  |                                       | Number of Shares Held +(-) | Shares Pledged +(-) | Number of Shares Held +(-) | Shares Pledged +(-) |
| Chairman And General Manager                       | Chen, Yun-Hwa                         | 0                          | 0                   | 0                          | 0                   |
| Vice Chairman And General Manager                  | Chen, Hsiu-Hsiung                     | 0                          | 0                   | 0                          | 0                   |
| Directors  | Min Hsing Investment Co., Ltd.        | 0                          | 0                   | 0                          | 0                   |
| Director Representative                            | Chen, Han-Chi                         | (18,000,000)               | 0                   | (18,000)                   | 0                   |
| Directors  | Jiu Shun Investment Corporation       | 0                          | 0                   | 0                          | 0                   |
| Director Representative                            | Wu, Hsuan-Miao                        | 0                          | 0                   | 0                          | 0                   |
| Directors  | Hsieh Shuen Investment Co., Ltd.      | 0                          | 0                   | 0                          | 0                   |
| Director Representative                            | Huang, Chung-Jen                      | 0                          | 0                   | 0                          | 0                   |
| Directors  | Hong Jing Investment Corporation      | 0                          | 0                   | 0                          | 0                   |
| Director Representative                            | Lo, Tsai-Jen                          | 0                          | 0                   | 0                          | 0                   |
| Director Representative/<br>Deputy General Manager | Lee, Chin-Chang                       | 0                          | 0                   | 0                          | 0                   |
| Directors  | Tseng, Sung-Ling                      | 0                          | 0                   | 0                          | 0                   |
| Independent Director                               | Chen, Tzu-Chen                        | 0                          | 0                   | 0                          | 0                   |
| Independent Director                               | Hsu, En-De                            | 0                          | 0                   | 0                          | 0                   |
| Independent Director                               | Chen, Shuei-Jin                       | 0                          | 0                   | 0                          | 0                   |
| General Manager                                    | Hsu, Chih-Ming                        | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Peng, Wen-Hsing                       | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Huang, Chieh-Hsiang                   | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Lin, Hung-Yu<br>(2022.02.28 retired)  | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Lin, Yu-Yu                            | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Liao, Cheng-Yao                       | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Lee, Hung-Ko                          | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                              | Lai, Kuo-Ti                           | 0                          | 0                   | 0                          | 0                   |

| Position  | Name of Director or Major Shareholder       | Change in Equity in 2022   |                     | As February 28, 2023       |                     |
|---|---|----------------------------|---------------------|----------------------------|---------------------|
|   |   | Number of Shares Held +(-) | Shares Pledged +(-) | Number of Shares Held +(-) | Shares Pledged +(-) |
| Deputy General Manage                           | Liu, Chao-Sheng                             | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage (Chief Financial Officer) | Lo, Yung-Li                                 | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                           | Chen, Shu-Yu                                | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                           | Ho, Chin-Fang                               | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                           | Lo, Chen-Jung                               | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                           | Chang, Ghi-Jung                             | 0                          | 0                   | 0                          | 0                   |
| Deputy General Manage                           | Liu, Ching-Chung                            | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Lin, Chin-Chuan                             | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chang, Chuan-Shun                           | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Huang, Kuo-Tsai<br>(2022.06.23 retirement)  | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Huang, Yang-Hsun<br>(2023.01.26 retirement) | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chen, Ying-Kuang<br>(2022.06.30 retirement) | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Lin, Chen-Chieh<br>(2022.06.15 retirement)  | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chiang, Kui-Yung                            | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Hu, Ming-Te                                 | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Ting, Tso-Lin                               | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chen, Jin-Long                              | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Yang, Jin-Cheng                             | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Lo, Yuan-Long                               | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chen, Po-Chia                               | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Lai Ming-Han                                | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chen, Chih Hsien                            | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Huang, Yung Nan                             | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chen, Han-Hsin                              | 0                          | 0                   | 0                          | 0                   |
| Assistant Manager                               | Chiang, Chih-Wei                            | 0                          | 0                   | 0                          | 0                   |
| Accounting Supervisor                           | Yu, Ching-Tang                              | 0                          | 0                   | 0                          | 0                   |
| Major Shareholder                               | Lo, Ming-Han                                | 0                          | 0                   | 0                          | 0                   |
| Major Shareholder                               | Jye Luo Memory Co., Ltd.                    | 0                          | 0                   | 0                          | 0                   |

## (II) Information about Equity Transfer

| Name<br>(Note 1) | Reason for<br>Equity<br>Transfer<br>(Note 2)     | Transaction<br>Date           | Transaction<br>Counterparty           | Relationship<br>Between the<br>Transaction<br>Counterparty and the<br>Company, Directors,<br>Supervisors, and<br>Shareholders Who<br>Hold More Than<br>10% of the<br>Company's Shares | Number of<br>Shares | Transaction<br>Price                  |
|------------------|--|-------------------------------|---------------------------------------|---|---------------------|---------------------------------------|
| Chen,<br>Han-Chi | Centralized<br>market<br>General<br>Transactions | 2022/07/21<br>~<br>2022/08/20 | Centralized<br>market<br>Transactions | None  | 18,000,000          | Centralized<br>market<br>Transactions |

Note 1: List the names of the Company's directors, supervisors, managers, and shareholders holding more than 10% of the shares.

Note 2: List out as acquired or disposed of.

## (III) Information about Equity Pledged Under Lien

Shares pledged to related parties: None

## IX. Information of the Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familiar Relationship within the Second Degree of Kinship:

## Relationship Among Top Ten Largest Shareholders

July 26, 2022 (Note 2)

| Name<br>(Note 1)  | Share Ownership     |                       | Shares Held By Spouse and<br>Minor Children |                       | Shares Held in Other's<br>Name |                       | Top Ten Largest Shareholders who are Related<br>Parties or have a Spousal or Familiar<br>Relationship within the Second Degree of<br>Kinship   | Relation                        | Note |
|---|---------------------|-----------------------|---|-----------------------|--------------------------------|-----------------------|--|---------------------------------|------|
|   | Number of<br>Shares | Shareholding<br>ratio | Number of<br>Shares                         | Shareholding<br>ratio | Number of<br>Shares            | Shareholding<br>ratio |  |                                 |      |
| Lo, Ming-Han  | 370,176,378         | 11.42%                | 0   | 0%                    | 0                              | 0%                    | Chen, Shiu-Hsiung, Lo, Tsai-Jen<br>Lo, Min-Ling, Lo, Ming-I Chen,<br>Yun-Hwa, Lo, Yuan-Yu Lo,<br>Yuan-Long, Chen, Bing-Hao                     | 2nd, 3rd<br>degree<br>relatives | -    |
| Jye Luo<br>Memory Co.,<br>Ltd.<br>Representative:<br>Lo, Tsai-Jen | 324,430,630         | 10.01%                | 0   | 0%                    | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-<br>Hsiung Lo, Ming-Han and Lo,<br>Ming-I Chen, Yun-Hwa, Lo,<br>Yuan-Yu Lo, Yuan-Long, Chen,<br>Bing-Hao Lo, Tsai-Jen | 2nd, 3rd<br>degree<br>relatives | -    |
| Chen, Yun-<br>Hwa   | 120,570,531         | 3.72%                 | 82,492,443                                  | 2.54%                 | 13,391,000                     | 0.41%                 | Lo, Min-Ling, Chen, Hsiu-<br>Hsiung Lo, Ming-Han and Lo,<br>Ming-I Lo, Tsai-Jen, Lo, Yuan-<br>Yu Lo, Yuan-Long, Chen, Bing-<br>Hao             | 2nd, 3rd<br>degree<br>relatives | -    |
| Lo, Tsai-Jen  | 91,662,430          | 2.83%                 | 27,829,793                                  | 0.86%                 | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-<br>Hsiung Lo, Ming-Han and Lo,<br>Ming-I Chen, Yun-Hwa, Lo,<br>Yuan-Yu Lo, Yuan-Long, Chen,<br>Bing-Hao              | 2nd, 3rd<br>degree<br>relatives | -    |
| Lo, Ming-I  | 82,492,443          | 2.54%                 | 120,570,531                                 | 3.72%                 | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-<br>Hsiung Lo, Ming-Han, Chen,<br>Yun-Hwa Lo, Tsai-Jen, Lo, Yuan-<br>Yu Lo, Yuan-Long, Chen, Bing-<br>Hao             | 2nd, 3rd<br>degree<br>relatives | -    |
| Lo, Yuan-Yu   | 72,222,216          | 2.23%                 | 0   | 0%                    | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-<br>Hsiung Lo, Ming-Han and Lo,<br>Ming-I Chen, Yun-Hwa, Lo,<br>Tsai-Jen Lo, Yuan-Long, Chen,<br>Bing-Hao             | 2nd, 3rd<br>degree<br>relatives | -    |

| Name<br>(Note 1)  | Share Ownership     |                       | Shares Held By Spouse and<br>Minor Children |                       | Shares Held in Other's<br>Name |                       | Top Ten Largest Shareholders who are Related<br>Parties or have a Spousal or Familial<br>Relationship within the Second Degree of<br>Kinship |                           | Note |
|-------------------|---------------------|-----------------------|---|-----------------------|--------------------------------|-----------------------|--|---------------------------|------|
|                   | Number of<br>Shares | Shareholding<br>ratio | Number of<br>Shares                         | Shareholding<br>ratio | Number of<br>Shares            | Shareholding<br>ratio | Name   | Relation                  |      |
| Chen, Hsiu-Hsiung | 67,819,456          | 2.09%                 | 62,945,516                                  | 1.94%                 | 31,280,000                     | 0.97%                 | Lo, Min-Ling, Lo, Tsai-Jen Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa, Lo, Yuan-Yu Lo, Yuan-Long, Chen, Bing-Hao                              | 2nd, 3rd degree relatives | -    |
| Lo, Ming-Ling     | 62,945,516          | 1.94%                 | 67,819,456                                  | 2.09%                 | 0                              | 0%                    | Lo, Tsai-Jen, Chen, Shiu-Hsiung Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa, Lo, Yuan-Yu Lo, Yuan-Long, Chen, Bing-Hao                         | 2nd, 3rd degree relatives | -    |
| Lo, Yuan-Long     | 61,064,766          | 1.88%                 | 0   | 0%                    | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-Hsiung Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa, Lo, Yuan-Yu Lo, Tsai-Jen, Chen Bing-Hao                           | 2nd, 3rd degree relatives | -    |
| Chen, Bing-Hao    | 53,496,139          | 1.65%                 | 0   | 0%                    | 0                              | 0%                    | Lo, Min-Ling, Chen, Hsiu-Hsiung Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa, Lo, Yuan-Yu Lo, Yuan-Long, Lo, Tsai-Jen                           | 2nd, 3rd degree relatives | -    |

Note 1: The names of the shareholders shall be listed individually (corporate shareholders shall include both the company name and the name of the representative)

Note 2: The latest book closure date.

Note 3: Percentage in share ownership shall be the total shares held whether in the names of the individual, his/her spouse, or children who are minors or under nominee accounts.

Note 4: Relationships between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The number of shares held by the Company, directors, supervisors, managers, and entities directly or indirectly controlled by the Company in the reinvestment business as well as the consolidated shareholding ratio

| Affiliated Companies (Note)          | Ownership by the Company |                     | Ownership by Directors, Supervisors, Managers, and Entities Directly or Indirectly Controlled by the Company |                     | Total Ownership  |                     |
|--------------------------------------|--------------------------|---------------------|--|---------------------|------------------|---------------------|
|                                      | Number of Shares         | Share-holding Ratio | Number of Shares   | Share-holding Ratio | Number of Shares | Share-holding Ratio |
| MAXXIS International Co., Ltd.       | 35,050,000               | 100%                | 0  | 0%                  | 35,050,000       | 100%                |
| CST Trading Ltd.                     | 72,900,000               | 100%                | 0  | 0%                  | 72,900,000       | 100%                |
| Cheng Shin Rubber USA, Inc.          | 1,800,000                | 100%                | 0  | 0%                  | 1,800,000        | 100%                |
| MAXXIS TRADING LTD.                  | 237,811,720              | 100%                | 0  | 0%                  | 237,811,720      | 100%                |
| New Pacific Industry Company Limited | 5,000,000                | 50%                 | 0  | 0%                  | 5,000,000        | 50%                 |
| Cheng Shin Rubber Canada, Inc.       | 1,000,000                | 100%                | 0  | 0%                  | 1,000,000        | 100%                |
| MAXXIS Tech Center Europe B.V.       | 1,000,000                | 100%                | 0  | 0%                  | 1,000,000        | 100%                |
| PT MAXXIS International Indonesia    | 169,993,625              | 99.99625%           | 6,375  | 0.00375%            | 170,000,000      | 100%                |
| Maxxis Rubber India Private Limited  | 1,105,991,033            | 99.99919%           | 8,967  | 0.00081%            | 1,106,000,000    | 100%                |
| Maxxis Trading Company Limited       | 10,000,000               | 100%                | 0  | 0%                  | 10,000,000       | 100%                |
| PT. MAXXIS TRADING INDONESIA         | 9,990                    | 99.9%               | 10   | 0.1%                | 10,000           | 100%                |
| Maxxis Europe B.V.                   | 500,000                  | 100%                | 0  | 0%                  | 500,000          | 100%                |
| MAXXIS RUBBER JAPAN CO., LTD.        | 5,000                    | 100%                | 0  | 0%                  | 5,000            | 100%                |

Note:

- (1) Investments of the Company are accounted for using the equity method.
- (2) As of December 31, 2022.

# Chapter 4 Financing

## I. Recordable items in capital and share

### (I) Sources of Capital

| Year/Month     | Issuance Price | Authorized Capital |                | Paid-in Capital |                | Note                                    |  |   |
|----------------|----------------|--------------------|----------------|-----------------|----------------|---|--|---|
|                |                | Number of Shares   | Amount         | Amount          | Amount         | Sources of Capital                      | Capital Increase by Assets Other Than Cash | Others  |
| August 1988    | 10             | 162,509,490        | 1,625,094,900  | 162,509,490     | 1,625,094,900  | Capital increase from retained earnings | None                                       | -   |
| August 1989    | 10             | 203,136,863        | 2,031,368,630  | 203,136,863     | 2,031,368,630  | Capital increase from retained earnings | None                                       | -   |
| August 1990    | 10             | 243,764,236        | 2,437,642,360  | 243,764,236     | 2,437,642,360  | Capital increase from retained earnings | None                                       | -   |
| May 1991       | 10             | 263,265,375        | 2,632,653,750  | 263,265,375     | 2,632,653,750  | Capital increase from retained earnings | None                                       | Jing (80) Shang No.118965 dated September 7, 1991           |
| July 1992      | 10             | 315,918,450        | 3,159,184,500  | 315,918,450     | 3,159,184,500  | Capital increase from retained earnings | None                                       | Jing (81) Shang No.118426 dated August 31, 1992             |
| July 1993      | 10             | 363,306,218        | 3,633,062,180  | 363,306,218     | 3,633,062,180  | Capital increase from retained earnings | None                                       | Jing (82) Shang No.115285 dated August 13, 1993             |
| July 1994      | 10             | 421,435,213        | 4,214,352,130  | 421,435,213     | 4,214,352,130  | Capital increase from retained earnings | None                                       | Jing (83) Shang No.112989 dated September 2, 1994           |
| August 1995    | 10             | 501,507,903        | 5,015,079,030  | 501,507,903     | 5,015,079,030  | Capital increase from retained earnings | None                                       | Jing (84) Shang No.111207 dated August 16, 1995             |
| August 1996    | 10             | 551,658,693        | 5,516,586,930  | 551,658,693     | 5,516,586,930  | Capital increase from retained earnings | None                                       | Jing (85) Shang Zi No. 111479 dated August 12, 1996         |
| July 1997      | 10             | 606,824,562        | 6,068,245,620  | 606,824,562     | 6,068,245,620  | Capital increase from retained earnings | None                                       | Jing (86) Shang Zi No.111867 dated July 18, 1997            |
| December 1998  | 10             | 679,643,509        | 6,796,435,090  | 679,643,509     | 6,796,435,090  | Capital increase from retained earnings | None                                       | Jing (87) Shang Zi No. 087142412 dated December 29, 1998    |
| August 1999    | 10             | 747,607,860        | 7,476,078,600  | 747,607,860     | 7,476,078,600  | Capital increase from retained earnings | None                                       | Jing (88) Shang Zi No. 088127496 dated August 4, 1999       |
| August 2000    | 10             | 784,988,253        | 7,849,882,530  | 784,988,253     | 7,849,882,530  | Capital increase from retained earnings | None                                       | Jing (89) Shang Zi No. 089127105 dated August 1, 2000       |
| August 2001    | 10             | 836,012,489        | 8,360,124,890  | 836,012,489     | 8,360,124,890  | Capital increase from retained earnings | None                                       | Jing (90) Shang Zi No.09001288800 dated August 22, 2001     |
| August 2002    | 10             | 886,173,238        | 8,861,732,380  | 886,173,238     | 8,861,732,380  | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09101319120 dated August 15, 2002    |
| August 2003    | 10             | 957,067,097        | 9,570,670,970  | 957,067,097     | 9,570,670,970  | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09201240400 dated August 8, 2003     |
| August 2004    | 10             | 1,048,945,538      | 10,489,455,380 | 1,048,945,538   | 10,489,455,380 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09301149390 dated August 18, 2004    |
| September 2005 | 10             | 1,138,105,908      | 11,381,059,080 | 1,138,105,908   | 11,381,059,080 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No.09401168800 dated September 5, 2005   |
| September 2006 | 10             | 1,217,773,322      | 12,177,733,220 | 1,217,773,322   | 12,177,733,220 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09501191430 dated August 30, 2006    |
| September 2007 | 10             | 1,303,017,454      | 13,030,174,540 | 1,303,017,454   | 13,030,174,540 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09601224190 dated September 14, 2007 |
| September 2008 | 10             | 1,498,470,072      | 14,984,700,720 | 1,498,470,072   | 14,984,700,720 | Capital increase from retained          | None                                       | Jing Shou Shang Zi No. 09701236220 dated                    |

| Year/Month     | Issuance Price | Authorized Capital |                | Paid-in Capital |                | Note                                    |  |  |
|----------------|----------------|--------------------|----------------|-----------------|----------------|---|--|--|
|                |                | Number of Shares   | Amount         | Amount          | Amount         | Sources of Capital                      | Capital Increase by Assets Other Than Cash | Others   |
|                |                |                    |                |                 |                | earnings                                |  | September 15, 2008   |
| September 2009 | 10             | 1,648,317,079      | 16,483,170,790 | 1,648,317,079   | 16,483,170,790 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09801202660 dated September 4, 2009 |
| August 2010    | 10             | 2,060,396,349      | 20,603,963,490 | 2,060,396,349   | 20,603,963,490 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 09901193360 dated August 25, 2010   |
| August 2011    | 10             | 2,472,475,619      | 24,724,756,190 | 2,472,475,619   | 24,724,756,190 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 10001194070 dated August 22, 2011   |
| August 2012    | 10             | 2,818,622,206      | 28,186,222,060 | 2,818,622,206   | 28,186,222,060 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 10101174280 dated August 27, 2012   |
| August 2013    | 10             | 3,241,415,536      | 32,414,155,360 | 3,241,415,536   | 32,414,155,360 | Capital increase from retained earnings | None                                       | Jing Shou Shang Zi No. 10201172870 dated August 29, 2013   |

February 28, 2023 Unit: Share

| Type of Shares           | Authorized Capital |                 |               | Note |
|--------------------------|--------------------|-----------------|---------------|------|
|                          | Outstanding Shares | Unissued Shares | Total         |      |
| TWSE Listed Common Stock | 3,241,415,536      | 0               | 3,241,415,536 | None |

(II) Shareholder structure

July 26, 2022 (Note)

| Shareholder structure Quantity | Government Agencies | Financial Institutions | Other Juristic Persons | Foreign Institutions and Natural Persons | Individuals   | Total         |
|--------------------------------|---------------------|------------------------|------------------------|--|---------------|---------------|
| Number of shareholders         | 8                   | 22                     | 313                    | 644                                      | 98,862        | 99,849        |
| Number of Shares Held          | 46,260,155          | 120,703,757            | 681,128,844            | 473,068,741                              | 1,920,254,039 | 3,241,415,536 |
| Share-holding Ratio            | 1.43%               | 3.72%                  | 21.01%                 | 14.59%                                   | 59.24%        | 100.00%       |

Note: The latest book closure date.

(III) Share Distribution

July 26, 2022(Note)

| Range of Shares          | Number of shareholders | Number of Shares Held | Share-holding Ratio |
|--------------------------|------------------------|-----------------------|---------------------|
| 1 To 999                 | 17,055                 | 4,746,779             | 0.15%               |
| 1,000 To 5,000           | 57,844                 | 129,274,324           | 3.99%               |
| 5,001 To 10,000          | 12,051                 | 95,358,894            | 2.94%               |
| 10,001 To 15,000         | 4,085                  | 52,280,101            | 1.61%               |
| 15,001 To 20,000         | 2,723                  | 49,937,489            | 1.54%               |
| 20,001 To 30,000         | 2,204                  | 56,353,515            | 1.74%               |
| 30,001 To 40,000         | 998                    | 35,464,377            | 1.09%               |
| 40,001 To 50,000         | 675                    | 31,349,248            | 0.97%               |
| 50,001 To 100,000        | 1,166                  | 82,874,569            | 2.56%               |
| 100,001 To 200,000       | 477                    | 66,256,630            | 2.04%               |
| 200,001 To 400,000       | 216                    | 60,644,527            | 1.87%               |
| 400,001 To 600,000       | 83                     | 40,920,013            | 1.26%               |
| 600,001 To 800,000       | 51                     | 34,910,163            | 1.08%               |
| 800,001 To 1,000,000     | 26                     | 23,442,809            | 0.72%               |
| 1,000,001 shares or more | 195                    | 2,477,602,098         | 76.44%              |
| Total                    | 99,849                 | 3,241,415,536         | 100.00%             |

Note: The latest book closure date.

(IV) List of Majority Shareholders

July 26, 2022 (Note)

| Name of major shareholder | Share | Number of Shares Held | Share-holding Ratio |
|---------------------------|-------|-----------------------|---------------------|
| Lo, Ming-Han              |       | 370,176,378           | 11.42%              |
| Jye Luo Memory Co., Ltd.  |       | 324,430,630           | 10.01%              |
| Chen, Yun-Hwa             |       | 120,570,531           | 3.72%               |
| Lo, Tsai-Jen              |       | 91,662,430            | 2.83%               |
| Lo, Ming-I                |       | 82,492,443            | 2.54%               |
| Lo, Yuan-Yu               |       | 72,222,216            | 2.23%               |
| Chen, Hsiu-Hsiung         |       | 67,819,456            | 2.09%               |
| Lo, Ming-Ling             |       | 62,945,516            | 1.94%               |
| Lo, Yuan-Long             |       | 61,064,766            | 1.88%               |
| Chen, Bing-Hao            |       | 53,496,139            | 1.65%               |

Note: The latest book closure date.

(V) Information on the market price, net value, earnings, and dividends of each share in the latest two years

Unit: Share, NT\$

| Item                         | Year                              |                               | 2021          | 2022          | Current year as of February 28, 2023 (Note 8) |
|------------------------------|-----------------------------------|-------------------------------|---------------|---------------|---|
|                              |                                   |                               |               |               |   |
| Earnings per share (Note 1)  | Highest                           |                               | 59.10         | 39.85         | 35.25   |
|                              | Lowest                            |                               | 33.45         | 31.8          | 33.35   |
|                              | Average                           |                               | 41.62         | 34.9          | 34.47   |
| Net value per share (Note 2) | Before distribution               |                               | 24.96         | 25.86         | -   |
|                              | After distribution                |                               | 24.96         | 25.86         | -   |
| Earnings per share           | Weighted Average of Shares        |                               | 3,241,415,536 | 3,241,415,536 | 3,241,415,536                                 |
|                              | Earnings per Share (Note 3)       | Before Adjustment             | 1.63          | 1.53          | -   |
|                              |                                   | After Adjustment              | 1.62          | 1.53          | -   |
| Dividends Per Share          | Cash dividends                    |                               | 1.2           | 1.4           | -   |
|                              | Stock dividends                   | Paid out of Retained Earnings | -             | -             | -   |
|                              |                                   | Paid out of Capital Surplus   | -             | -             | -   |
|                              | Accrued Unpaid Dividends (Note 4) |                               | -             | -             | -   |
| Return on Investment         | P/E Ratio (Note 5)                |                               | 25.53         | 22.81         | -   |
|                              | Price/Dividend Ratio (Note 6)     |                               | 34.68         | 24.93         | -   |
|                              | Cash Dividend Yield (Note 7)      |                               | 2.88%         | 4.01%         | -   |

- Note 1: List the highest and lowest market price in each fiscal year and calculate the average market price based on the trading value and volume.
- Note 2: Please fill out the figures according to the number of outstanding shares at the end of the fiscal year and the resolution regarding distribution from the Board of Directors or by the shareholders' meeting the following year.
- Note 3: Please fill out basic and diluted earnings per share if a retroactive adjustment is necessary due to stock dividend payout.
- Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.
- Note 5:  $P/E \text{ Ratio} = \text{Average Market Price per Share} / \text{Earnings per Share}$ .
- Note 6:  $\text{Price/Dividend Ratio} = \text{Average Market Price per Share} / \text{Cash Dividend per Share}$ .
- Note 7:  $\text{Cash Dividend Yield} = \text{Cash Dividend per Share} / \text{Average Market Price per Share}$ .
- Note 8: CPA-reviewed financial information from Q1 2023 is not yet available at the date of publication of this Annual Report.

(VI) Dividend Policy and Implementation

Our dividend policy is as follows:

1. If the Company has pre-tax earnings for the fiscal year after the accounts are closed, the Company shall first set aside an amount to pay any business income tax due, offset the losses of previous years, and set aside ten percent (10%) of the residual amount as the legal reserve, and shall, pursuant to applicable laws and regulations, set aside a portion of the after-tax earnings for its special reserve. To the extent that there is any balance of the Company's after-tax earnings remaining, the total earnings available for distribution shall consist of the remainder of such balance and the retained earnings from the previous year. The Board of Directors may propose a profit distribution plan for approval at the shareholders' meeting.

The dividends to the shareholders under such a plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall not be lower than ten percent (10%) of the total dividends declared.

2. Proposed Dividend Payment by the Shareholders' Meeting

After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from the previous year (s), was NT\$34,156,837,590 in the 2022 Fiscal Year. It is proposed that NT\$4,537,981,750 of cash dividends be paid to the shareholders (at NT\$1.4 per share) in accordance with the Articles of Incorporation of the Company.

- (VII) Impact of the proposed stock dividend payment by the shareholders' meeting on the business performance and earnings per share of the Company

The Company did not declare any stock dividend, and therefore no impact was expected on the business performance and earnings per share of the Company.

(VIII) Remuneration for Employees and Directors

1. Percentage or Range of Employees' and Directors' Remuneration under the Articles of Incorporation

To the extent that the Company has profit in the year, the Company shall set aside at least 2% of such profit as employee dividends and no more than 3% of such profit as director dividends, provided that the Company shall first offset the cumulative losses, if any.

Employee dividends shall be distributed in the form of shares or cash, and director dividends shall be distributed in the form of cash. The distribution of dividends shall be approved by more than one-half of the Directors present at the Board of Directors' meeting attended by at least two-thirds of all Directors, and shall be reported at the shareholders' meeting.

The recipients of employee dividends in the form of shares or cash in accordance with the preceding subparagraph may include the employees of the Company's subsidiaries who meet certain conditions; the terms of the distribution shall be decided by the Board of Directors.

2. The Basis of the Estimate of Compensation to Employees and Directors, the Basis of Calculating the Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate: The deviation will be recognized as profit or loss in the following fiscal year.

3. Status of Employee Compensation Appropriations as Approved by the Board of Directors:

(1) Employees' remuneration is to be appropriated in cash or shares. If there is any difference with the estimated amount of the recognized expenses in the year, the difference, reason, and action should be disclosed:

The Company allocated NT\$131,549 thousand as cash compensation to employees and NT\$98,662 thousand as compensation to directors in 2022. Comparing the revenues and profitability of the Company in 2022 to those in 2021 and taking into account the amount of payout in 2021, the proposal was reviewed by the Remuneration Committee and the Board has passed a resolution and recommends that NT\$131,549 thousand be paid out as cash remunerations to employees and NT\$93,729 thousand as remunerations to directors. The difference between the actual amount and the estimated amount is recognized as the profit or loss for 2022.

(2) Amount and ratio of employees' remunerations in shares on the after-tax earnings in the Parent company only financial statements and total employees' remuneration in the year: None.

4. Employee Remuneration and Director and Supervisor Remuneration in the previous year:

The following summarizes the employees' remuneration and directors' remuneration in the 2021 Fiscal Year:

| Item                    | Approved Distribution (NT\$) | Deviation | Reason for Deviation |
|-------------------------|------------------------------|-----------|----------------------|
| Employees' Remuneration | 130,704,542                  | –         | None                 |
| Directors' Remuneration | 98,028,406                   | –         | None                 |

Note: The Board of Directors of the Company is authorized to determine the compensation of the directors based on director compensation of comparable companies in the industry; provided, however, independent directors may not participate in the distribution of compensation set forth in Article 36 of the Articles of Incorporation of the Company.

(IX) Repurchase of the Company's shares: None

II. Issuance of corporate bonds

| Type of corporate bonds              | Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018  | Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2021  |
|--------------------------------------|--|--|
| Issuance Date                        | 2018.07.25   | 2021.08.05   |
| Par value                            | NT\$1 million  | NT\$1 million  |
| Location of Issuance and Transaction | N/A  | N/A  |
| Par Value                            | At Par   | At Par   |
| Total Amount                         | NT\$5 billion  | NT\$8 billion  |
| Interest                             | 0.87%  | 0.60%  |
| Maturity                             | 5 Years<br>Maturity Date: July 25, 2023  | 5 Years<br>Due Date: 2026.08.05  |
| Guarantee Agency                     | None   | None   |
| Trustee                              | Taipei Fubon Commercial Bank   | Taipei Fubon Commercial Bank   |
| Underwriters                         | Capital Securities Corp.   | Yuanta Securities Co., Ltd.  |
| Certifying Lawyers                   | N/A  | N/A  |
| Certifying CPA                       | PricewaterhouseCoopers, Taiwan<br>CPA Hung, Shu-Hua,<br>CPA Wu, De-Feng  | PricewaterhouseCoopers, Taiwan<br>CPA Wu, Yu-Long,<br>CPA Chou, Chien-Hung   |
| Redemption                           | 50% of the principal will be paid at the end of the fourth year and the remaining 50% will be paid at the end of the fifth year from the issuance date | 50% of the principal will be paid at the end of the fourth year and the remaining 50% will be paid at the end of the fifth year from the issuance date |
| Outstanding Principal                | NT\$5 billion  | NT\$8 billion  |
| Redemption or early repayment clause | None   | None   |

| Type of corporate bonds  | Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018   | Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2021          |
|--|---|--|
| Restrictions   | None  | None   |
| Company's name, date, and corporate bonds of credit rating   | Taiwan Ratings<br>Rating Date: February 27, 2018<br>Corporate credit rating result<br>twA+  | Taiwan Ratings<br>Rating Date: 2021/03/25<br>Corporate credit rating result<br>twA |
| Other rights   | Converted (exchange or subscription) common stock, depository receipts, or other prices of securities as of the Annual Report publish date. | N/A  |
|  | Regulations of Issuance and Conversion/Exchange/Subscription  | N/A  |
| Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue | N/A   | N/A  |
| Name of Exchange   | N/A   | N/A  |

III. Issuance of preferred shares: None

IV. Issuance of overseas depository receipts: None

V. Issuance of stock subscription warrants to employees and restriction on employee right to obtain new shares

VI. Issuance of new shares in connection with the merger or acquisition of other companies:  
None

VII. Recordable items of the implementation status of the capital utilization plan

(I) Plan Contents

1. First Offering of Unsecured Ordinary Bonds of 2018

- (1) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10700196832 issued by the Taipei Exchange dated July 24, 2018.
- (2) Funds required for the project: NT\$5 billion.
- (3) Source of financing: First offering of unsecured bonds of NT\$5 billion.
- (4) Purpose of financing and progress of use

Unit: NT\$ thousand

| Plan Item  | Estimated Completion Date | Funds Required | Estimated Progress of Use |           |
|--|---------------------------|----------------|---------------------------|-----------|
|  |                           |                | 2018                      |           |
|  |                           |                | Q3                        | Q4        |
| Paying off Liabilities (improving financial structure) | Q3 2018                   | \$3,258,666    | \$3,258,666               | -         |
| Strengthening the Operating Capital                    | Q3 2018                   | \$800,000      | \$800,000                 | -         |
|  | Q4 2018                   | \$ 941,334     | -                         | \$941,334 |
| Total  |                           | \$ 5,000,000   | \$ 4,058,666              | \$941,334 |

2. First Offering of Unsecured Ordinary Bonds of 2020

- (1) Date of approval and approval document number: Zheng Gui Zhai Zi No. 11000075911 issued by the Taipei Exchange dated July 27, 2021.
- (2) Funds required for the project: NT\$8 billion.
- (3) Source of financing: First offering of unsecured bonds of NT\$8 billion.
- (4) Purpose of financing and progress of use

Unit: NT\$ thousand

| Plan Item                           | Estimated Completion Date | Funds Required | Estimated Progress of Use |             |
|-------------------------------------|---------------------------|----------------|---------------------------|-------------|
|                                     |                           |                | 2021                      |             |
|                                     |                           |                | Q3                        | Q4          |
| Paying off Liabilities              | Q3 2021                   | \$6,000,000    | \$6,000,000               | -           |
| Strengthening the Operating Capital | Q3 2021                   | \$800,000      | \$800,000                 | -           |
|                                     | Q4 2021                   | \$1,200,000    | -                         | \$1,200,000 |
| Total                               |                           | \$8,000,000    | \$ 6,800,000              | \$1,200,000 |

(II) Implementation Status

1. Status of Funds Used and Implementation

(1) The first Offering of Unsecured Ordinary Bonds of 2018

Unit: NT\$ thousand

| Plan Item  | Implementation Status     |          | 2018.12.31 | Reasons and Improvement Plans for Leading or Behind the Project Schedule |
|--|---------------------------|----------|------------|--|
| Paying off Liabilities (improving financial structure) | Fund Used                 | Proposed | 3,258,666  | Plan Completed   |
|  |                           | Actual   | 3,258,666  |  |
|  | Implementation Status (%) | Proposed | 100%       |  |
|  |                           | Actual   | 100%       |  |
| Strengthening the Operating Capital                    | Fund Used                 | Proposed | 1,741,334  | Plan Completed   |
|  |                           | Actual   | 1,741,334  |  |
|  | Implementation Status (%) | Proposed | 100%       |  |
|  |                           | Actual   | 100%       |  |

(2) The first Offering of Unsecured Ordinary Bonds of 2021

Unit: NT\$ thousand

| Plan Item  | Implementation Status     |          | 2021.12.31 | Reasons and Improvement Plans for Leading or Behind the Project Schedule |
|--|---------------------------|----------|------------|--|
| Paying off Liabilities (improving financial structure) | Fund Used                 | Proposed | 6,000,000  | Plan Completed   |
|  |                           | Actual   | 6,000,000  |  |
|  | Implementation Status (%) | Proposed | 100%       |  |
|  |                           | Actual   | 100%       |  |
| Strengthening the Operating Capital                    | Fund Used                 | Proposed | 2,000,000  | Plan Completed   |
|  |                           | Actual   | 2,000,000  |  |
|  | Implementation Status (%) | Proposed | 100%       |  |
|  |                           | Actual   | 100%       |  |

## Chapter 5 Operation Overview

### I. Business contents

#### (I) Business scope:

##### 1. Major contents of business

(1) C801990 Other Chemical Materials Manufacturing. (2) C802160 Sticky Tape Manufacturing. (3) C804010 Tires Manufacturing. (4) C804020 Industrial Rubber Products Manufacturing. (5) C804990 Other Rubber Products Manufacturing. (6) CB01010 Machinery and Equipment Manufacturing. (7) F112040 Wholesale of Petrochemical Fuel Products. (8) F212050 Retail Sale of Petrochemical Fuel Products. (9) F401010 International Trade. (10) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Proportion in business

Below are the proportions of major products in the business of the Company in 2022:

Unit: NT\$ thousand

| Major Products   | 2022       |       |
|--|------------|-------|
|  | Amount     | %     |
| Radial cover - car   | 38,881,401 | 39.42 |
| Radial cover - truck                                       | 12,711,283 | 12.89 |
| Motorcycle cover   | 16,587,636 | 16.82 |
| Bicycle cover  | 12,581,896 | 12.76 |
| Inner tube   | 5,036,577  | 5.11  |
| Other tires  | 11,345,395 | 11.50 |
| Other products   | 1,254,352  | 1.27  |
| Return, allowance, freight and insurance costs, and others | 224,337    | 0.23  |
| Total  | 98,622,877 | 100%  |

##### 3. The Company's Current Products: PCR, TBR, MC, BC, TUBE, and other tires.

##### 4. New Products in Development

|   |   |
|---|---|
| Grand Touring A/S Product Development for Passenger Cars        | Product Development for 4x4 Vehicles - All-Terrain & Rugged Terrain |
| Ultra High Performance Product Development for Passenger Cars - | Ultra High Performance Summer Product Development for EV SUV        |

|   |  |
|---|--|
| Summer Type & A/S Type  |  |
| Racing Tire Product Development for Passenger Cars                    | Light Truck Product Development of OE for Commercial Vehicle |
| All-Season Product Development of OE for SUV Vehicle                  | MCR 50/50 Adventure Product Development                      |
| ATV Non-steel belt Product Development                                | Second-Generation Gravel Tires Product Development           |
| The new generation of Light Truck (19") All-Steel Product Development | Electric Bus Product Development                             |
| MC 50/50 Adventure Product Development                                | SYM Adventure Model Development                              |
| Product Development of RE for Light Bike                              | Product Development of RE for Big Scooter                    |

(II) Industry Overview:

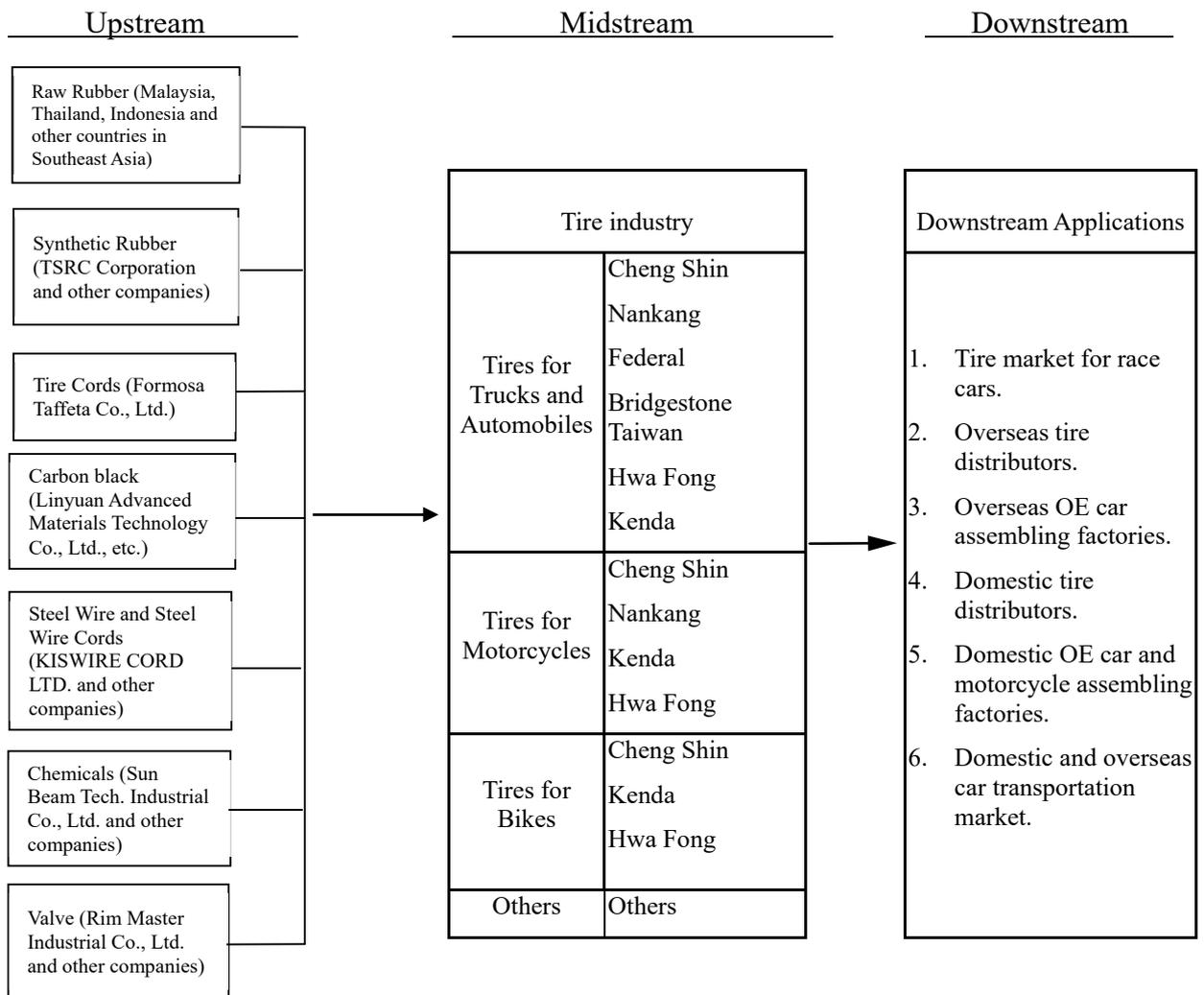
1. Industry Situation and Development

With the domestic rapid economic development and the continuous development and innovation of this industry, tire businesses are also flourishing, which improves the industrial technology for higher-level tires. The Company's main products are cover tires for automobiles and motorcycles. Due to the small market and limited road areas in Taiwan, as well as increasing importation after Taiwan's participation in the WTO, makes marketing and sales of tires even more difficult because Taiwan's domestic market is already saturated. In view of this, the Company will be dedicated to the development of tires with high performance, lightweight, low rolling resistance, safety, and intelligence, so that the Company will be able to develop its market by continuously providing more leading products.

2. Relationship Among the Supply Chain

After developing for decades, the rubber industry in Taiwan has formed a complete supply chain with upstream, midstream, and downstream, which is as follows: Upstream: capital-intensive raw material industry. Midstream: technology-intensive processing industry. Downstream: consisting of the applications in the tire market for race cars, domestic and overseas OE car assembling factories, domestic and overseas tire distributors, and the car transportation market. The diagram for upstream, midstream and downstream is as follows:

Diagram of Relationship Among Tire Industry in Taiwan



### 3. Product Development Trends and Competition Landscape

Information of The Development Trends And Competition of Products: For the entire market of tire products, the traditional cross-ply tires have been replaced gradually by radial tires and the main reason is that the radial tires are able to reduce the possibility of flat tires and would provide the effects of oil saving, abrasion resistance, and driving safety. Also, the development trend of tire products is the low aspect ratio and high-performance tires. Due to market needs and higher consumers' needs for environmental quality, the Company plans to manufacture and provide high performance tires, low rolling resistance tires, safety tires, intelligent tires, steel wire radial tires, and other new products. The Company would like to enhance its development power by improving its technology and increasing product diversity and would also like to develop and dominate the market by continuously expanding leading products.

(III) Overview of Technology, Research and Development

1. Costs of Research and Development During the Current Fiscal Year and as of the Date of the Annual Report

Unit: NT\$ thousand

| Item \ Year                        | 2022       | As of February 28, 2023<br>(Note) |
|------------------------------------|------------|-----------------------------------|
| Research and development expenses  | 3,940,687  | 612,169                           |
| Net Operating Income               | 98,622,877 | 13,908,784                        |
| Percentage of net operating income | 4.00%      | 4.40%                             |

Note: 2022 information comes from self-prepared financial data from the Company.

2. Technology and Products Successfully Developed

|   |   |
|---|---|
| Thailand & North America Spare Tire New Product Development | Development of new ATV RT Product         |
| MCR Sport Touring Product Development                       | 4X4 Highway Terrain Product Development   |
| MTB Down Country Tire                                       | Development of Grand Touring A/S Product  |
| BC Cargo Tire   | LTR S/M product development               |
| Development of New Low Floor Truck Steer Axle Tire          | NA FORD Ground-spare Product Development  |
| Development of New LTS All Position Tire                    | Development of New Truck Driver Axle Tire |
| MC Tire – High Performance Product Series Development       |   |

(IV) Long-Term and Short-Term Business Development Plan

1. Short-term plans

- (1) Continuing to develop products from all lines and formulating different sales models tailored to local markets based on the existing business
- (2) Promoting production process rationalization and flexibility to harmonize production and distribution and to reach the most profitable business scale; implementing comprehensive quality management to achieve the goal of delivering top-quality products.

2. Long-term plan:

- (1) Optimizing quality and developing private-label products to increase market share and establish complete global distribution channels and brand management strategies.
- (2) Continuously conducting R&D activities to maintain a leading position in manufacturing technology in the market and to take full advantage of the economics of large-scale production.

## II. Market, Production and Sales Overview

### (I) Analysis of Market

#### 1. Analysis of Market and Production and Marketing Situation

##### (1) Sales markets:

Distribution Regions: market analysis is made based on our distribution regions- North America, Central and South America, Europe, Middle East, and Africa, Asia, and Oceania.

##### (2) Market Share:

Our revenue has remained ranked first place in Taiwan and we are the largest tire manufacturer in the Chinese-speaking region. Both of the world-renowned tire magazines, Tyres & Accessories, and Tire Business, reported us as the 10th largest global tire manufacturer.

##### (3) Future Market Supply and Demand and Prospect:

In recent years, the MAXXIS has also actively developed niche markets. Targeting the Tesla electric vehicle tire replacement market, MAXXIS launched its first electric vehicle tire, the VICTRA SPORT EV (VS-EV), which was awarded the SEMA Best Product Award in the United States in November 2022. VS-EV is a tire designed specifically for electric vehicles, combining the latest technologies such as sound-absorbing foam technology, new-generation rubber formula, and high-strength steel wire to provide electric vehicle owners with a high level of balanced performance that is "swift and quiet, speedy as lightning". The corresponding target vehicle models for the first wave focus on the 18-inch and 19-inch sizes of the Tesla Model 3. Moreover, new tire sizes for various major electric vehicle brands have successively hit the market and have started selling in overseas markets. Our Go-Kart tires have also been selected by the Australian Karting Association for the first time, making us an official tire supplier for five years since 2022, and has officially started to supply goods. Our MAXXIS racing tires were selected to be the exclusive suppliers for Cadet9 and Cadet12 races. To meet subsequent market demand on a timely basis, our new Go-Kart tire production line was also constructed and began operation at Plant No. 3 at the end of 2021, with the goal of becoming a world-class Go-Kart tire production site. Furthermore, in pursuit of top-tier performance, Cheng Shin MAXXIS launched the groundbreaking ceremony for the Douliu Go-Kart tire test track in 2022. The goal is to ensure that product performance can meet the needs of various user groups through real-vehicle dynamic testing in the short term.

Cheng Shin MAXXIS Group was awarded the 2021 Nissan ASEAN Regional Supplier Quality Award, this is the second time we receive this honor. In 2022, Cheng Shin MAXXIS was also honored with the "Outstanding Design and Development Award" presented by Nissan Motor, being the only tire supplier among the awardees. Through comprehensive and stringent evaluations covering products, manufacturing services, quality, customer service, and logistics, Cheng Shin MAXXIS once again stands out, demonstrating the affirmation of Nissan for Cheng Shin MAXXIS. GM, General Motors (USA) held its 30th Annual Supplier of the Year Award Ceremony (2021 GM Supplier of the Year) in Phoenix, Arizona, and MAXXIS Tire was once again recognized as GM's "Best Supplier Award" for the 6th consecutive year. American Subaru Automobile (SIA, Subaru of Indiana) also presented the "Best Supplier Award" and "Best Product Leadership Award" to MAXXIS Tire for the third consecutive year in 2022, reaffirming the trust in MAXXIS Tire in terms of quality and service.

In addition to customer recognition, the Company's products received numerous accolades including magazine awards: Continuing the glory of being the Best Tire of the Year in the Chinese market and achieving the Number 1 rankings in evaluations from Australian and German magazines for several consecutive years. MAXXIS HP5 has once again beat out the competition in Switzerland's 2021 ViBilägare's magazine and was crowned the Summertime Tire Champion. The snow tires WP6, UHP VS5, and summer tires HP5 will also be promoted by the German magazine AutoBild again in 2022.

Bicycle tires of Cheng Shin MAXXIS are internationally-acclaimed and continue to sponsor cycling team players. In 2022, the New Zealand cyclist Patrick Bevin from the world elite cycling team Israel - Premier Tech, sponsored by MAXXIS, won the Stage 7 championship of the Tour of Turkey and subsequently claimed the prestigious first place in the overall General Classification (GC) of the event. The victory was the team's first GC title of the season and Patrick Bevin's first career GC title (No. 1 overall). At the same time, the champion athletes of the races were designated to use the MAXXIS HIGH ROAD SL super lightweight and ultra-speed tire, which again proved the excellent performance of MAXXIS bicycle tires in the races. Cheng Shin MAXXIS sponsored Australian, Swiss and Colombian athletes during the 2021 Tokyo Olympics, who displayed remarkable performances and won a total of one gold and two bronze medals. In that same year, athletes sponsored by MAXXIS were victorious at the UCI World Championship, winning two

Gold, two Silver, and one Bronze medals in the XCO and DH Elite races, as well as the top 3 in Under-23 DH races for both men and women. Through the validation by opinion leaders, MAXXIS tires demonstrate its unrivaled performance to the world, time and again. In terms of user experience, the world's mountain biking media Vital MTB's results of the 2022 consumer survey showed that the MAXXIS had won a resounding victory. Of the survey with over 100,000 respondents, more than 50% chose Maxxis as their choice tire brand, making it the true number one brand in the world. Based on the 2021 consumer survey from Pinkbike, an authoritative media in the North American market, MAXXIS mountain bike tires are widely praised and were used by approximately 70% of the survey respondents. Moreover, nearly 60% of them will continue to repurchase MAXXIS mountain bike tires. The popularity of MAXXIS continues to trump the rest of the industry and dominate the market. According to the most popular mountain bike brands in 2021 survey from German-based Enduro Mountainbike Magazine, the largest bicycle media in Europe, MAXXIS was once again voted the best tire brand, and was voted No. 1 in both German-speaking areas (G/A/S: Germany/Austria/Switzerland), as well as the rest of the world (International), scoring 48% in German-speaking areas, and 59% internationally, far surpassing all other brands. Our exceptional quality has translated to extremely high customer satisfaction, and coupled with world-class competition, the Cheng Shin MAXXIS tires for bikes brand has secured a No. 1 position worldwide, and sales orders are continuing to be filled until 2023. To meet the global demand for cycling both to/from work and for recreation in the post-pandemic era, Cheng Shin MAXXIS plans to construct a new bicycle tire production site at Douliu Plant in Yunlin. It is expected to begin production in 2023. Just like the philosophy from Chairman of Cheng Shin MAXXIS, Mr. Chen, Yun-Hwa: We will always provide the best quality and opportunities to the hopeful new generations.

Cheng Shin MAXXIS has also made some breakthroughs in the development of our overseas market. We have successfully penetrated the European EV market with our exceptional product quality, and continue to deliver the original configure tires for BMW's electric motorcycle CE 04 models in Germany. In addition, starting this year, BMW 1 series cars are also equipped with the Cheng Shin MAXXIS Premitra HP5 tires, making it the first model to enter the BMW four-wheel primary tires supply chain. The German Volkswagen Crafter and Caddy5 models are also equipped with Cheng Shin MAXXIS tires. In recent years, Cheng Shin's efforts in the OE market have borne fruit, creating a domino effect on other automakers. It is expected that

more manufacturers and models will choose to use the Cheng Shin MAXXIS tires as part of their offerings. In 2021, we successfully secured deals in Hyundai and Kia's North American supply chain and will begin supplying spare tires for high-end brand Genesis models in 2023. Our annual spare tire output for Toyota RAV4, Corolla, Lexus RX, and Highlander, all popular models in the North American markets, has reached over 1 million tires. Ground-spare began supplying spare tires to the North American market in Q3 2020. Among them, our 18-inch ground spare tires are also compatible with the large electric pickup truck F150 Lightning, launched by Ford in North America to cater to the latest trends. Currently, it is the only electric pickup truck with spare tires available on the market. Furthermore, our assembling business has reached the Latin American market and we began supplying to the Brazilian OE assembly plant Stellantis in 2021. At the same time, several best-selling Nissan car models in Mexico are also equipped with Cheng Shin MAXXIS tires. ATV assembling business continued to receive orders from Polaris, Honda, and Kawasaki for their high-end models, and continued to rank first in market share in North America. In terms of North American racing tire promotion, in 2022, the Victra RC-1 successfully passed the test of the American Automobile Racing Association and officially became the designated racing tire of the race.

Products of Cheng Shin MAXXIS are sold in over 180 countries worldwide. In addition to our strategic mapping of the overseas repairs market, we actively expand our distribution channels and locations. With the rapid growth of emerging markets and sustained economic recovery in the North American region, the global automotive industry is thriving and the demand for vehicle tires is boosting. Since the financial crisis, the automotive industry has been growing at a steady pace, further fueling the strong demands in certain markets, such as China, Southeast Asia, South Asia, Mexico, New Zealand, and Australia. As a result, major tire manufacturers around the world continue to invest in building new facilities to meet the anticipated demands in these markets.

(4) Competitive Niches:

The Company will uphold the core value of "Integrity & Innovation", "Honorable Brand" and "Safety First, Human First" advocated by Chairman Chen, Yun-Hwa as well as the operating concept of "Three One Hundred Percent" and aggregate suppliers, customers and employees again to call their cohesive force towards the MAXXIS grand family. We will follow the human resource concept based on talent, reinforce the strategic organization capacity

with the effective capacity to integrate resources of the Group and enhance the technical force so that Cheng Shin will keep growing in the global tire industry.

In 2022, Cheng Shin is once again recognized as one of the Top 10 Global Brands in Taiwan with a brand value of USD250 million, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and Interbrand, a global brand consultancy. Cheng Shin adopts a globally diversified brand-name strategy for its Cheng Shin, MAXXIS, and PRESA brand names with respect to different cultures. Marketed with English brand names and incorporate elements of Western cultures to cater to Western consumers. Not only has Cheng Shin been widely known as a tire brand in the Greater China region, but it also has been recognized as the best-selling brand under a well-known trademark in China. We aim to raise brand name recognition in the market in the future by routinely participating in auto shows in Taiwan and overseas and sponsoring major sports events to grow consumers' appreciation of our brand names with a multi-faceted platform strategy.

Cheng Shin has made significant improvements to its products by strengthening technical alignment with raw material suppliers such as Degussa and Exxon. We seek to strike an ideal mechanical balance between treads and structure of the tire with the unique and innovative VIP (Virtual Intelligence Prototyping)/automated intelligent prototype design technique and renovate tire design techniques. Multiple research papers have been published in internationally renowned journals, such as the International Journal of Vehicle Design (UK) and the International Journal of Materials and Product Technology (USA).

#### (5) Advantages and Disadvantages of Developmental and Action Plans

Advantages:

With the joint efforts of our factory building staff, our facilities in Indonesia and India began production in 2017. The additional production capacity will help us cater to the rising tire demand and increase Cheng Shin's market share. Under the CEPT (Common Effective Preferential Tariff) Scheme of ASEAN, regional growth strengthened. The geographic advantages of our facilities in Indonesia, Thailand, and Vietnam readily support the demand of the emerging markets and enable us to provide more competitive products to consumers manufacturing locally.

With collaborations with global automakers, we have made significant progress in promoting our tires for some of the best-selling car models around

the world. Recently, we have successfully entered the supply chain of General Motors and Nissan in Mexico. These are proofs of Cheng Shin's step-by-step progress toward increasing product exposure and market share in new markets.

Amid the global consumption contraction tendency, consumers are becoming more price-sensitive in purchasing replacement tires. Compared with main strain tire manufacturers in Europe, America, and Japan, Cheng Shin maintains a leading position in the market by providing more competitive products with outstanding quality and affordable prices, creating a great opportunity for us to gain market share.

#### Disadvantages and countermeasures

In 2022, the tight supply of maritime transport has been eased, and demand has rebounded in various regions. However, during the pandemic, various countries adopted accommodative monetary policies to stimulate the economy, leading to an increase in raw material prices and further triggering inflation. After the United States announced interest rate hikes, countries around the world have also adjusted their monetary policy in response. To deal with such challenges, Cheng Shin partnered with suppliers and customers to form mutually-beneficial strategies based on past partnership experiences, thereby enhancing the scale and sales volume of our Group in spite of adversities. Cheng Shin has been closely monitoring the fluctuations in market supply and demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continued the process of integrating new and previous products and replacing the product portfolio with products of high-added value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2023 and the next three to five years, we envisage even more drastic changes, therefore we must promptly strengthen our ability to adapt, our core capabilities, and our competitiveness. Only by possessing world-class capabilities and competitiveness will we be able to adapt to the complicated and highly changeable market from now on. Therefore, in the future, we will take advantage of our capabilities in technology, sales and distribution, manufacturing, and management to build our core operations, achieve glocalization, and enhance the regional sales and technical support so that the global headquarters can work closely with different regions and utilize local manufacturing to strengthen ties.

## 2. Analysis of the Domestic Market:

### (1) 2022 Domestic Market Overview

In 2022, amid the long-term war between Russia and Ukraine, various countries sought to quickly end the conflict by continuously imposing economic sanctions on Russia. Russia also constantly increased its countermeasures, and as both sides intensified economic and trade control measures, energy costs skyrocketed simultaneously. To reduce the loss of Taiwan Power Company, the Taiwan government significantly increased electricity prices in July, severely affecting the production and manufacturing costs of various industries.

In addition, China, as the world's factory, was under strict lockdown measures imposed by local governments in response to the central government's insistence on eradicating COVID-19 cases. The lockdowns led to supply chain disruptions across various industries, resulting in long-term shortages of automotive and motorcycle components. The market supply and demand became severely imbalanced, with prices of various items continuously rising.

In 2022, amid a market imbalance between supply and demand, energy costs and prices continued to rise, leading to severe global inflation. In response, the U.S. Federal Reserve raised interest rates 7 times in 2022, for a cumulative increase of 425 basis points. Additionally, the Central Bank of Taiwan, in its bid to stabilize prices, raised interest rates 4 times in 2022, for a cumulative increase of 62.5 basis points.

Although governments have raised interest rates to stabilize prices, severe inflation still led to a decline in people's purchasing power and market contraction. The company is aware of the rapid transformation of the market and swiftly carried out product allocations, adjustments within the group. With the joint efforts of the entire MAXXIS FAMILY, we successfully overcame the various difficulties and challenges of the year 2022.

### (2) Business outlook to 2023:

Although the Russia-Ukraine war continues, the number of confirmed cases of the pandemic in China is still climbing high, and inflation has not yet eased, but fortunately, the COVID-19 pandemic in Taiwan has gradually stabilized under the unity of the people and strict prevention of the pandemic, with various epidemic control measures have been gradually relaxed, leading to a significant recovery in the accommodation and catering industries, which in turn has boosted the overall economy. As the crowds and traffic affected by the pandemic return, the demand for various types of tires has also risen

simultaneously.

The various models (such as TOYOTA TOWNACE, NISSAN NEW KICKS, KYMCO KRV MOTOR, YAMAHA AUGUR, etc.) that the Company jointly developed with multiple automobile and motorcycle companies were progressively introduced in 2022. As component shortages eased this year, the sales volume of new vehicles is increasing, which is expected to effectively boost the sales of the Company's products.

Additionally, in response to the continuous growth in sales volume of high-end imported vehicles in Europe and the United States, the increasing demand for large heavy-duty motorcycles, and expanding demand for e-commerce logistics vehicles, the Company has developed and invested in the production of tire products suitable for sedans/SUVs (VSP), large heavy-duty motorcycles (MA-HS 、MA-ST3), and large trucks (MA189 tires) respectively. These products will be launched in 2023 to further enhance the Company's product sales for the current year.

We believe that as long as we strictly adhere to Cheng Shin's core value of "keeping integrity and innovation", and implement 100% quality, 100% service, 100% trust, uphold respect for humanity, care for society, and be grateful to the surrounding people, and things, we will definitely be able to break through all the difficulties to welcome the joy of harvest in 2023.

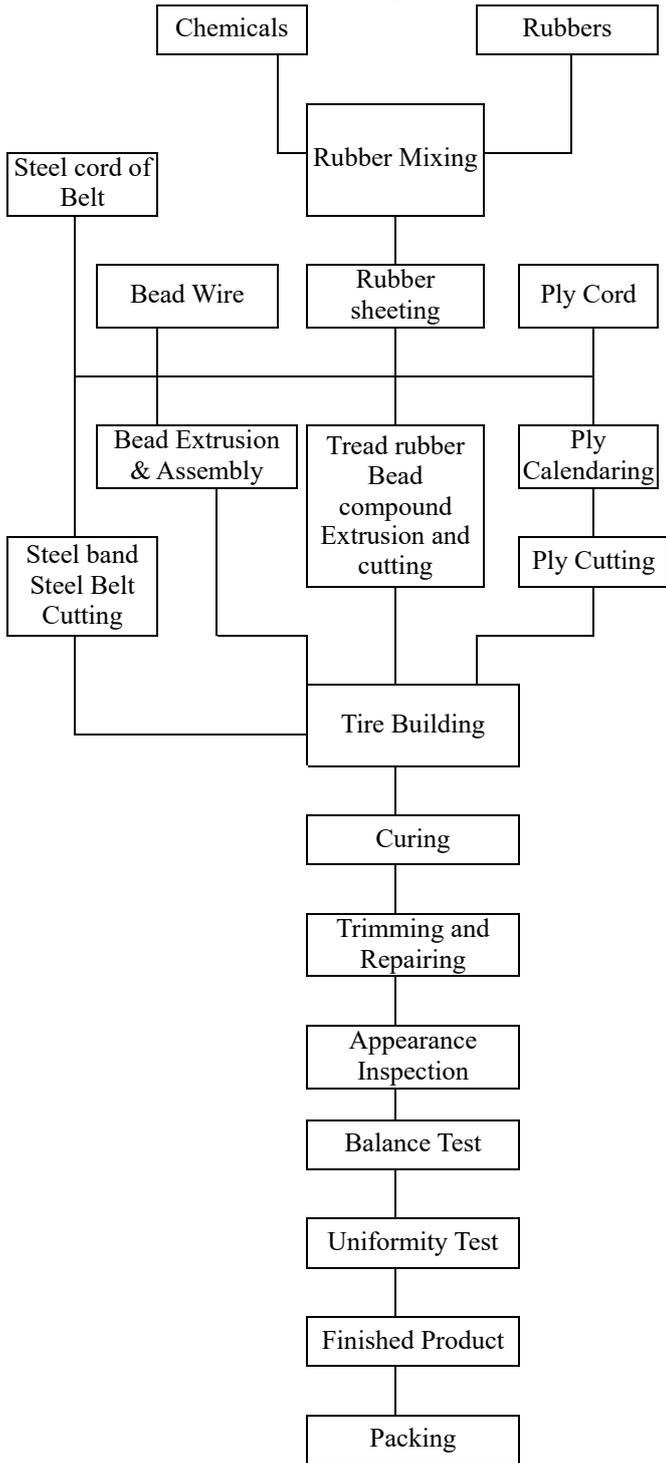
(II) Key Functions and Manufacturing Process of Core Products

Core Products: tires

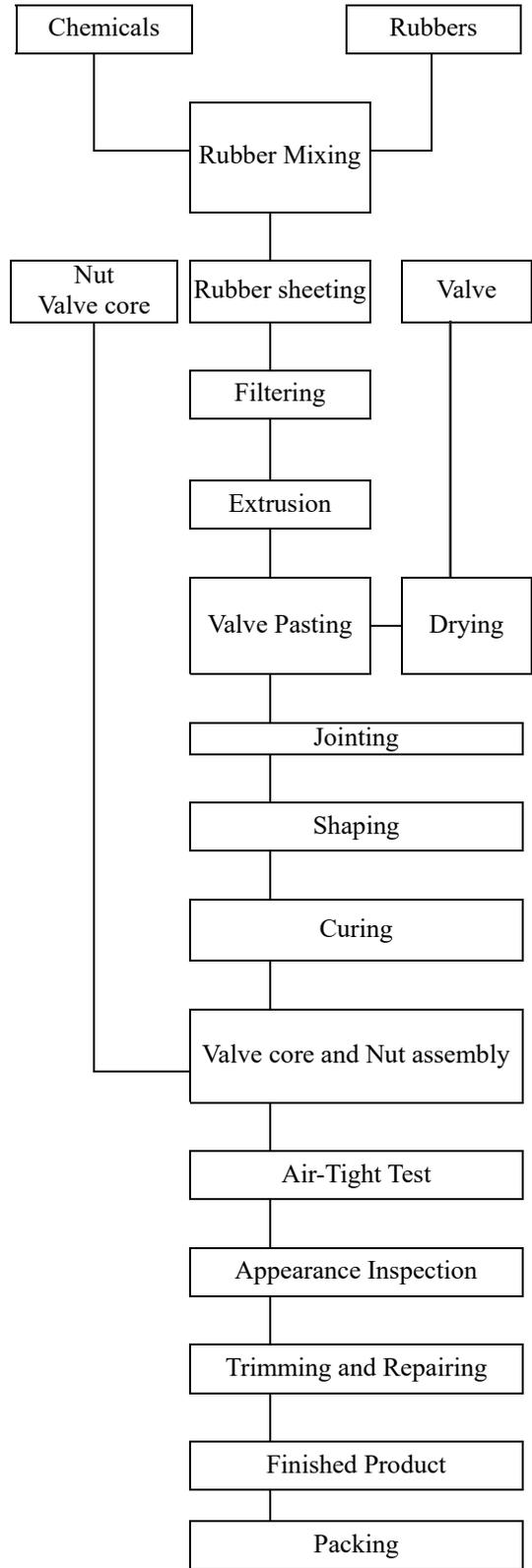
Application: transportation

Manufacturing Process:

PCR Tires Manufacturing Flowchart



Tubes Manufacturing Flowchart



## (III) Supply of Key Materials

| Raw material name                       | Quantity (tons)            | Supplier  |
|---|----------------------------|---|
| Rubber                                  | 219,092                    | Sintex Chemical Corp. etc                             |
| Synthetic Rubber                        | 140,243                    | TSRC Corporation, etc.                                |
| Fabric                                  | 25,801                     | FORMOSA TAFFETA Co., Ltd., etc.                       |
| Carbon black                            | 144,526                    | Linyuan Advanced Materials Technology Co., Ltd., etc. |
| Steel Wire and Steel Wire Curtain Cloth | 175,639                    | KISWIREARCELORMITTAL LTD, etc.                        |
| Chemicals                               | 82,244                     | Sun Beam Tech. Industrial Co., Ltd., etc.             |
| Valve                                   | 117,487<br>(thousand sets) | Rim Master Industrial Co., Ltd., etc.                 |

## (IV) Name of the customer and the amount and proportion of the sales (purchase) amount that have accounted for more than 10% of the total sales (purchase) amount in any of the recent two years

## 1. Suppliers with 10% or more of the total procured amount:

Unit: NT\$ thousand

| Item | 2021                |            |                                    |                               | 2022                |            |                                    |                               |
|------|---------------------|------------|------------------------------------|-------------------------------|---------------------|------------|------------------------------------|-------------------------------|
|      | Name                | Amount     | Percentage in Total Net Supply (%) | Relationship with the Company | Name                | Amount     | Percentage in Total Net Supply (%) | Relationship with the Company |
| 1    | None                | -          | -                                  | -                             | None                | -          | -                                  | -                             |
|      | Net Supplied Amount | 60,235,133 | 100.00                             | -                             | Net Supplied Amount | 55,277,139 | 100.00                             | -                             |

## 2. Customers with total sales accounting for 10% or more of the operating revenue:

Unit: NT\$ thousand

| Item | 2021             |             |                                    |                               | 2022             |            |                                    |                               |
|------|------------------|-------------|------------------------------------|-------------------------------|------------------|------------|------------------------------------|-------------------------------|
|      | Name             | Amount      | Percentage in Total Net Supply (%) | Relationship with the Company | Name             | Amount     | Percentage in Total Net Supply (%) | Relationship with the Company |
| 1    | None             | -           | -                                  | -                             | None             | -          | -                                  | -                             |
|      | Net Sales Amount | 101,536,961 | 100.00                             | -                             | Net Sales Amount | 98,622,877 | 100.00                             | -                             |

Note: Customers with more than 10% of the total sales (purchase) in any of the most recent two years, their purchase amount and their proportion, and specify the reason for their changes. However, for transaction parties that cannot be disclosed due to contract terms or for non-related individual parties, codes may be used.

## (V) Production quantity of the last two years

Unit: Thousand tires

Amount: NT\$1000

| Year<br>Production<br>Volume/Value<br>Core Products | 2021                   |                      |                        | 2022                   |                      |                        |
|---|------------------------|----------------------|------------------------|------------------------|----------------------|------------------------|
|   | Production<br>Capacity | Production<br>Volume | Value of<br>Production | Production<br>Capacity | Production<br>Volume | Value of<br>Production |
| Radial cover - car                                  | 57,003                 | 33,752               | 29,665,709             | 57,218                 | 29,018               | 28,334,721             |
| Radial cover - truck                                | 7,380                  | 3,865                | 14,071,352             | 7,345                  | 2,865                | 11,607,568             |
| Motorcycle cover                                    | 61,938                 | 45,651               | 11,343,356             | 63,422                 | 43,777               | 12,429,394             |
| Bicycle cover                                       | 111,402                | 95,092               | 8,088,594              | 113,524                | 82,456               | 7,818,476              |
| Inner tube  | 174,443                | 147,117              | 3,752,257              | 174,997                | 115,135              | 3,387,972              |
| Other tires   | 33,536                 | 23,447               | 9,169,174              | 33,310                 | 16,975               | 8,996,654              |
| Other products (Note)                               | -                      | -                    | 12,380                 | -                      | -                    | 10,372                 |
| Total   | 445,702                | 348,924              | 76,102,822             | 449,816                | 290,226              | 72,585,157             |

Note: Other products: rubber and tire-related industrial products

## (VI) Sales volume for the latest two years

Unit: Thousand tires

Amount: NT\$1000

| Year<br>Sales<br>Volume/Value<br>Core Products | 2021           |            |                |            | 2022           |            |                |            |
|--|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
|  | Domestic Sales |            | Overseas Sales |            | Domestic Sales |            | Overseas Sales |            |
|  | Quantity       | Value      | Quantity       | Value      | Quantity       | Value      | Quantity       | Value      |
| Radial cover - car                             | 22,326         | 26,984,419 | 11,083         | 12,787,360 | 18,911         | 25,535,022 | 10,180         | 13,346,380 |
| Radial cover - truck                           | 3,313          | 13,919,908 | 535            | 2,367,804  | 2,399          | 10,492,419 | 446            | 2,218,864  |
| Motorcycle cover                               | 35,901         | 10,866,058 | 8,535          | 4,389,429  | 36,197         | 12,236,660 | 8,390          | 4,350,977  |
| Bicycle cover                                  | 66,042         | 7,417,516  | 28,755         | 5,369,330  | 57,443         | 6,811,406  | 25,514         | 5,770,490  |
| Inner tube                                     | 76,948         | 3,090,760  | 68,333         | 2,342,990  | 60,344         | 2,635,405  | 60,930         | 2,401,172  |
| Other tires                                    | 18,287         | 8,789,492  | 4,631          | 2,946,304  | 12,415         | 8,168,358  | 4,408          | 3,177,037  |
| Other products (Note)                          | -              | 890,721    | -              | 105,140    | -              | 1,145,493  | -              | 108,858    |
| Sales return and allowances                    | -              | -1,435,262 | -              | -30,622    | -              | -745,909   | -              | -46,578    |
| Transaction and insurance costs                | -              | -456,705   | -              | -503,601   | -              | -301,369   | -              | -426,243   |
| Others   | -              | -          | -              | 1,695,920  | -              | -          | -              | 1,744,435  |
| Total  | 222,817        | 70,066,907 | 121,872        | 31,470,054 | 187,709        | 65,977,485 | 109,868        | 32,645,392 |

Note: Other products: rubber and tire-related industrial products

Others: operating revenue not attributable to tire manufacturing business

III. Analysis of the employees in the most recent two years

| Year                        |                                | 2020   | 2022   | Current year as of February 28, 2023 |
|-----------------------------|--------------------------------|--------|--------|--------------------------------------|
| Number of Staff             | Technicians                    | 5,384  | 4,628  | 4,984                                |
|                             | Clerk                          | 3,214  | 2,401  | 2,669                                |
|                             | Position                       | 17,001 | 16,693 | 15,916                               |
|                             | Total                          | 25,599 | 23,722 | 23,569                               |
| Average age                 |                                | 36     | 37     | 37                                   |
| Average Service Year        |                                | 7.9    | 8.53   | 9.48                                 |
| Academic distribution ratio | PhD                            | 15     | 14     | 12                                   |
|                             | Master's                       | 615    | 541    | 534                                  |
|                             | Bachelor's (community college) | 7,619  | 6,743  | 6,949                                |
|                             | High school                    | 7,560  | 7,072  | 6,943                                |
|                             | Below high school              | 9,790  | 9,352  | 9,131                                |

IV. Environmental protection expenditure: Any losses suffered by the Company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I) Compensation affair: None.

(II) Environmental protection audit result

| Sanction Date | Sanction No.  | Violated Regulation  | Fact of Violation   | Sanction Detail |
|---------------|---------------|--|---|-----------------|
| 2022/11/28    | 40-111-110019 | Item 2 of Paragraph 134 under Article 31 of the Waste Disposal Act | The amount of waste rubber (R-0301) produced by the second plant was declared online as 31.09 metric tons storage as of September 2022, and the on-site inspection revealed that the actual storage quantity was only about 3 metric tons, indicating an error in the declared amount.  | NT\$6,000       |
| 2023/02/03    | 20-112-010002 | Paragraph 2, Article 24 of the Air Pollution Control Act           | The 2nd plant holds an operating permit (M01) for other rubber production processes (Certificate No.: N1182-05), which allows the use of a general solvent for the rubber manufacturing process. The monthly usage of the solvent is approximately 0.153~0.167 metric tons. From 2019 to 2021, the annual usage was 1.908, 1.924, and 1.919 metric tons respectively, all of which exceeded the maximum annual usage of 1.584 metric tons permitted by the license. | NT\$100,000     |

\* Explanation of the measures to be taken and possible disbursements to be made in the future:

The way of improvement is to immediately revise the number of declarations to meet the situation of the scene. After the revision, there will be no additional extended penalty in this case.

V. Labor relations:

(I) The Company's employee benefit measures, continuing studies, training, retirement system, and their implementations, as well as interactions between the management and the employees and measures taken to protect the employees' benefits

1. Employee Benefits:

The recruitment and employment of talents by the Company do not differ by race, gender, age, religion, nationality or, political party. As of December 31, 2022, the total number of employees of the Company was 4,798 in the Taiwan head office. The ratio of female employees is 15.7%; the ratio of female managers is 0.4%; while the ratio of senior managers is 0.6%. Due to the industrial characteristics, the proportion of female employees was relatively low; The number of regular employees exceeds 97% of the total number of employees, and the informal employees are all dispatched employees, work-study students, or outsourcing employees. There are 58 people with physical and mental disabilities in Taiwan, accounting for 1.21%, which meets the legal standard. The Company's employees, including the senior management, accept the fair and rigorous performance appraisal mechanism and take it as the basis for promotion and reward. In terms of employment, it aims to recruit talents and create a multicultural environment and takes local employment and feedback as the principle.

For the welfare of our employees, we provide benefits in addition to salaries to our employees that are more preferential than what's required under the law. The welfare matters of the Company can be divided into four categories according to their nature, including related security, Living welfare, festival activities, and employee support, as follows:

Employee shareholding trust: In order to achieve the Company's goals of taking care of employee welfare, motivating outstanding talents, assisting fellow colleagues in long-term savings to ensure a stable life after retirement or resignation, and enhancing employee engagement by enabling them to hold company shares, the "Cheng Shin Rubber Industry Co. Ltd. and its Subsidiaries Employee Shareholding Association" was established and approved by the Board of Directors on 2022.5.11. The Employee Shareholding Trust Plan was officially launched in October 2022. Fellow colleagues allocate a fixed amount from their monthly salary, while the Company also contributes an additional 100% of the

amount, both being deposited into a dedicated trust account to achieve talent retention and assist fellow colleagues in accumulating wealth for future retirement planning.

As of February 2022, the proportion of participating employees in the Company was 42%.

Statutory benefits: Social insurance, public holidays, healthcare examination, medical consultation to attending physician, pension, and employee benefits.

Living benefits: Meals, uniform, housing, parking, store discounts, and leisure center.

Holiday activities: Bonus and/or gifts for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival, year-end bonus, year-end party allowance, field trip allowance, and family day.

Employee support: Medical allowance, condolence payments, wedding/funeral/disability benefits, group insurance, and accident insurance, and scholarship for employees' children.

Maternity/paternity leave: We also provide maternity/paternity benefits to our employees pursuant to the law. In 2021, the number of employees applied for maternity/paternity leave is as follows:

| Item  | Male  | Female | Total |
|---|-------|--------|-------|
| Employees who applied for maternity/paternity leave in 2022       | 38    | 41     | 79    |
| Employees expected to be on maternity/paternity leave in 2022 (A) | 21    | 24     | 45    |
| Employees reinstated from maternity/paternity leave in 2022 (B)   | 15    | 15     | 30    |
| Rate of returning to work (B/A)                                   | 71.4% | 62.5%  | 66.7% |

## 2. Employee Education and Training:

We are committed to building a continuous and fulfilling learning environment for employee education and training purposes. Under this core value, we adopted "Rules Governing Education and Training" to plan training courses based on professional skills required for each department and offer developmental opportunities to the entity and individuals by way of internal and external training.

We also provide general knowledge, technical, and management training classes targeted at different job functions and levels of employees to enhance their professional and management skills. We invite outside experts to give lectures, and train speakers from within the Company as part of the conveyance of important knowledge and know-how of the Company, thereby sustaining our corporate culture and strengthening employee competitiveness.

In 2022, the Company organized 1,954 vocational courses and 107 project-based courses, with a total of 2,061 courses. The total training hours were 37,158 hours, and the average training hours per employee was 7.75 hours.

|                            |  |
|----------------------------|--|
| (1) New employee training: | Aimed to provide new employees with an orientation to the training courses including the Company's corporate culture, safety training, quality concepts, policy and procedures to help them adapt to the new environment and fit into the culture of the organization. Once the orientation training is completed, employees still need to take the on-site training and obtain the qualification and capability for the job. The new employees will also be assigned mentors for assistance.  |
| (2) Training by job level: | A series of topical courses designed for different job levels to improve employees' management skills and efficiency. The training will be given on topics such as presentation training and report writing for trainee level employees. The training will be given on topics such as presentation training and report writing for trainee level employees; communication skills, daily management and problem-solving steps to enhance the efficiency of junior management; policy management, leadership case study for officer level management. In recent years, we have optimized the learning roadmap, the project-based programs that are focused on elevating the capability of middle-top management are now conducted regularly on an annual basis to keep the management up to date and continue their learning. The training will also incorporate a work safety program, corporate culture and risks mitigation, and cost management. Employees' training will start early before employees reach the management level to cultivate their management skills from very early on. |
| (3) Special course:        | For example, a series of courses, such as briefing skills and report writing, are offered for reserve personnel to help them integrate into the working environment and master the pace and efficiency of work; For grassroots cadres, courses such as interpersonal communication, daily management and problem-solving steps   |

|                             |  |
|-----------------------------|--|
|                             | are offered to improve their work efficiency; For supervisors, courses such as policy management and leadership case study are offered to improve their leadership and management skills. Plan different professional courses for each position, so that colleagues can get perfect training in each stage. For example, in the initial stage of entering the factory, provide job training according to the knowledge and skills required by each position; In addition, it provides professional functional training in the fields of production management, R & D, quality assurance and other professional departments to guide colleagues to focus on their own work, realize themselves and give full play to their potential; For the employees of special technical posts, such as maintenance electrician, electric welder, CNC lathe, etc., the training plan for special types of work is provided to help them obtain professional qualification certificate, so as to ensure that the employees have the professional ability required by the job; With the assistance of internal lecturer training and Twi teaching, the company's exclusive internal lecturers are trained to teach professional courses from and across units, so as to assist the transfer and inheritance of intellectual capital and become the hub of knowledge and model transfer within the organization. |
| (4) Project-based programs: | A variety of project-based programs designed to meet the employees' learning needs in different areas based on the annual training target. These programs include five core tools to elevate quality management, enhancing managerial skills for trainee management and R&D trainings.   |
| (5) Personal development:   | We provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws, and regulations.   |

Other than on-the-job training and on-site demonstrations, we also emphasize the integration of theoretical knowledge and practical experiences.

3. Retirement System and Implementation Status: We comply with the requirements of the Labor Standards Act and Labor Pension Act.

|                            |  |
|----------------------------|--|
| (1) Former pension system: | The Company sets aside 2% of the employee's total salary each month as pension funds and deposits it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. |
|----------------------------|--|

|                        |  |
|------------------------|--|
|                        | If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up the deficiency in one single appropriation before the end of March in the following year. As of December 31, 2022, the amount of pension funds recognized by the Company under the former pension system was NT\$13,967 thousand..   |
| (2)New pension system: | The new pension system is available to all employees who came on board as of July 1, 2005. If an employee chooses to be subject to the new pension system, the Company will appropriate a set amount of pension funds into such employee's personal bank account (appropriation by the Company). Alternatively, the employee may appropriate 1-6% as pension funds to his/her personal bank account (appropriation by the employee). As of December 31, 2022, the amount of pension funds recognized by the Company under the new pension system was NT\$135,591 thousand. |

4. Employee satisfaction:

The Company conducts employee satisfaction surveys regularly. The survey includes the following areas: corporate system and culture, work environment, educational training, salary, and benefits. The employee satisfaction survey is one of the many measures we've taken to receive employee feedback. We take the results of the survey as a point of reference to improve company policies. In 2022, the questionnaire design continued to focus on the areas to be improved. Overall satisfaction increased by 15.71% compared to last year, and according to the survey results, employees are generally clear about the scope of work and responsibilities, believe that their work contributes to the company's operations, and can fully understand the company's corporate culture.

5. Other Material Contracts:

To elevate work efficiency, improve work conditions and strengthen harmony between employees and employer, the Company has set up a labor union in accordance with local regulations. The employees are all protected by the collective agreements signed by the Company and the labor union.

- (II) In the most recent year and up to the date of publication of the Annual Report, the losses incurred due to labor disputes (including no violation of the Labor Standards Law in the result of labor inspection, the date of punishment, the name of punishment, the provisions of violation of laws and regulations, the content of punishment) and the

estimated amount and countermeasures that may occur in the future shall be listed. If it cannot be reasonably estimated, the fact that it can not be reasonably estimated shall be stated:

1. Losses incurred in 2022 and up to the date of publication of the Annual Report are as follows:

| No. | Sanction Date | Sanction No. | Violated Regulation                                | Fact of Violation   | Sanction Detail    |
|-----|---------------|--------------|--|---|--------------------|
| 1   | 2022/02/10    | 1110044384   | Paragraph 1, Article 23 of the Labor Standards Act | Wages not paid to workers on a regular basis or wage details not provided according to regulations. | NT\$20,000 penalty |
| 2   | 2022/06/13    | 1110214623   | Article 35 of the Labor Standards Act              | Worked for four continuous hours without a 30-minute break  | NT\$50,000 penalty |

2. Response measures: The Company will comprehensively review the compliance with the Labor Standards Act and hopes to achieve our goal of zero violations.

#### VI. Information and communications security management:

- (I) Specify the information and communications management framework, information and communications security policy, substantial management programs, and resources invested toward information and communications management and more:

1. Information security risk management framework:

The Company's information system is structured with two highly reliable host computers, remote backup, and a data backup mechanism based on its risk level to ensure continuous service. In addition, the backup data are stored and saved at another location and the drill of mock tests and emergency responses is regularly performed to ensure the normal operation and safeguards of the information system. The risk of system crash due to unpredictable natural disasters and personal negligence is also lowered to ensure that the expected system recovery timeline is met.

2. Information and communications security policy:

Formulate an information security policy in the spirit of an information security management system (ISO27001), specify the implementation of various security measures, and strengthen the audit management. Enhance information security

management to ensure the availability, integrity and confidentiality of information systems against intentional or accidental internal or external threats.

3. Substantial management programs, and resources invested toward information and communications management:

With the aim to quickly and successfully resume business operations and lower the extent of possible losses and risks when the event of information system damage occurs, countermeasures are in place such as the regular analysis of disasters' impact on operations performed every year, the designing and upgrading of the proper software and hardware equipment and resources based on their risk levels, and the improvement of the operation procedures.

To respond to the advances in technology, electronic data protection system updates have become even more important. With regard to data protection, we further reinforce the protection of the client's intellectual property in addition to the multiple protective measures of data encryption. Moreover, the office computers are all equipped with an automatic electronic data protection system, which allows the clients' sensitive documents to be protected once they are transmitted to the Company and actively prevents them from being opened by any non-company personnel. What is more important is that any operations that are not permitted will be recorded in a log with details of the administrators and general users conducting the operations tracked. The tracked operations include (1) file decryption (2) document printing and (3) file deletion. If any unusual operation occurs, the system will alert the system administrator to investigate and analyze the incident so as to fully protect the electronic data and avoid the danger of a data leak.

4. The company has always been the most rigorous attitude to completely protect the customer's intellectual property and identity privacy, control every product confidentiality and confidentiality of documents and information files. Therefore, through the continuous updating of data and the establishment of a leakage protection mechanism, we strive to achieve "data protection without leakage", so that customers and suppliers can completely rest assured when dealing with Cheng Shin.

- (II) In the most recent year and up to the date of publication of the Annual Report, the losses incurred due to major information and communications security incidents, and estimated amount and countermeasures that may occur in the future shall be listed. If it cannot be reasonably estimated, the fact that it can not be reasonably estimated shall be stated:

The Company did not experience any major information or communications security incident in the most recent year and up to the date of publication of the Annual Report.

VII. Important contracts: None

## Chapter 6 Financial overview

### I. Condensed balance sheet and income statement of the most recent five years

#### Consolidated condensed balance sheet – International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

| Item  |                     | Year | Financial data over the past 5 years |             |             |             |             | Current year as of 31 March, 2023 Financial data (Note) |
|---|---------------------|------|--------------------------------------|-------------|-------------|-------------|-------------|---|
|   |                     | 2018 | 2019                                 | 2020        | 2021        | 2022        |             |   |
| Current assets                                      |                     |      | 63,023,450                           | 58,929,975  | 52,902,892  | 59,815,886  | 57,151,862  | No relevant information                                 |
| Property, plant and equipment, net                  |                     |      | 103,254,578                          | 95,889,585  | 89,547,273  | 81,500,318  | 75,517,186  |   |
| Intangible assets, net                              |                     |      | 237,050                              | 246,790     | 181,768     | 222,669     | 233,013     |   |
| Other assets  |                     |      | 8,247,690                            | 8,973,879   | 8,693,220   | 8,183,124   | 12,981,558  |   |
| Total assets  |                     |      | 174,762,768                          | 164,040,229 | 151,325,153 | 149,721,997 | 145,883,619 |   |
| Current liabilities                                 | Before distribution |      | 44,487,184                           | 43,404,174  | 34,395,009  | 35,341,395  | 28,970,953  |   |
|   | After distribution  |      | 48,052,741                           | 46,645,590  | 38,284,708  | 39,231,094  | -           |   |
| Non-current liabilities                             |                     |      | 50,457,578                           | 42,665,368  | 35,954,863  | 32,903,234  | 32,525,851  |   |
| Total liabilities                                   | Before distribution |      | 94,944,762                           | 86,069,542  | 70,349,872  | 68,244,629  | 61,496,804  |   |
|   | After distribution  |      | 98,510,319                           | 89,310,958  | 74,239,571  | 72,134,328  | -           |   |
| Equity attributable to owners of the parent company |                     |      | 79,193,782                           | 77,395,683  | 80,437,095  | 80,918,468  | 83,811,199  |   |
| Share capital                                       |                     |      | 32,414,155                           | 32,414,155  | 32,414,155  | 32,414,155  | 32,414,155  |   |
| Capital surplus                                     |                     |      | 52,576                               | 52,576      | 53,267      | 67,770      | 67,757      |   |
| Retained earnings                                   | Before distribution |      | 51,927,349                           | 51,833,197  | 54,580,969  | 56,024,682  | 57,200,264  |   |
|   | After distribution  |      | 48,361,792                           | 48,591,781  | 50,691,270  | 52,134,983  | -           |   |
| Other equity interest                               |                     |      | (5,200,298)                          | (6,904,245) | (6,611,296) | (7,588,138) | (5,870,977) |   |
| Treasury Stock                                      |                     |      |                                      | -           | -           | -           | -           |   |
| Non-controlling interest                            |                     |      | 624,224                              | 575,004     | 538,186     | 558,899     | 575,616     |   |
| Total equity  | Before distribution |      | 79,818,006                           | 77,970,687  | 80,975,281  | 81,477,368  | 84,386,815  |   |
|   | After distribution  |      | 76,252,449                           | 74,729,271  | 77,085,582  | 77,587,669  | -           |   |

Note: CPA-reviewed financial information from Q1 2023 is not yet available at the date of publication of this Annual Report.

## Condensed Individual Balance Sheet — International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

| Item  | Year                | Financial data over the past 5 years |             |             |             |             |
|---|---------------------|--------------------------------------|-------------|-------------|-------------|-------------|
|   |                     | 2018                                 | 2019        | 2020        | 2021        | 2022        |
| Current assets                                      |                     | 19,892,507                           | 14,363,866  | 12,343,254  | 15,391,084  | 10,695,849  |
| Property, plant and equipment, net                  |                     | 16,326,183                           | 16,668,254  | 16,234,596  | 15,540,737  | 15,010,653  |
| Intangible assets, net                              |                     | 70,740                               | 40,633      | 8,740       | 23,483      | 29,509      |
| Other assets  |                     | 82,548,279                           | 81,783,205  | 86,397,260  | 85,588,083  | 90,288,819  |
| Total assets  |                     | 118,837,709                          | 112,855,958 | 114,983,850 | 116,543,387 | 116,024,830 |
| Current liabilities                                 | Before distribution | 13,044,084                           | 11,168,216  | 13,385,944  | 14,674,942  | 11,519,504  |
|   | After distribution  | 16,609,641                           | 14,409,632  | 17,275,643  | 18,564,641  | -           |
| Non-current liabilities                             |                     | 26,599,843                           | 24,292,059  | 21,160,811  | 20,949,976  | 20,694,127  |
| Total liabilities                                   | Before distribution | 39,643,927                           | 35,460,275  | 34,546,755  | 35,624,918  | 32,213,631  |
|   | After distribution  | 43,209,484                           | 38,701,691  | 38,436,454  | 39,514,617  | -           |
| Equity attributable to owners of the parent company |                     | 79,193,782                           | 77,395,683  | 80,437,095  | 80,918,469  | 83,811,199  |
| Share capital                                       |                     | 32,414,155                           | 32,414,155  | 32,414,155  | 32,414,155  | 32,414,155  |
| Capital surplus                                     |                     | 52,576                               | 52,576      | 53,267      | 67,770      | 67,757      |
| Retained earnings                                   | Before distribution | 51,927,349                           | 51,833,197  | 54,580,969  | 56,024,682  | 57,200,264  |
|   | After distribution  | 48,361,792                           | 48,591,781  | 50,691,270  | 52,134,983  | -           |
| Other equity interest                               |                     | (5,200,298)                          | (6,904,245) | (6,611,296) | (7,588,138) | (5,870,977) |
| Treasury Stock                                      |                     |                                      | -           | -           | -           | -           |
| Non-controlling interest                            |                     |                                      | -           | -           | -           | -           |
| Total equity  | Before distribution | 79,193,782                           | 77,395,683  | 80,437,095  | 80,918,469  | 83,811,199  |
|   | After distribution  | 75,628,225                           | 74,154,267  | 76,547,396  | 77,028,770  | -           |

Note: The 2022 Financial statement is prepared under IFRS and has been verified by independent auditors.

## Condensed Consolidated Income Statement – International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

| Year<br>Item  | Financial data over the past 5 years |             |            |             |            | Current year<br>as of March<br>31, 2023<br>Financial data<br>(Note) |
|---|--------------------------------------|-------------|------------|-------------|------------|---|
|   | 2018                                 | 2019        | 2020       | 2021        | 2022       |   |
| Operating income  | 109,221,209                          | 109,507,773 | 96,209,056 | 101,536,961 | 98,622,877 | No relevant<br>information  |
| Gross operating profit  | 24,322,942                           | 23,959,533  | 23,988,650 | 22,387,319  | 20,983,167 |   |
| Operating profit and/or<br>loss   | 7,415,189                            | 7,003,132   | 8,596,725  | 7,653,811   | 7,374,178  |   |
| Non-operating income<br>and expenses  | (1,505,548)                          | (1,175,833) | (440,019)  | (497,810)   | (403,502)  |   |
| Profit before income<br>tax   | 5,909,641                            | 5,827,299   | 8,156,706  | 7,156,001   | 6,970,676  |   |
| Net profit for the<br>current period of the<br>continuing operating<br>unit                 | 3,574,638                            | 3,515,697   | 6,001,203  | 5,294,850   | 4,992,260  |   |
| Loss from<br>discontinued<br>operations   | -                                    | -           | -          | -           | -          |   |
| Net profit (loss) of the<br>period  | 3,574,638                            | 3,515,697   | 6,001,203  | 5,294,850   | 4,992,260  |   |
| Other consolidated<br>profits and losses in<br>the current period (Net<br>Profit After Tax) | (813,387)                            | (1,755,905) | 279,804    | -917,567    | 1,829,452  |   |
| Total comprehensive<br>income for the year  | 2,761,251                            | 1,759,792   | 6,281,007  | 4,377,283   | 6,821,712  |   |
| Net profit attributable<br>to the owners of the<br>parent company                           | 3,520,320                            | 3,466,827   | 5,988,702  | 5,270,007   | 4,961,369  |   |
| Net profit attributable<br>to non-controlling<br>interest                                   | 54,318                               | 48,870      | 12,501     | 24,843      | 30,891     |   |
| Total comprehensive<br>income attributable to<br>the owners of the<br>parent company        | 2,823,038                            | 1,767,458   | 6,282,137  | 4,356,570   | 6,782,442  |   |
| Total comprehensive<br>income attributable to<br>non-controlling<br>interest                | (61,787)                             | (7,666)     | (1,130)    | 20,713      | 39,270     |   |
| Earnings per share  | 1.09                                 | 1.07        | 1.85       | 1.63        | 1.53       |   |

Note: CPA-reviewed financial information from Q1 2023 is not yet available at the date of publication of this Annual Report.

Condensed Individual Income Statement - International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

| Item \ Year   | Financial data over the past 5 years |             |            |            |            |
|---|--------------------------------------|-------------|------------|------------|------------|
|   | 2018                                 | 2019        | 2020       | 2021       | 2022       |
| Operating income  | 19,374,623                           | 19,497,888  | 18,926,294 | 20,707,983 | 20,409,294 |
| Gross operating profit  | 4,487,262                            | 3,692,021   | 4,697,691  | 5,517,645  | 5,972,778  |
| Operating profit and/or loss  | 648,205                              | (56,880)    | 953,296    | 2,171,864  | 2,861,112  |
| Non-operating income and expenses   | 4,238,255                            | 4,555,370   | 5,792,738  | 4,134,631  | 3,486,130  |
| Profit before income tax  | 4,886,460                            | 4,498,490   | 6,746,034  | 6,306,495  | 6,347,242  |
| Net profit for the current period of the continuing operating unit                    | 3,520,320                            | 3,466,827   | 5,988,702  | 5,270,007  | 4,961,369  |
| Loss from discontinued operations   | -                                    | -           | -          | -          | -          |
| Net profit (loss) of the period   | 3,520,320                            | 3,466,827   | 5,988,702  | 5,270,007  | 4,961,369  |
| Other consolidated profits and losses in the current period<br>(Net Profit After Tax) | (697,282)                            | (1,699,369) | 293,435    | (913,437)  | 1,821,073  |
| Total comprehensive income for the year   | 2,823,038                            | 1,767,458   | 6,282,137  | 4,356,570  | 6,782,442  |
| Net profit attributable to the owners of the parent company                           | 3,520,320                            | 3,466,827   | 5,988,702  | 5,270,007  | 4,961,369  |
| Net profit attributable to non-controlling interest                                   | -                                    | -           | -          | -          | -          |
| Total comprehensive income attributable to the owners of the parent company           | 2,823,038                            | 1,767,458   | 6,282,137  | 4,356,570  | 6,782,442  |
| Total comprehensive income attributable to non-controlling interest                   | -                                    | -           | -          | -          | -          |
| Earnings per share  | 1.09                                 | 1.07        | 1.85       | 1.63       | 1.53       |

Note: The 2022 Financial statement is prepared under IFRS and has been verified by independent auditors.

Names and auditing opinions of CPA in recent five years

| CPA Name                            | Year | Audit Opinion                    |
|-------------------------------------|------|----------------------------------|
| Hung, Shu Hua, Wu, De Feng          | 2018 | Clean opinion after an amendment |
| Hung, Shu Hua, Chou, Chien-Hung     | 2019 | Clean opinion after an amendment |
| Wang, Yu-Chuan and Chou, Chien-Hung | 2020 | Clean opinion after an amendment |
| Wu, Yu-Long, Chou, Chien-Hung       | 2021 | Clean opinion after an amendment |
| Wu, Yu-Long, Chou, Chien-Hung       | 2022 | Clean opinion after an amendment |

## II. Financial analysis of the recent five years

### Analyses on consolidated financial standing – International Financial Reporting Standards (IFRS)

| Descriptions          |  | Year | Financial analysis of the recent five years |        |        |        |        | Current year                      |
|-----------------------|--|------|---|--------|--------|--------|--------|-----------------------------------|
|                       |  |      | 2018  | 2019   | 2020   | 2021   | 2022   | As of<br>March 31,<br>2023 (Note) |
| Financial Structure % | Ratio of liabilities to assets                                       |      | 54.33                                       | 52.47  | 46.49  | 45.58  | 42.15  | No relevant information           |
|                       | Long-term working capital to real estate, plants and equipment ratio |      | 121.82                                      | 120.74 | 125.54 | 135.27 | 149.84 |                                   |
| Solvency %            | Current ratio  |      | 141.67                                      | 135.77 | 153.81 | 169.25 | 197.27 |                                   |
|                       | Quick ratio  |      | 94.83                                       | 91.62  | 97.32  | 108.87 | 121.67 |                                   |
|                       | Interest coverage multiplicity                                       |      | 403   | 434    | 874    | 1,399  | 984    |                                   |
| Manageability         | Accounts receivable turnover rate (Number of times)                  |      | 8.77  | 8.62   | 7.14   | 7.74   | 7.83   |                                   |
|                       | Average cash collection days   |      | 41.62                                       | 42.34  | 51.12  | 47.16  | 46.62  |                                   |
|                       | Inventory turnover rate (Number of times)                            |      | 4.40  | 4.57   | 3.97   | 4.07   | 3.72   |                                   |
|                       | Accounts payable turnover rate (Number of times)                     |      | 8.98  | 9.25   | 8.25   | 9.62   | 10.22  |                                   |
|                       | Average days required for sales                                      |      | 82.95                                       | 79.87  | 91.94  | 89.68  | 98.12  |                                   |
|                       | Property, plant and equipment turnover rate (Number of times)        |      | 1.05  | 1.10   | 1.04   | 1.19   | 1.26   |                                   |
|                       | Total asset turnover rate (Number of time)                           |      | 0.62  | 0.65   | 0.61   | 0.67   | 0.67   |                                   |
| Profitability         | Return on Assets (%)   |      | 2.83  | 2.89   | 4.33   | 3.80   | 3.80   |                                   |
|                       | Return on Equity (%)   |      | 4.39  | 4.46   | 7.55   | 6.52   | 6.02   |                                   |
|                       | Ratio of net profit before tax to paid-in capital (%)                |      | 18.23                                       | 17.98  | 25.16  | 22.08  | 21.51  |                                   |
|                       | Net profit ratio (%)   |      | 3.27  | 3.21   | 6.24   | 5.21   | 5.06   |                                   |
|                       | Earnings Per Share (NT\$)  |      | 1.09  | 1.07   | 1.85   | 1.63   | 1.53   |                                   |
| Cash flow             | Cash Flow Ratio (%)  |      | 33.39                                       | 41.23  | 53.50  | 43.85  | 50.14  |                                   |
|                       | Cash Flow Adequacy Ratio (%)   |      | 90.11                                       | 91.48  | 92.73  | 93.56  | 137.54 |                                   |
|                       | Cash Reinvestment Ratio (%)  |      | 3.97  | 6.28   | 6.44   | 4.86   | 4.24   |                                   |
| Leverage              | Operating Leverage   |      | 2.65  | 2.86   | 2.40   | 2.47   | 2.45   |                                   |
|                       | Financial Leverage   |      | 1.32  | 1.33   | 1.14   | 1.07   | 1.12   |                                   |

Note 1: CPA-reviewed financial information from Q1 2023 is not yet available at the date of publication of this Annual Report.

If the increase/ decrease ratio changes by more than 20%, the analysis shows that:

- (1) Increased current ratio: Mainly due to a decrease in short-term borrowings and long-term borrowings due within one year in the current liabilities compared to last year.
- (2) Decrease in interest coverage ratio (the denominator is interest expense): mainly due to the increase in interest expenses caused by the interest rate hike policy implemented this year.
- (3) Increase in cash-flow adequacy ratio: mainly due to the declining trend of capital expenditure and dividends issuance in recent years.

Analyses on individual financial standing – International Financial Reporting Standards (IFRS)

| Analysis Item (Note 2) |  | Financial analysis of the recent five years |        |        |        |        |
|------------------------|--|---|--------|--------|--------|--------|
|                        |  | 2018  | 2019   | 2020   | 2021   | 2022   |
| Financial Structure %  | Ratio of liabilities to assets                                       | 33.36                                       | 31.42  | 30.04  | 30.57  | 27.76  |
|                        | Long-term working capital to real estate, plants and equipment ratio | 635.14                                      | 593.39 | 612.76 | 637.80 | 676.26 |
| Solvency %             | Current ratio  | 152.50                                      | 128.61 | 92.21  | 104.88 | 92.85  |
|                        | Quick ratio  | 124.74                                      | 104.50 | 74.23  | 85.29  | 70.80  |
|                        | Interest coverage multiplicity                                       | 1466  | 1567   | 2626   | 2939   | 2771   |
| Manageability          | Accounts receivable turnover rate (Number of times)                  | 6.70  | 7.09   | 6.56   | 6.79   | 6.83   |
|                        | Average cash collection days   | 54.50                                       | 51.48  | 55.64  | 53.76  | 53.44  |
|                        | Inventory turnover rate (Number of times)                            | 4.36  | 5.31   | 5.80   | 5.93   | 5.61   |
|                        | Accounts payable turnover rate (Number of times)                     | 11.06                                       | 12.97  | 10.31  | 10.42  | 12.08  |
|                        | Average days required for sales                                      | 83.72                                       | 68.74  | 62.93  | 61.55  | 65.06  |
|                        | Property, plant and equipment turnover rate (Number of times)        | 1.21  | 1.18   | 1.15   | 1.30   | 1.34   |
|                        | Total asset turnover rate (Number of time)                           | 0.16  | 0.17   | 0.17   | 0.18   | 0.18   |
| Profitability          | Return on Assets (%)   | 3.18  | 3.20   | 5.44   | 4.71   | 4.43   |
|                        | Return on Equity (%)   | 4.36  | 4.43   | 7.59   | 6.53   | 6.02   |
|                        | Ratio of net profit before tax to paid-in capital (%)                | 15.08                                       | 13.88  | 20.81  | 19.46  | 19.58  |
|                        | Net profit ratio (%)   | 18.17                                       | 17.78  | 31.64  | 25.45  | 24.31  |
|                        | Earnings Per Share (NT\$)  | 1.09  | 1.07   | 1.85   | 1.63   | 1.53   |
| Cash flow              | Cash Flow Ratio (%)  | 55.46                                       | 46.66  | 44.60  | 48.40  | 59.50  |
|                        | Cash Flow Adequacy Ratio (%)   | 91.27                                       | 85.23  | 85.28  | 91.68  | 113.24 |
|                        | Cash Reinvestment Ratio (%)  | 1.19  | 1.43   | 2.34   | 2.72   | 2.43   |
| Leverage               | Operating Leverage   | 3.44  | -26.65 | 2.91   | 1.73   | 1.52   |
|                        | Financial Leverage   | 2.23  | 0.16   | 1.39   | 1.11   | 1.09   |

Note 1: The 2022 Financial statement is prepared under IFRS and has been verified by independent auditors.

If the increase/ decrease ratio changes by more than 20%, the analysis shows that:

- (1) Ratio of paid-in capital- increase in operating profit: mainly due to the increase in operating profit in the current period.
- (2) Increase in cash flow ratio: mainly due to decrease in short-term loans and long-term loans due within one year.
- (3) The cash flow adequacy ratio increased: mainly due to capital expenditures and dividend payments has shown a downward trend in recent years.

Formula to calculate the financial analyses:

Note 2: At the end of this annual report, the following calculation formula shall be presented:

1. Financial Structure

- (1) Liabilities to assets ratio = Total liabilities/ total of assets.

- (2) Long-term working capital to property, plants, and equipment ratio =  $(\text{Equity total} + \text{Non-current liabilities}) / \text{Property, plants and equipment, net}$ .
2. Solvency
- (1) Current ratio =  $\text{Current assets} / \text{Current liabilities}$ .
- (2) Quick ratio =  $(\text{Current assets} - \text{Inventory} - \text{Expenses paid in advance}) / \text{Current liabilities}$ .
- (3) Times interest earned =  $\text{Net profit before income tax, interest and expenses} / \text{current interest expense}$ .
3. Manageability
- (1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate =  $\text{Net sales} / \text{Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms}$ .
- (2) Average cash collection days =  $365 / \text{Accounts receivable turnover rate}$ .
- (3) Inventory turnover rate =  $\text{Cost of goods sold} / \text{Average amount of inventory}$ .
- (4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate =  $\text{Sales costs} / \text{Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms}$ .
- (5) Average days required for sales =  $365 / \text{Inventory turnover rate}$ .
- (6) Property, plant, and equipment turnover rate =  $\text{Net sales} / \text{Average net property, plant, and equipment}$ .
- (7) Total asset turnover rate =  $\text{Net sales} / \text{Average total assets}$ .
4. Profitability
- (1) Return on assets =  $[\text{Income after tax} + \text{Interest expenses} \times (1 - \text{tax rate})] / \text{Average total assets}$
- (2) Return on equity =  $\text{Profit and/or loss after tax} / \text{Average aggregate total of equity}$ .
- (3) Net profit margin =  $\text{Profit and/or loss after tax} / \text{Net sales}$ .
- (4) Earnings per share (EPS) =  $(\text{Profit and/or loss belonging to parent company proprietor- Preferred shares dividend}) / \text{Weighted average number of outstanding shares}$ .
5. Cash flow
- (1) Cash flow ratio =  $\text{Cash flow in operating activities} / \text{Current liabilities}$ .
- (2) Net cash flow adequacy ratio =  $\text{Cash flow in operating activities over the past five years} / (\text{Capital expenditure} + \text{Amount of inventory increase} + \text{Cash dividend}) \text{ over the past five years}$ .
- (3) Cash reinvestment ratio =  $(\text{Cash flow in operating activities} - \text{Cash dividend}) / (\text{Gross property, plant, and equipment} + \text{Long-term investment} + \text{Other assets} + \text{operating fund})$ .
6. Leverage:
- (1) Operating Leverage =  $(\text{Operating revenues, net} - \text{Variable operating costs and expenses}) / \text{Operating interests}$ .
- (2) Financial Leverage =  $\text{Operating interests} / (\text{Operating interests} - \text{Interest expenses})$ .

III. Audit Report for the Financial Statements of the most recent years by Audit Committee

## Audit Committee's Report

Approved

The Board of Directors has prepared and submitted the Company's 2022 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Wu, Yu-Long and Chou, Chien-Hung of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements, and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2023 Annual General Meeting of Cheng Shin Rubber Ind. Co., Ltd.:

Convener of the Audit Committee: Hsu, En-De

Handwritten signature in black ink, consisting of three characters: 許, 恩, 得.

March 15, 2023

IV. Consolidated Financial Statements certified by the CPAs of the Most Recent Year

**CHENG SHIN RUBBER IND. CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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

***Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries***  
***Declaration of Consolidated Financial Statements of Affiliated Enterprises***

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22002417

To the Board of Directors and Shareholders of Cheng Shin Rubber Ind. Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other Matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the report of other auditors are sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

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

Key audit matters for the Group's financial statements of the current period are stated as follows:

### ***Appropriateness of cut-off on sales revenue***

#### Description

For the accounting policy of sales revenue recognition, please refer to Note 4(32). For the detail of sales revenue, please refer to Note 6(22). For the year ended December 31, 2022, the sales revenue amounted to NT\$98,622,877 thousand.

The Group's main business is the manufacturing and sales of various tires and rubber products. The main sources of sales revenue are from the assembly plants and dealers. In accordance with the contract terms with some assembly plants, as inspections are completed in the assembly plants, the transfer of control to the merchandise is completed and sales revenue is recognized. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. Therefore, we included the appropriateness of cut-off on sales revenue as one of the key areas of focus for this year.

#### How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Group's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements' control of revenue recognition on assembly plant sales.
2. We tested the Group's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the appropriateness of cut-off on sales revenue.

***Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.***

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(16). For the details of property, plant and equipment, please refer to Note 6(8). As at December 31, 2022, the unfinished construction and equipment under acceptance amounted to NT\$2,754,070 thousand.

To maintain market competitiveness, the Group continuously expands plants, replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves management's judgement, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Group's property, plant and equipment process cycle, reviewed the internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
2. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
3. We verified the status of unfinished construction and uninspected equipment and assessed the reasonableness of the recognition of unfinished construction and uninspected equipment.

### ***Other matter – Scope of the audit***

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$16,164,617 thousand and NT\$15,603,772 thousand, constituting 11% and 10% of the consolidated total assets as of December 31, 2022 and 2021, respectively, and the total liabilities of NT\$4,885,923 thousand and NT\$6,262,422 thousand, constituting 8% and 9% of the consolidated total liabilities as of December 31, 2022 and 2021, respectively, and total operating revenues of NT\$16,263,588 thousand and NT\$14,190,179 thousand, constituting 16% and 14% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

### ***Other matter – Parent company only financial statements***

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2022 and 2021.

### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

### ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease

to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Wu, Yu-Lung

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Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2023

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Assets                    | Notes   | December 31, 2022 |                       | December 31, 2021 |                       |            |
|---------------------------|---|-------------------|-----------------------|-------------------|-----------------------|------------|
|                           |   | AMOUNT            | %                     | AMOUNT            | %                     |            |
| <b>Current assets</b>     |   |                   |                       |                   |                       |            |
| 1100                      | Cash and cash equivalents   | 6(1)              | \$ 21,735,562         | 15                | \$ 23,946,109         | 16         |
| 1110                      | Financial assets at fair value through profit or loss - current                 | 6(2)              | -                     | -                 | 17,648                | -          |
| 1120                      | Financial assets at fair value through other comprehensive income - current     | 6(3)              | 17,838                | -                 | 23,083                | -          |
| 1136                      | Financial assets at amortised cost - current                                    | 6(4)              | 175,509               | -                 | 141,344               | -          |
| 1150                      | Notes receivable, net   | 6(5)              | 3,436,147             | 2                 | 2,879,178             | 2          |
| 1170                      | Accounts receivable, net  | 6(5)              | 9,539,894             | 7                 | 9,098,208             | 6          |
| 1180                      | Accounts receivable - related parties   | 7                 | 72,535                | -                 | 39,826                | -          |
| 130X                      | Inventories   | 6(6)              | 20,983,551            | 14                | 20,356,688            | 14         |
| 1410                      | Prepayments   |                   | 920,364               | 1                 | 983,829               | 1          |
| 1470                      | Other current assets  |                   | 270,462               | -                 | 348,255               | -          |
| 11XX                      | <b>Current Assets</b>   |                   | <u>57,151,862</u>     | <u>39</u>         | <u>57,834,168</u>     | <u>39</u>  |
| <b>Non-current assets</b> |   |                   |                       |                   |                       |            |
| 1517                      | Financial assets at fair value through other comprehensive income - non-current | 6(3)              | 58,187                | -                 | 58,187                | -          |
| 1535                      | Financial assets at amortised cost - non-current                                | 6(4) and 8        | 5,265,868             | 4                 | 1,981,718             | 1          |
| 1550                      | Investments accounted for under equity method                                   | 6(7)              | 199,626               | -                 | 180,417               | -          |
| 1600                      | Property, plant and equipment, net  | 6(8)              | 75,517,186            | 52                | 81,500,318            | 55         |
| 1755                      | Right-of-use assets   | 6(9)              | 4,804,923             | 3                 | 4,968,286             | 3          |
| 1760                      | Investment property, net  | 6(10)             | 485,621               | -                 | 506,016               | -          |
| 1840                      | Deferred income tax assets  | 6(28)             | 1,943,206             | 2                 | 2,217,728             | 2          |
| 1900                      | Other non-current assets  | 6(11)             | 457,140               | -                 | 475,159               | -          |
| 15XX                      | <b>Non-current assets</b>   |                   | <u>88,731,757</u>     | <u>61</u>         | <u>91,887,829</u>     | <u>61</u>  |
| 1XXX                      | <b>Total assets</b>   |                   | <u>\$ 145,883,619</u> | <u>100</u>        | <u>\$ 149,721,997</u> | <u>100</u> |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity   | Notes  | December 31, 2022 |                       | December 31, 2021 |                       |            |
|--|--|-------------------|-----------------------|-------------------|-----------------------|------------|
|  |  | AMOUNT            | %                     | AMOUNT            | %                     |            |
| <b>Current liabilities</b>   |  |                   |                       |                   |                       |            |
| 2100   | Short-term borrowings                              | 6(12)             | \$ 6,194,746          | 5                 | \$ 9,365,279          | 6          |
| 2130   | Current contract liabilities                       | 6(22)             | 554,322               | -                 | 1,047,574             | 1          |
| 2150   | Notes payable                                      |                   | 169,724               | -                 | 320,028               | -          |
| 2170   | Accounts payable                                   |                   | 7,163,658             | 5                 | 7,536,483             | 5          |
| 2200   | Other payables                                     | 6(13)             | 4,973,035             | 4                 | 5,406,529             | 4          |
| 2230   | Current income tax liabilities                     | 6(28)             | 1,492,843             | 1                 | 1,021,430             | 1          |
| 2280   | Current lease liabilities                          | 7                 | 154,715               | -                 | 171,384               | -          |
| 2320   | Long-term liabilities, current portion             | 6(15)(16) and 7   | 7,950,172             | 5                 | 10,113,518            | 7          |
| 2399   | Other current liabilities, others                  | 6(14)             | 317,738               | -                 | 359,170               | -          |
| 21XX   | <b>Current Liabilities</b>                         |                   | <u>28,970,953</u>     | <u>20</u>         | <u>35,341,395</u>     | <u>24</u>  |
| <b>Non-current liabilities</b>   |  |                   |                       |                   |                       |            |
| 2530   | Corporate bonds payable                            | 6(15)             | 8,000,000             | 5                 | 10,500,000            | 7          |
| 2540   | Long-term borrowings                               | 6(16) and 7       | 20,768,740            | 14                | 18,265,160            | 12         |
| 2550   | Provisions for liabilities - non-current           |                   | 192,478               | -                 | 167,859               | -          |
| 2570   | Deferred income tax liabilities                    | 6(28)             | 868,236               | 1                 | 996,009               | 1          |
| 2580   | Non-current lease liabilities                      | 7                 | 279,190               | -                 | 384,974               | -          |
| 2600   | Other non-current liabilities                      | 6(17)             | 2,417,207             | 2                 | 2,589,232             | 2          |
| 25XX   | <b>Non-current liabilities</b>                     |                   | <u>32,525,851</u>     | <u>22</u>         | <u>32,903,234</u>     | <u>22</u>  |
| 2XXX   | <b>Total Liabilities</b>                           |                   | <u>61,496,804</u>     | <u>42</u>         | <u>68,244,629</u>     | <u>46</u>  |
| <b>Equity</b>  |  |                   |                       |                   |                       |            |
| <b>Equity attributable to owners of parent</b>                           |  |                   |                       |                   |                       |            |
| Share capital  |  |                   |                       |                   |                       |            |
| 3110   | Share capital - common stock                       | 6(18)             | 32,414,155            | 22                | 32,414,155            | 22         |
| Capital surplus  |  |                   |                       |                   |                       |            |
| 3200   | Capital surplus                                    | 6(19)             | 67,757                | -                 | 67,770                | -          |
| Retained earnings  |  |                   |                       |                   |                       |            |
| 3310   | Legal reserve                                      | 6(20)             | 16,665,921            | 12                | 16,132,580            | 11         |
| 3320   | Special reserve                                    |                   | 7,588,138             | 5                 | 6,611,296             | 4          |
| 3350   | Unappropriated retained earnings                   |                   | 32,946,205            | 23                | 33,280,806            | 22         |
| Other equity interest  |  |                   |                       |                   |                       |            |
| 3400   | Other equity interest                              | 6(21)             | (5,870,977)           | (4)               | (7,588,138)           | (5)        |
| 31XX   | <b>Equity attributable to owners of the parent</b> |                   | <u>83,811,199</u>     | <u>58</u>         | <u>80,918,469</u>     | <u>54</u>  |
| 36XX   | Non-controlling interest                           |                   | 575,616               | -                 | 558,899               | -          |
| 3XXX   | <b>Total equity</b>                                |                   | <u>84,386,815</u>     | <u>58</u>         | <u>81,477,368</u>     | <u>54</u>  |
| Significant contingent liabilities and unrecognised contract commitments |  |                   |                       |                   |                       |            |
| Significant events after the balance sheet date                          |  |                   |                       |                   |                       |            |
| 3X2X   | <b>Total liabilities and equity</b>                |                   | <u>\$ 145,883,619</u> | <u>100</u>        | <u>\$ 149,721,997</u> | <u>100</u> |

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

|      | Items  | Notes       | Year ended December 31 |           |                     |           |
|------|--|-------------|------------------------|-----------|---------------------|-----------|
|      |  |             | 2022                   |           | 2021                |           |
|      |  |             | AMOUNT                 | %         | AMOUNT              | %         |
| 4000 | Sales revenue  | 6(22) and 7 | \$ 98,622,877          | 100       | \$ 101,536,961      | 100       |
| 5000 | Operating costs  | 6(6)        | ( 77,639,710)          | ( 79)     | ( 79,149,642)       | ( 78)     |
| 5900 | Net operating margin   |             | <u>20,983,167</u>      | <u>21</u> | <u>22,387,319</u>   | <u>22</u> |
|      | Operating expenses   | 7           |                        |           |                     |           |
| 6100 | Selling expenses   |             | ( 6,193,821)           | ( 6)      | ( 6,774,700)        | ( 7)      |
| 6200 | General and administrative expenses  |             | ( 3,474,481)           | ( 4)      | ( 3,602,158)        | ( 3)      |
| 6300 | Research and development expenses  |             | ( 3,940,687)           | ( 4)      | ( 4,356,650)        | ( 4)      |
| 6000 | Total operating expenses   |             | ( 13,608,989)          | ( 14)     | ( 14,733,508)       | ( 14)     |
| 6900 | Operating profit   |             | <u>7,374,178</u>       | <u>7</u>  | <u>7,653,811</u>    | <u>8</u>  |
|      | Non-operating income and expenses  |             |                        |           |                     |           |
| 7100 | Interest income  | 6(23)       | 375,404                | -         | 162,307             | -         |
| 7010 | Other income   | 6(24)       | 684,607                | -         | 632,264             | 1         |
| 7020 | Other gains and losses   | 6(25)       | ( 709,887)             | -         | ( 781,185)          | ( 1)      |
| 7050 | Finance costs  | 6(26) and 7 | ( 779,988)             | -         | ( 530,597)          | ( 1)      |
| 7060 | Share of profit of associates and<br>joint ventures accounted for under<br>equity method | 6(7)        | <u>26,362</u>          | <u>-</u>  | <u>19,401</u>       | <u>-</u>  |
| 7000 | Total non-operating income and<br>expenses   |             | ( 403,502)             | -         | ( 497,810)          | ( 1)      |
| 7900 | <b>Profit before income tax</b>  |             | 6,970,676              | 7         | 7,156,001           | 7         |
| 7950 | Income tax expense   | 6(28)       | ( 1,978,416)           | ( 2)      | ( 1,861,151)        | ( 2)      |
| 8200 | <b>Profit for the year</b>   |             | <u>\$ 4,992,260</u>    | <u>5</u>  | <u>\$ 5,294,850</u> | <u>5</u>  |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items   | Notes  | Year ended December 31 |                     |        |                     |      |
|---|--|------------------------|---------------------|--------|---------------------|------|
|   |  | 2022                   |                     | 2021   |                     |      |
|   |  | AMOUNT                 | %                   | AMOUNT | %                   |      |
| <b>Other comprehensive income</b>   |  |                        |                     |        |                     |      |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b> |  |                        |                     |        |                     |      |
| 8311  | Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans  | 6(17)                  | \$ 126,331          | -      | \$ 81,712           | -    |
| 8316  | Unrealized loss on valuation of equity instruments at fair value through other comprehensive income  | 6(3)(21)               | ( 5,245)            | -      | ( 6,734)            | -    |
| 8320  | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(7)                   | 2,847               | -      | ( 1,965)            | -    |
| 8349  | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | 6(28)                  | ( 25,266)           | -      | ( 16,342)           | -    |
| 8310  | Components of other comprehensive income that will not be reclassified to profit or loss   |                        | <u>98,667</u>       | -      | <u>56,671</u>       | -    |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>     |  |                        |                     |        |                     |      |
| 8361  | Financial statements translation differences of foreign operations   | 6(21)                  | 2,161,386           | 2      | ( 1,216,765)        | ( 1) |
| 8399  | Income tax relating to the components of other comprehensive income  | 6(21)(28)              | ( 430,601)          | -      | <u>242,527</u>      | -    |
| 8360  | Components of other comprehensive income (loss) that will be reclassified to profit or loss  |                        | <u>1,730,785</u>    | 2      | ( 974,238)          | ( 1) |
| 8300  | <b>Other comprehensive income (loss) for the year</b>  |                        | <u>\$ 1,829,452</u> | 2      | <u>(\$ 917,567)</u> | ( 1) |
| 8500  | <b>Total comprehensive income for the year</b>   |                        | <u>\$ 6,821,712</u> | 7      | <u>\$ 4,377,283</u> | 4    |
| Profit attributable to:   |  |                        |                     |        |                     |      |
| 8610  | Owners of the parent   |                        | \$ 4,961,369        | 5      | \$ 5,270,007        | 5    |
| 8620  | Non-controlling interest   |                        | <u>30,891</u>       | -      | <u>24,843</u>       | -    |
|   |  |                        | <u>\$ 4,992,260</u> | 5      | <u>\$ 5,294,850</u> | 5    |
| Comprehensive income attributable to:   |  |                        |                     |        |                     |      |
| 8710  | Owners of the parent   |                        | \$ 6,782,442        | 7      | \$ 4,356,570        | 4    |
| 8720  | Non-controlling interest   |                        | <u>39,270</u>       | -      | <u>20,713</u>       | -    |
|   |  |                        | <u>\$ 6,821,712</u> | 7      | <u>\$ 4,377,283</u> | 4    |
| Earnings per share (in dollars)   |  |                        |                     |        |                     |      |
| 9750  | Basic earnings per share   | 6(29)                  | <u>\$ 1.53</u>      |        | <u>\$ 1.63</u>      |      |
| 9850  | Diluted earnings per share   | 6(29)                  | <u>\$ 1.53</u>      |        | <u>\$ 1.62</u>      |      |

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

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

|  | Equity attributable to owners of the parent |                             |                        |                         |               |                 |                                  |  |   |               |                          |               |
|--|---|-----------------------------|------------------------|-------------------------|---------------|-----------------|----------------------------------|--|---|---------------|--------------------------|---------------|
|  | Share capital - common stock                | Treasury stock transactions | Gain on sale of assets | Donated assets received | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Total         | Non-controlling interest | Total equity  |
| <b>Year ended December 31, 2021</b>                            |   |                             |                        |                         |               |                 |                                  |  |   |               |                          |               |
| Balance at January 1, 2021                                     | \$ 32,414,155                               | \$ 9,772                    | \$ 42,804              | \$ 691                  | \$ 15,533,661 | \$ 6,904,245    | \$ 32,143,063                    | (\$ 6,632,448)   | \$ 2,1152   | \$ 80,437,095 | \$ 538,186               | \$ 80,975,281 |
| Profit for the year  | -   | -                           | -                      | -                       | -             | -               | 5,270,007                        | -  | -   | 5,270,007     | 24,843                   | 5,294,850     |
| Other comprehensive income (loss) for the year                 | 6(21)                                       | -                           | -                      | -                       | -             | -               | 63,405                           | ( 970,108)   | ( 6,734)  | ( 913,437)    | ( 4,130)                 | ( 917,567)    |
| Total comprehensive income (loss)                              | -   | -                           | -                      | -                       | -             | -               | 5,333,412                        | ( 970,108)   | ( 6,734)  | 4,356,570     | 20,713                   | 4,377,283     |
| Appropriation and distribution of 2020 earnings:               |   |                             |                        |                         |               |                 |                                  |  |   |               |                          |               |
| Legal reserve  | -   | -                           | -                      | -                       | 598,919       | -               | ( 598,919)                       | -  | -   | -             | -                        | -             |
| Special reserve  | -   | -                           | -                      | -                       | ( 292,949)    | 292,949         | -                                | -  | -   | -             | -                        | -             |
| Cash dividends   | -   | -                           | -                      | -                       | -             | -               | ( 3,889,699)                     | -  | -   | ( 3,889,699)  | -                        | ( 3,889,699)  |
| Capital surplus arising from donated assets                    | -   | -                           | -                      | 14,503                  | -             | -               | -                                | -  | -   | 14,503        | -                        | 14,503        |
| Balance at December 31, 2021                                   | \$ 32,414,155                               | \$ 9,772                    | \$ 42,804              | \$ 15,194               | \$ 16,132,580 | \$ 6,611,296    | \$ 33,280,806                    | (\$ 7,602,556)   | \$ 14,418   | \$ 80,918,469 | \$ 558,899               | \$ 81,477,368 |
| <b>Year ended December 31, 2022</b>                            |   |                             |                        |                         |               |                 |                                  |  |   |               |                          |               |
| Balance at January 1, 2022                                     | \$ 32,414,155                               | \$ 9,772                    | \$ 42,804              | \$ 15,194               | \$ 16,132,580 | \$ 6,611,296    | \$ 33,280,806                    | (\$ 7,602,556)   | \$ 14,418   | \$ 80,918,469 | \$ 558,899               | \$ 81,477,368 |
| Profit for the year  | -   | -                           | -                      | -                       | -             | -               | 4,961,369                        | -  | -   | 4,961,369     | 30,891                   | 4,992,260     |
| Other comprehensive income (loss) for the year                 | 6(21)                                       | -                           | -                      | -                       | -             | -               | 103,912                          | 1,722,406  | ( 5,245)  | 1,821,073     | 8,379                    | 1,829,452     |
| Total comprehensive income (loss)                              | -   | -                           | -                      | -                       | -             | -               | 5,065,281                        | 1,722,406  | ( 5,245)  | 6,782,442     | 39,270                   | 6,821,712     |
| Appropriation and distribution of 2021 earnings :              |   |                             |                        |                         |               |                 |                                  |  |   |               |                          |               |
| Legal reserve  | -   | -                           | -                      | -                       | 533,341       | -               | ( 533,341)                       | -  | -   | -             | -                        | -             |
| Special reserve  | -   | -                           | -                      | -                       | 976,842       | 976,842         | -                                | -  | -   | -             | -                        | -             |
| Cash dividends   | -   | -                           | -                      | -                       | -             | -               | ( 3,889,699)                     | -  | -   | ( 3,889,699)  | -                        | ( 3,889,699)  |
| Cash dividends paid to non-controlling interests               | -   | -                           | -                      | -                       | -             | -               | -                                | -  | -   | -             | ( 22,553)                | ( 22,553)     |
| Dividends extinguished by prescription claimed by shareholders | -   | -                           | ( 13)                  | -                       | -             | -               | -                                | -  | -   | ( 13)         | -                        | ( 13)         |
| Balance at December 31, 2022                                   | \$ 32,414,155                               | \$ 9,772                    | \$ 42,804              | \$ 15,181               | \$ 16,665,921 | \$ 7,588,138    | \$ 32,946,205                    | (\$ 5,880,150)   | \$ 9,173  | \$ 83,811,199 | \$ 575,616               | \$ 84,386,815 |

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|   | Notes     | Year ended December 31 |                   |
|---|-----------|------------------------|-------------------|
|   |           | 2022                   | 2021              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |           |                        |                   |
| Profit before tax   |           | \$ 6,970,676           | \$ 7,156,001      |
| Adjustments   |           |                        |                   |
| Adjustments to reconcile profit (loss)  |           |                        |                   |
| Depreciation  | 6(8)(27)  | 10,322,422             | 10,851,680        |
| Depreciation on right-of-use assets   | 6(9)(27)  | 279,557                | 280,706           |
| Depreciation on investment property   | 6(10)(27) | 23,667                 | 23,245            |
| Amortization expense  | 6(11)(27) | 96,268                 | 86,228            |
| Expected credit loss  | 12(2)     | 18,961                 | 580               |
| Share of profit of associates and joint ventures accounted for using equity method      | 6(7)      | ( 26,362 )             | ( 19,401 )        |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | 6(2)(25)  | ( 244,478 )            | 2,687             |
| Loss on disposal of property, plant and equipment                                       | 6(8)(25)  | 96,069                 | 74,456            |
| Interest expense  | 6(8)(26)  | 779,988                | 530,597           |
| Interest income   | 6(23)     | ( 375,404 )            | ( 162,307 )       |
| Deferred government grants revenue  |           | ( 176,709 )            | ( 161,007 )       |
| Unrealized foreign exchange loss on foreign currency loans                              |           | 933,355                | 405,493           |
| Changes in operating assets and liabilities   |           |                        |                   |
| Changes in operating assets   |           |                        |                   |
| Net changes in financial assets or liabilities at fair value                            |           | 262,126                | ( 19,515 )        |
| Notes receivable, net   |           | ( 556,969 )            | 1,664,879         |
| Accounts receivable   |           | ( 462,120 )            | 374,745           |
| Accounts receivable - related parties   |           | ( 32,709 )             | 3,648             |
| Inventories   |           | 46,012                 | ( 2,421,396 )     |
| Prepayments   |           | 36,678                 | 155,417           |
| Other current assets  |           | 150,164                | 20,761            |
| Other non-current assets  |           | 38,566                 | 485,385           |
| Changes in operating liabilities  |           |                        |                   |
| Contract liabilities - current  |           | ( 493,252 )            | ( 101,708 )       |
| Notes payable   |           | ( 150,304 )            | 162,217           |
| Accounts payable  |           | ( 372,825 )            | ( 905,547 )       |
| Other payables  |           | ( 339,419 )            | ( 93,892 )        |
| Other current liabilities   |           | ( 41,432 )             | ( 216,354 )       |
| Accrued pension liabilities   |           | ( 21,987 )             | ( 4,662 )         |
| Other non-current assets  |           | ( 4,076 )              | ( 2,161 )         |
| Cash inflow generated from operations   |           | 16,756,463             | 18,170,775        |
| Interest received   |           | 303,033                | 169,966           |
| Dividends received  |           | 10,000                 | 10,000            |
| Interest paid   |           | ( 737,825 )            | ( 543,269 )       |
| Income tax paid   |           | ( 1,913,440 )          | ( 2,565,097 )     |
| Income tax refund received  |           | 106,422                | 58,892            |
| Net cash flows from operating activities  |           | <u>14,524,653</u>      | <u>15,301,267</u> |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|  | Notes           | Year ended December 31 |                  |
|--|-----------------|------------------------|------------------|
|  |                 | 2022                   | 2021             |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                    |                 |                        |                  |
| Acquisition of financial assets at amortized cost              |                 | ( \$ 3,826,973 )       | ( \$ 2,118,507 ) |
| Proceeds from repayments of financial assets at amortized cost |                 | 517,966                | 11               |
| Acquisition of property, plant and equipment                   | 6(8)(30)        | ( 3,260,840 )          | ( 4,376,579 )    |
| Payment for capitalized interests                              | 6(8)(26)(30)    | ( 7,782 )              | ( 18,673 )       |
| Proceeds from disposal of property, plant and equipment        |                 | 135,896                | 117,137          |
| Acquisition of intangible assets                               | 6(11)           | ( 61,696 )             | ( 96,021 )       |
| Decrease in refundable deposits                                |                 | ( 10,202 )             | ( 6,676 )        |
| Decrease in other non-current liabilities                      |                 | 106,151                | 101,717          |
| Net cash flows used in investing activities                    |                 | ( 6,407,480 )          | ( 6,397,591 )    |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>                    |                 |                        |                  |
| Increase in short-term borrowings                              | 6(12)(31)       | 12,597,829             | 10,559,153       |
| Decrease in short-term borrowings                              | 6(12)(31)       | ( 15,729,537 )         | ( 8,053,588 )    |
| Proceeds from issuance of corporate bonds                      | 6(15)(31)       | -                      | 8,000,000        |
| Repayments of corporate bonds                                  | 6(15)(31)       | ( 6,000,000 )          | ( 6,000,000 )    |
| Proceeds in long-term borrowings                               | 6(16)(31)       | 14,094,890             | 4,456,021        |
| Repayments of long-term borrowings                             | 6(16)(31)       | ( 11,251,607 )         | ( 8,554,075 )    |
| Increase (decrease) in guarantee deposits received             | 6(31)           | 20,094                 | ( 7,277 )        |
| Decrease in other payables to related parties                  | 6(16)(31) and 7 | ( 176,877 )            | ( 43,413 )       |
| Repayments of principal portion of lease liabilities           | 6(9)(31)        | ( 188,920 )            | ( 184,827 )      |
| Cash dividends paid  | 6(20)(31)       | ( 3,889,699 )          | ( 3,889,699 )    |
| Cash dividends paid to non-controlling interests               | 6(31)           | ( 22,553 )             | -                |
| Capital surplus arising from donated assets                    |                 | -                      | 14,503           |
| Dividends extinguished by prescription claimed by shareholders |                 | ( 13 )                 | -                |
| Net cash flows used in financing activities                    |                 | ( 10,546,393 )         | ( 3,703,202 )    |
| Effect of exchange rate changes on cash and cash equivalents   |                 | 218,673                | ( 366,886 )      |
| Net (decrease) increase in cash and cash equivalents           |                 | ( 2,210,547 )          | 4,833,588        |
| Cash and cash equivalents at beginning of year                 | 6(1)            | 23,946,109             | 19,112,521       |
| Cash and cash equivalents at end of year                       | 6(1)            | \$ 21,735,562          | \$ 23,946,109    |

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products; and (b) Manufacturing and trading of various rubber products and relevant rubber machinery. The Company has been listed on the Taiwan Stock Exchange starting December 1987.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows :

| New Standards, Interpretations and Amendments                                       | Effective date by<br>International Accounting<br>Standards Board |
|---|--|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’                       | January 1, 2022  |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022  |
| Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’             | January 1, 2022  |
| Annual improvements to IFRS Standards 2018–2020                                     | January 1, 2022  |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| New Standards, Interpretations and Amendments  | Effective date by<br>International Accounting<br>Standards Board |
|--|--|
| 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  |

The above standards and interpretations have no significant impact to the Group’s financial condition

and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by<br/>International Accounting<br/>Standards Board</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<br>International<br>Accounting Standards<br>Board     |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback'  | January 1, 2024   |
| IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2024   |
| Amendments to IAS 1, 'Non-current liabilities with covenants'   | January 1, 2024   |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor                 | Name of subsidiary             | Main business activities   | Ownership (%)     |                   | Description |
|----------------------------------|--------------------------------|----------------------------|-------------------|-------------------|-------------|
|                                  |                                |                            | December 31, 2022 | December 31, 2021 |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS International Co., Ltd. | Holding company            | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | CST Trading Ltd.               | Holding company            | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Trading Ltd.            | Holding company            | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER USA, INC.    | Import and export of tires | 100               | 100               |             |

| Name of investor                 | Name of subsidiary                             | Main business activities                               | Ownership (%)     |                   | Description |
|----------------------------------|--|--|-------------------|-------------------|-------------|
|                                  |  |  | December 31, 2022 | December 31, 2021 |             |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER CANADA, INC.                 | Import and export of tires                             | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Tech Center Europe B.V.                 | Technical center                                       | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | PT MAXXIS International Indonesia              | Production and sales of various types of tires         | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | Maxxis Rubber India Private Limited            | Production and sales of various types of tires         | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS (Taiwan) Trading CO., LTD.              | Wholesale and retail of tires                          | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | PT.MAXXIS TRADING INDONESIA                    | Large-amount trading of vehicles parts and accessories | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | Maxxis Europe B.V.                             | Import and export of tires                             | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS RUBBER JAPAN CO., LTD.                  | Import and export of tires                             | 100               | 100               |             |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Import and export of tires                             | 20                | 20                | Note 4      |
| MAXXIS International Co., Ltd.   | TIANJIN TAFENG RUBBER IND CO., LTD.            | Warehouse logistics and after-sales service centre     | 100               | 100               |             |
| MAXXIS International Co., Ltd.   | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.      | Production and sales of various types of tires         | 60                | 60                | Note 3      |
| MAXXIS International Co., Ltd.   | MAXXIS International (HK) Ltd.                 | Holding company  | 100               | 100               |             |

| Name of investor                          | Name of subsidiary   | Main business activities   | Ownership (%)     |                   | Description |
|---|--|--|-------------------|-------------------|-------------|
|   |  |  | December 31, 2022 | December 31, 2021 |             |
| MAXXIS International (HK) Ltd.            | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | Production and sales of various types of tires   | 100               | 100               |             |
| MAXXIS International (HK) Ltd.            | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.                       | Production and sales of various types of tires   | 100               | 100               |             |
| MAXXIS International (HK) Ltd.            | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks | 100               | 100               |             |
| MAXXIS International (HK) Ltd.            | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | Production and sales of various types of tires   | 25                | 25                | Note 2      |
| CST Trading Ltd.                          | Cheng Shin International (HK) Ltd.                           | Holding company  | 100               | 100               |             |
| Cheng Shin International (HK) Ltd.        | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                   | Production and sales of various types of tires   | 100               | 100               |             |
| Cheng Shin International (HK) Ltd.        | CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.                | Production, sales and maintenance of models  | 50                | 50                | Note 5      |
| Cheng Shin International (HK) Ltd.        | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | Production and sales of various types of tires   | 30                | 30                | Note 1      |
| CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | Production and sales of various types of tires   | 70                | 70                | Note 1      |

| Name of investor                           | Name of subsidiary                             | Main business activities                        | Ownership (%)     |                   | Description |
|--|--|---|-------------------|-------------------|-------------|
|  |  |   | December 31, 2022 | December 31, 2021 |             |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | KUNSHAN MAXXIS TIRE CO., LTD.                  | Retail of accessories for rubber tires          | 100               | 100               |             |
| MAXXIS Trading Ltd.                        | MAXXIS Holdings (BVI) Co., Ltd.                | Holding company                                 | 100               | 100               |             |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.      | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.      | Retail of accessories for rubber tires          | 95                | 95                |             |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.      | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.      | Production and sales of various types of tires  | 40                | 40                | Note 3      |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.      | CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.         | International container transportation business | 49                | 49                | Note 5      |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.      | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | Production and sales of various types of tires  | 75                | 75                | Note 2      |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.      | XIAMEN ESTATE CO., LTD.                        | Construction and trading of employees' housing  | 100               | 100               |             |
| MAXXIS Holdings (BVI) Co., Ltd.            | MAXXIS International (Thailand) Co., Ltd.      | Production and sales of various types of tires  | 100               | 100               |             |
| MAXXIS Holdings (BVI) Co., Ltd.            | Cheng Shin Rubber (Vietnam) IND Co., Ltd.      | Production and sales of various types of tires  | 100               | 100               |             |
| CHENG SHIN RUBBER USA, INC.                | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Import and export of tires                      | 80                | 80                | Note 4      |

Note 1: Cheng Shin International (HK) Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. collectively hold 100% equity interest in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd.

Note 2: Maxxis International (HK) Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively hold 100% equity interest in Cheng Shin Rubber (Zhangzhou) Ind. Co., Ltd.

Note 3: Maxxis International Co., Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively hold 100% equity interest in Cheng Shin Petrel Tire (Xiamen) Co., Ltd.

Note 4: The Company and CHENG SHIN RUBBER USA, INC. collectively hold 100% equity interest in MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.

Note 5: The entity was included in the consolidated financial statements since the Group had the power to govern the financial and operating policies under the comprehensive assessment.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average

exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive

income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs at each reporting date.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor) – lease receivables/ operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(15) Joint operation and investments accounted for using the equity method- joint ventures

The Group accounts for its interest in a joint venture using the equity method. When the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or

made payments on behalf of the joint venture.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
  - (a) Buildings and structures: 5 ~ 60 years
  - (b) Machinery and equipment: 5 ~ 30 years
  - (c) Test equipment: 5 ~ 15 years
  - (d) Transportation equipment: 5 ~ 10 years
  - (e) Office equipment: 3 ~ 10 years
  - (f) Other equipment: 3 ~ 20 years

(17) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable; and
  - (b) Variable lease payments that depend on an index or a rate.The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date; and
  - (c) Any initial direct costs incurred by the lessee.The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an

adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 40 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(25) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified group classified the contract is discharged or cancelled or expires.

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle

on a net basis or realise the asset and settle the liability simultaneously.

(27) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(28) Provisions

Provisions (including decommissioning) are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(29) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is 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 independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Revaluations arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(30) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(32) Revenue recognition

A. Sales of goods:

- (a) The Group manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue of the Group, which mainly consists of sale of various tire and rubber products, was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant

reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**B. Property development and resale**

- (a) The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

- (b) The revenue is measured at an agreed upon amount under the contract. The consideration is due when legal title has been transferred.

**(33) Government grants**

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

**(34) Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

**5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY**

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2022.

**6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

|                                  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 4,319                 | \$ 5,399                 |
| Checking deposit                 | 1,495,954                | 1,027,830                |
| Demand deposits                  | 14,539,800               | 19,009,084               |
| Time deposits                    | <u>5,695,489</u>         | <u>3,903,796</u>         |
|                                  | <u>\$ 21,735,562</u>     | <u>\$ 23,946,109</u>     |
| Interest rate range              |                          |                          |
| Time deposits                    | <u>1.75%~4.90%</u>       | <u>0.09%~3.55%</u>       |

The Group transacts with a variety of financial institutions all with high credit quality to disperse

credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets at fair value through profit or loss

| Items  | December 31, 2022                | December 31, 2021                     |
|--|----------------------------------|---------------------------------------|
| Current items:   |                                  |                                       |
| Financial assets mandatorily measured at fair value through profit or loss |                                  |                                       |
| Derivative instruments   | \$ <u>                    </u> - | \$ <u>                    </u> 17,648 |

A. The Group recognised net profit (loss) amounting to \$244,478 thousand and (\$2,687) thousand on financial assets mandatorily measured at fair value through profit or loss - derivative instruments for the years ended December 31, 2022 and 2021, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

|                                    | December 31, 2021                       |                       |
|------------------------------------|---|-----------------------|
| Derivative instruments             | Contract amount<br>(Notional principal) | Contract period       |
| Current items:                     |   |                       |
| Forward foreign exchange contracts |   |                       |
| USD exchange to NTD                | <u>USD 78,000 thousand</u>              | 2021/09/28~2022/05/04 |
| Foreign exchange swap              |   |                       |
| USD exchange to NTD                | <u>USD 45,000 thousand</u>              | 2021/10/20~2022/05/06 |

As at December 31, 2021, there was no derivative financial asset transaction.

The Group entered into forward foreign exchange contracts and foreign exchange swap to hedge exchange rate risk of import (export) proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

| Items                | December 31, 2022 | December 31, 2021 |
|----------------------|-------------------|-------------------|
| Current items:       |                   |                   |
| Equity instruments   |                   |                   |
| Listed stocks        | \$ 8,665          | \$ 8,665          |
| Valuation adjustment | <u>9,173</u>      | <u>14,418</u>     |
| Total                | <u>\$ 17,838</u>  | <u>\$ 23,083</u>  |
| Non-current items:   |                   |                   |
| Equity instruments   |                   |                   |
| Unlisted stocks      | <u>\$ 58,187</u>  | <u>\$ 58,187</u>  |

A. The Group has elected to classify equity instruments investment that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$76,025 thousand and \$81,270 thousand as at December 31, 2022 and 2021, respectively.

B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| <u>Equity instruments at fair value</u><br><u>through other comprehensive income</u><br>Fair value change recognised in other<br>comprehensive loss | (\$ 5,245)                      | (\$ 6,734)                      |

C. Information relating to credit risk of financial assets at fair value through other comprehensive loss/income is provided in Note 12(2).

(4) Financial assets at amortised cost

| Items  | December 31, 2022   | December 31, 2021   |
|--|---------------------|---------------------|
| Current items:                                 |                     |                     |
| Time deposits with maturity over three months  | \$ 175,509          | \$ 141,344          |
| Non-current items:                             |                     |                     |
| Time deposits with maturity over twelve months | \$ 3,625,241        | \$ -                |
| Pledged time deposits                          | 34,948              | -                   |
| Restricted bank deposits                       | 1,587,679           | 1,981,718           |
| TIIP grants accounts                           | 18,000              | -                   |
|  | <u>\$ 5,265,868</u> | <u>\$ 1,981,718</u> |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

|                 | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-----------------|---------------------------------|---------------------------------|
| Interest income | \$ 75,346                       | \$ 10,327                       |

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$5,441,377 and \$2,123,062, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 12(2).

D. The Group invests time deposits with financial institutions with sound reputation, and therefore do not expect the financial assets at amortized cost to breach.

E. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

F. Restricted bank deposits were made by the Company and were approved by the Taxation Bureau of the Ministry of Finance in accordance with the "The Regulations on Industries Investment from Repatriated Offshore Funds". The Company also submitted the investment plan to the Ministry of Economic Affairs. According to the regulations, the funds can only be used in accordance with the approved investment plans.

(5) Notes and accounts receivable

|                                   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------|--------------------------|--------------------------|
| Notes receivable                  | \$ 3,593,059             | \$ 4,141,247             |
| Less: Discounted notes receivable | ( 147,635)               | ( 1,252,792)             |
| Less: Loss allowance              | ( 9,277)                 | ( 9,277)                 |
|                                   | <u>\$ 3,436,147</u>      | <u>\$ 2,879,178</u>      |
| Accounts receivable               | \$ 9,578,258             | \$ 9,162,913             |
| Less: Loss allowance              | ( 38,364)                | ( 64,705)                |
|                                   | <u>\$ 9,539,894</u>      | <u>\$ 9,098,208</u>      |

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

|                  | <u>December 31, 2022</u> |                     | <u>December 31, 2021</u> |                     |
|------------------|--------------------------|---------------------|--------------------------|---------------------|
|                  | Accounts<br>receivable   | Notes receivable    | Accounts<br>receivable   | Notes receivable    |
| Without past due | \$ 7,587,205             | \$ 3,445,424        | \$ 7,580,524             | \$ 2,888,455        |
| Up to 30 days    | 1,171,734                | -                   | 1,082,707                | -                   |
| 31 to 90 days    | 611,009                  | -                   | 323,352                  | -                   |
| 91 to 180 days   | 171,199                  | -                   | 113,396                  | -                   |
| Over 180 days    | 37,111                   | -                   | 62,934                   | -                   |
|                  | <u>\$ 9,578,258</u>      | <u>\$ 3,445,424</u> | <u>\$ 9,162,913</u>      | <u>\$ 2,888,455</u> |

The above ageing analysis was based on past due date.

- B. As at December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2021, the balance of receivables from contracts with customers amounted to \$14,060,370 thousand.
- C. As at December 31, 2022 and 2021, the Group had outstanding discounted notes receivable amounting to \$147,635 and \$1,252,792 thousand, wherein the Group has no payment obligation when the drawers of the notes refuse to pay for the notes at maturity. Those discounted notes receivable were presented as a deduction item to notes receivable.
- D. As at December 31, 2021, the Group had outstanding discounted notes receivable amounting to \$197,567 thousand, wherein the Group has payment obligation when the drawers of the notes refuse to pay for the notes at maturity. However, in general, the Group does not expect that the drawers of the notes would refuse to pay for the notes at maturity. The liabilities arising on discounted notes receivable were presented as other payables.
- E. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$3,436,147 thousand and \$9,539,894 thousand; \$2,879,178 thousand and \$9,098,208 thousand, respectively.
- F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

|                                  | December 31, 2022    |                              |                      |
|----------------------------------|----------------------|------------------------------|----------------------|
|                                  | Cost                 | Allowance for valuation loss | Book value           |
| Raw materials                    | \$ 7,553,838         | (\$ 11,765)                  | \$ 7,542,073         |
| Work in progress                 | 2,170,173            | -                            | 2,170,173            |
| Finished goods                   | 9,042,827            | ( 171,600)                   | 8,871,227            |
| Buildings and land held for sale | 2,076,768            | -                            | 2,076,768            |
| Inventory in transit             | 323,310              | -                            | 323,310              |
|                                  | <u>\$ 21,166,916</u> | <u>(\$ 183,365)</u>          | <u>\$ 20,983,551</u> |
|                                  | December 31, 2021    |                              |                      |
|                                  | Cost                 | Allowance for valuation loss | Book value           |
| Raw materials                    | \$ 7,326,921         | \$ -                         | \$ 7,326,921         |
| Work in progress                 | 2,116,770            | -                            | 2,116,770            |
| Finished goods                   | 8,506,609            | ( 188,147)                   | 8,318,462            |
| Buildings and land held for sale | 2,099,624            | -                            | 2,099,624            |
| Inventory in transit             | 494,911              | -                            | 494,911              |
|                                  | <u>\$ 20,544,835</u> | <u>(\$ 188,147)</u>          | <u>\$ 20,356,688</u> |

The cost of inventories recognized as expense for the period:

|                       | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-----------------------|---------------------------------|---------------------------------|
| Cost of goods sold    | \$ 77,564,158                   | \$ 79,190,441                   |
| Unallocated overheads | 202,266                         | -                               |
| Others                | ( 126,714)                      | ( 40,799)                       |
|                       | <u>\$ 77,639,710</u>            | <u>\$ 79,149,642</u>            |

For the year ended December 31, 2022, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to the sale of scrap or inventories which were previously provided with allowance.

(7) Investments accounted for using the equity method

The carrying amount of the Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarized below:

As at December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial joint ventures amounted to \$199,626 thousand and \$180,417 thousand, respectively.

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Share of profit of associates and joint ventures accounted for using the equity method | \$ 26,362                       | \$ 19,401                       |
| Other comprehensive income (loss)-net of tax   | 2,847                           | ( 1,965)                        |
| Total comprehensive income   | <u>\$ 29,209</u>                | <u>\$ 17,436</u>                |

(8) Property, plant and equipment, net

Year ended December 31, 2022

|  | Year ended December 31, 2022 |                        |                     |                  |                           |                         |
|--|------------------------------|------------------------|---------------------|------------------|---------------------------|-------------------------|
|  | Beginning of period          | Additions              | Disposals           | Transfers        | Exchange rate differences | End of period           |
| <b>Cost</b>  |                              |                        |                     |                  |                           |                         |
| Land   | \$ 4,507,668                 | \$ -                   | \$ -                | \$ -             | \$ 44,054                 | \$ 4,551,722            |
| Buildings and structures                               | 50,807,705                   | 116,918                | ( 3,375)            | 106,728          | 861,060                   | 51,889,036              |
| Machinery  | 104,284,856                  | 487,451                | ( 641,224)          | 1,849,222        | 2,484,618                 | 108,464,923             |
| Testing equipment                                      | 4,046,839                    | 10,364                 | ( 11,924)           | 140,416          | 82,737                    | 4,268,432               |
| Transportation equipment                               | 1,443,706                    | 17,663                 | ( 25,980)           | 2,796            | 25,729                    | 1,463,914               |
| Office equipment                                       | 1,085,121                    | 9,152                  | ( 10,388)           | 6,423            | 27,147                    | 1,117,455               |
| Other facilities                                       | 36,182,291                   | 870,788                | ( 3,978,097)        | 454,003          | 839,447                   | 34,368,432              |
| Unfinished construction and equipment under acceptance | 3,649,423                    | 1,623,337              | ( 7,140)            | ( 2,577,018)     | 65,468                    | 2,754,070               |
|  | <u>\$ 206,007,609</u>        | <u>\$ 3,135,673</u>    | <u>\$ 4,678,128</u> | <u>\$ 17,430</u> | <u>\$ 4,430,260</u>       | <u>\$ 208,877,984</u>   |
| <b>Accumulated depreciation</b>                        |                              |                        |                     |                  |                           |                         |
| Buildings and structures                               | (\$ 22,232,877)              | \$ 2,045,539           | \$ 2,932            | \$ 5,737         | (\$ 402,916)              | (\$ 24,684,137)         |
| Machinery  | ( 66,350,514)                | ( 5,465,147)           | 476,140             | -                | ( 1,708,144)              | ( 73,047,665)           |
| Testing equipment                                      | ( 3,360,290)                 | ( 239,180)             | 10,818              | -                | ( 64,493)                 | ( 3,653,145)            |
| Transportation equipment                               | ( 1,179,659)                 | ( 81,501)              | 22,735              | -                | ( 20,871)                 | ( 1,259,296)            |
| Office equipment                                       | ( 919,083)                   | ( 76,685)              | 9,709               | -                | ( 22,397)                 | ( 1,008,456)            |
| Other facilities                                       | ( 30,260,627)                | ( 2,414,370)           | 3,922,006           | 5,737            | ( 755,628)                | ( 29,502,882)           |
|  | <u>(\$ 124,303,050)</u>      | <u>(\$ 10,322,422)</u> | <u>\$ 4,444,340</u> | <u>\$ -</u>      | <u>(\$ 2,974,449)</u>     | <u>(\$ 133,155,581)</u> |
| <b>Accumulated impairment</b>                          |                              |                        |                     |                  |                           |                         |
| Machinery  | (\$ 181,054)                 | \$ -                   | \$ 1,726            | \$ -             | (\$ 2,486)                | (\$ 181,814)            |
| Testing equipment                                      | ( 268)                       | -                      | 97                  | -                | ( 4)                      | ( 175)                  |
| Transportation equipment                               | ( 1,956)                     | -                      | -                   | -                | ( 29)                     | ( 1,985)                |
| Office equipment                                       | ( 46)                        | -                      | -                   | -                | -                         | ( 46)                   |
| Other facilities                                       | ( 20,917)                    | -                      | -                   | -                | ( 280)                    | ( 21,197)               |
|  | <u>(\$ 204,241)</u>          | <u>\$ -</u>            | <u>\$ 1,823</u>     | <u>\$ -</u>      | <u>(\$ 2,799)</u>         | <u>(\$ 205,217)</u>     |
|  | <u>\$ 81,500,318</u>         |                        |                     |                  |                           | <u>\$ 75,517,186</u>    |

Year ended December 31, 2021

|  | Beginning of period     | Additions              | Disposals           | Transfers        | Exchange rate         |                         |  |
|--|-------------------------|------------------------|---------------------|------------------|-----------------------|-------------------------|--|
|  |                         |                        |                     |                  | differences           | End of period           |  |
| <b>Cost</b>  |                         |                        |                     |                  |                       |                         |  |
| Land   | \$ 4,575,780            | \$ -                   | \$ -                | \$ -             | (\$ 68,112)           | \$ 4,507,668            |  |
| Buildings and structures                               | 50,291,676              | 134,191                | ( 52,235)           | 1,203,796        | ( 769,723)            | 50,807,705              |  |
| Machinery  | 105,081,676             | 742,858                | ( 688,729)          | 1,644,484        | ( 2,495,433)          | 104,284,856             |  |
| Testing equipment                                      | 4,014,621               | 15,206                 | ( 23,478)           | 123,363          | ( 82,873)             | 4,046,839               |  |
| Transportation equipment                               | 1,455,856               | 25,953                 | ( 46,987)           | 23,240           | ( 14,356)             | 1,443,706               |  |
| Office equipment                                       | 1,087,554               | 14,462                 | ( 8,590)            | 12,157           | ( 20,462)             | 1,085,121               |  |
| Other facilities                                       | 35,467,514              | 1,187,802              | ( 171,661)          | 829,715          | ( 1,131,079)          | 36,182,291              |  |
| Unfinished construction and equipment under acceptance | 5,346,734               | 2,232,667              | ( 487)              | ( 3,869,478)     | ( 60,013)             | 3,649,423               |  |
|  | <u>\$ 207,321,411</u>   | <u>\$ 4,353,139</u>    | <u>(\$ 992,167)</u> | <u>\$ 32,723</u> | <u>(\$ 4,642,051)</u> | <u>\$ 206,007,609</u>   |  |
| <b>Accumulated depreciation</b>                        |                         |                        |                     |                  |                       |                         |  |
| Buildings and structures                               | (\$ 20,594,065)         | \$ 1,975,457           | \$ 29,417           | (\$ 514)         | \$ 307,742            | (\$ 22,232,877)         |  |
| Machinery  | ( 63,353,926)           | ( 5,437,500)           | 487,031             | 79,503           | 1,874,378             | ( 66,350,514)           |  |
| Testing equipment                                      | ( 3,168,136)            | ( 268,864)             | 22,024              | -                | 54,686                | ( 3,360,290)            |  |
| Transportation equipment                               | ( 1,130,596)            | ( 89,336)              | 36,661              | -                | 3,612                 | ( 1,179,659)            |  |
| Office equipment                                       | ( 836,928)              | ( 108,519)             | 7,984               | -                | 18,380                | ( 919,083)              |  |
| Other facilities                                       | ( 28,425,770)           | ( 2,972,004)           | 158,902             | ( 78,989)        | 1,057,234             | ( 30,260,627)           |  |
|  | <u>(\$ 117,509,421)</u> | <u>(\$ 10,851,680)</u> | <u>\$ 742,019</u>   | <u>\$ -</u>      | <u>\$ 3,316,032</u>   | <u>(\$ 124,303,050)</u> |  |
| <b>Accumulated impairment</b>                          |                         |                        |                     |                  |                       |                         |  |
| Machinery  | (\$ 240,391)            | \$ -                   | \$ 57,586           | \$ -             | 1,751                 | (\$ 181,054)            |  |
| Testing equipment                                      | ( 270)                  | -                      | -                   | -                | 2                     | ( 268)                  |  |
| Transportation equipment                               | ( 1,970)                | -                      | -                   | -                | 14                    | ( 1,956)                |  |
| Office equipment                                       | ( 46)                   | -                      | -                   | -                | -                     | ( 46)                   |  |
| Other facilities                                       | ( 22,040)               | -                      | 969                 | -                | 154                   | ( 20,917)               |  |
|  | <u>(\$ 264,717)</u>     | <u>\$ -</u>            | <u>\$ 58,555</u>    | <u>\$ -</u>      | <u>1,921</u>          | <u>(\$ 204,241)</u>     |  |
|  | <u>\$ 89,547,273</u>    |                        |                     |                  |                       | <u>\$ 81,500,318</u>    |  |

Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Amount capitalized                             | \$ 7,782                        | \$ 18,673                       |
| Range of the interest rates for capitalization | 3.45%~3.78%                     | 3.39%~3.82%                     |

(9) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 95 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose covenants, but leased assets of land may not be used as security for borrowing purposes.

B. Short-term leases comprise of forklift trucks and printers. Low-value assets comprise of computers.

C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

|                          | December 31, 2022   | December 31, 2021   |
|--------------------------|---------------------|---------------------|
|                          | Book value          | Book value          |
| Land                     | \$ 4,425,068        | \$ 4,477,084        |
| Buildings and structures | 283,241             | 329,562             |
| Machinery                | 10,967              | 12,944              |
| Transportation equipment | 66,719              | 118,917             |
| Office equipment         | 3,512               | 3,837               |
| Other equipment          | 15,416              | 25,942              |
|                          | <u>\$ 4,804,923</u> | <u>\$ 4,968,286</u> |

|                          | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--------------------------|---------------------------------|---------------------------------|
|                          | Depreciation expense            | Depreciation expense            |
| Land                     | \$ 103,672                      | \$ 101,787                      |
| Buildings and structures | 91,098                          | 86,556                          |
| Machinery                | 2,774                           | 2,860                           |
| Transportation equipment | 69,542                          | 75,518                          |
| Office equipment         | 1,787                           | 3,189                           |
| Other equipment          | 10,684                          | 10,796                          |
|                          | <u>\$ 279,557</u>               | <u>\$ 280,706</u>               |

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets amounted to \$36,110 thousand and \$60,397 thousand, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

|                                       | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---------------------------------------|---------------------------------|---------------------------------|
| <u>Items affecting profit or loss</u> |                                 |                                 |
| Interest expense on lease liabilities | \$ 12,246                       | \$ 14,965                       |
| Expense on short-term lease contracts | 15,792                          | 15,892                          |
| Expense on leases of low-value assets | 2,981                           | 2,701                           |
| Expense on variable lease payments    | 178,241                         | 175,638                         |
|                                       | <u>\$ 209,260</u>               | <u>\$ 209,196</u>               |

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounted to \$398,180 thousand and \$394,023 thousand, respectively.

G. Variable lease payments

(a) Some of the Group's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 36.46% and 35.85% of lease payments are on the basis of variable payment terms for the years ended December 31, 2022 and 2021 and are accrued based on the stored amount of tires. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$1,782 thousand and \$1,756 thousand for the years ended December 31, 2022 and 2021, respectively.

(10) Investment property, net

|                          | Year ended December 31, 2022  |             |             |                           |                               |
|--------------------------|-------------------------------|-------------|-------------|---------------------------|-------------------------------|
|                          | Opening net book amount as at | Additions   | Transfer    | Exchange rate differences | Closing net book amount as at |
|                          | January 1                     |             |             |                           | December 31                   |
| Cost                     |                               |             |             |                           |                               |
| Land                     | \$ 336,421                    | \$ -        | \$ -        | \$ -                      | \$ 336,421                    |
| Buildings and structures | 458,893                       | -           | -           | 6,352                     | 465,245                       |
|                          | <u>\$ 795,314</u>             | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,352</u>           | <u>\$ 801,666</u>             |
| Accumulated depreciation |                               |             |             |                           |                               |
| Buildings and structures | (\$ 238,260)                  | (\$ 23,667) | \$ -        | (\$ 3,080)                | (\$ 265,007)                  |
| Accumulated impairment   |                               |             |             |                           |                               |
| Land                     | (\$ 51,038)                   | \$ -        | \$ -        | \$ -                      | (\$ 51,038)                   |
|                          | <u>\$ 506,016</u>             |             |             |                           | <u>\$ 485,621</u>             |
|                          | Year ended December 31, 2021  |             |             |                           |                               |
|                          | Opening net book amount as at | Additions   | Transfer    | Exchange rate differences | Closing net book amount as at |
|                          | January 1                     |             |             |                           | December 31                   |
| Cost                     |                               |             |             |                           |                               |
| Land                     | \$ 336,421                    | \$ -        | \$ -        | \$ -                      | \$ 336,421                    |
| Buildings and structures | 462,168                       | -           | -           | (3,275)                   | 458,893                       |
|                          | <u>\$ 798,589</u>             | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 3,275)</u>         | <u>\$ 795,314</u>             |
| Accumulated depreciation |                               |             |             |                           |                               |
| Buildings and structures | (\$ 216,454)                  | (\$ 23,245) | \$ -        | \$ 1,439                  | (\$ 238,260)                  |
| Accumulated impairment   |                               |             |             |                           |                               |
| Land                     | (\$ 51,038)                   | \$ -        | \$ -        | \$ -                      | (\$ 51,038)                   |
|                          | <u>\$ 531,097</u>             |             |             |                           | <u>\$ 506,016</u>             |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Rental income from investment property  | \$ 31,964                       | \$ 31,279                       |
| Direct operating expenses arising from the investment property that generated rental income during the period | \$ 23,667                       | \$ 23,245                       |

B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was \$1,275,921 thousand and \$1,087,704 thousand, respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(11) Other non-current assets

|                   | December 31, 2022 | December 31, 2021 |
|-------------------|-------------------|-------------------|
| Intangible assets | \$ 233,013        | \$ 222,669        |
| Others            | 224,127           | 252,490           |
|                   | <u>\$ 457,140</u> | <u>\$ 475,159</u> |

Movements in intangible assets:

|                                 | Year ended December 31, 2022                  |                    |                    |                   |                                 |   |
|---------------------------------|---|--------------------|--------------------|-------------------|---------------------------------|---|
|                                 | Opening net book<br>amount as at<br>January 1 | Additions          | Reductions         | Transfer          | Exchange<br>rate<br>differences | Closing net book<br>amount as at<br>December 31 |
|                                 | <b>Cost</b>                                   |                    |                    |                   |                                 |   |
| Computer software               | \$ 630,881                                    | \$ 61,696          | (\$ 13,243)        | \$ 46,063         | \$ 15,871                       | \$ 741,268                                      |
| Others                          | 7,832   | -                  | -                  | -                 | 115                             | 7,947   |
|                                 | <u>\$ 638,713</u>                             | <u>\$ 61,696</u>   | <u>(\$ 13,243)</u> | <u>\$ 46,063</u>  | <u>\$ 15,986</u>                | <u>\$ 749,215</u>                               |
| <b>Accumulated amortisation</b> |   |                    |                    |                   |                                 |   |
| Computer software               | (\$ 412,128)                                  | (\$ 95,471)        | \$ 13,243          | (\$ 4,168)        | (\$ 12,910)                     | (\$ 511,434)                                    |
| Others                          | ( 3,916)                                      | ( 797)             | -                  | -                 | ( 55)                           | ( 4,768)  |
|                                 | <u>(\$ 416,044)</u>                           | <u>(\$ 96,268)</u> | <u>\$ 13,243</u>   | <u>(\$ 4,168)</u> | <u>(\$ 12,965)</u>              | <u>(\$ 516,202)</u>                             |
|                                 | <u>\$ 222,669</u>                             |                    |                    |                   |                                 | <u>\$ 233,013</u>                               |

|                                 | Year ended December 31, 2021            |                    |                    |                  |                           |   |
|---------------------------------|---|--------------------|--------------------|------------------|---------------------------|---|
|                                 | Opening net book amount as at January 1 | Additions          | Reductions         | Transfer         | Exchange rate differences | Closing net book amount as at December 31 |
| <b>Cost</b>                     |   |                    |                    |                  |                           |   |
| Computer software               | \$ 530,046                              | \$ 96,021          | (\$ 18,373)        | \$ 32,723        | (\$ 9,536)                | \$ 630,881                                |
| Others                          | 7,892                                   | -                  | -                  | -                | (60)                      | 7,832                                     |
|                                 | <u>\$ 537,938</u>                       | <u>\$ 96,021</u>   | <u>(\$ 18,373)</u> | <u>\$ 32,723</u> | <u>(\$ 9,596)</u>         | <u>\$ 638,713</u>                         |
| <b>Accumulated amortisation</b> |   |                    |                    |                  |                           |   |
| Computer software               | (\$ 353,013)                            | (\$ 85,445)        | \$ 18,373          | \$ -             | \$ 7,957                  | (\$ 412,128)                              |
| Others                          | (3,157)                                 | (783)              | -                  | -                | 24                        | (3,916)                                   |
|                                 | <u>(\$ 356,170)</u>                     | <u>(\$ 86,228)</u> | <u>\$ 18,373</u>   | <u>\$ -</u>      | <u>\$ 7,981</u>           | <u>(\$ 416,044)</u>                       |
|                                 | <u>\$ 181,768</u>                       |                    |                    |                  |                           | <u>\$ 222,669</u>                         |

Details of amortisation on intangible assets are as follows:

|                                   | Year ended December 31, 2022 | Year ended December 31, 2021 |
|-----------------------------------|------------------------------|------------------------------|
| Operating costs                   | \$ 9,570                     | \$ 10,830                    |
| Selling expenses                  | 17,323                       | 10,281                       |
| Administrative expenses           | 40,997                       | 47,442                       |
| Research and development expenses | 28,378                       | 17,675                       |
|                                   | <u>\$ 96,268</u>             | <u>\$ 86,228</u>             |

(12) Short-term borrowings

| Type of borrowings        | December 31, 2022   | Interest rate range | Collateral |
|---------------------------|---------------------|---------------------|------------|
| <b>Bank borrowings</b>    |                     |                     |            |
| Bank unsecured borrowings | <u>\$ 6,194,746</u> | 1.50%~8.30%         | None       |
| Type of borrowings        | December 31, 2021   | Interest rate range | Collateral |
| <b>Bank borrowings</b>    |                     |                     |            |
| Bank unsecured borrowings | <u>\$ 9,365,279</u> | 0.38%~5.10%         | None       |

The abovementioned credit loan includes the guarantee of endorsement provided by the Group.

(13) Other payables

|                                    | December 31, 2022   | December 31, 2021   |
|------------------------------------|---------------------|---------------------|
| Dividend payable                   | \$ 10               | \$ 9                |
| Wages and salaries payable         | 1,421,871           | 1,563,890           |
| Payable on machinery and equipment | 432,843             | 565,792             |
| Employee compensation payable      | 291,858             | 291,891             |
| Compensation due to directors      | 115,266             | 111,217             |
| Others                             | 2,711,187           | 2,873,730           |
|                                    | <u>\$ 4,973,035</u> | <u>\$ 5,406,529</u> |

(14) Other current liabilities

|                    | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------|--------------------------|--------------------------|
| Advance receipts   | \$ 7,683                 | \$ 604                   |
| Refund liabilities | 164,871                  | 156,599                  |
| Others             | 145,184                  | 201,967                  |
|                    | <u>\$ 317,738</u>        | <u>\$ 359,170</u>        |

(15) Bonds payable

|                               | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Bonds payable -issued in 2017 | \$ -                     | \$ 3,500,000             |
| Bonds payable -issued in 2018 | 2,500,000                | 5,000,000                |
| Bonds payable -issued in 2021 | 8,000,000                | 8,000,000                |
|                               | <u>10,500,000</u>        | <u>16,500,000</u>        |
| Less: Current portion         | <u>( 2,500,000)</u>      | <u>( 6,000,000)</u>      |
|                               | <u>\$ 8,000,000</u>      | <u>\$ 10,500,000</u>     |

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on July 27, 2021 and completed on August 5, 2021. The bonds were fully issued and total issuance amount was \$8 billion with a coupon rate of 0.60%. The issuance period of the bonds is 5 years, which is from August 5, 2021 to August 5, 2026. The terms are as follows:

(a) Interest accrued/paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds was 5 years, which is from July 25, 2018 to July 25, 2023. The terms are as follows:

(a) Interest accrued/paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

C. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds was 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:

(a) Interest accrued/paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

D. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds was 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

(16) Long-term borrowings

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u>                | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2022</u> |
|---------------------------|---|----------------------------|-------------------|--------------------------|
| Long-term bank borrowings |   |                            |                   |                          |
| Unsecured borrowings      | Principal is repayable in installment until January 2030. | 1.41%~5.73%                | None              | \$ 26,218,912            |
| Less: Current portion     |   |                            |                   | ( 5,450,172)             |
|                           |   |                            |                   | <u>\$ 20,768,740</u>     |

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u>                | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2021</u> |
|---------------------------|---|----------------------------|-------------------|--------------------------|
| Long-term bank borrowings |   |                            |                   |                          |
| Unsecured borrowings      | Principal is repayable in installment until January 2029. | 0.70%~1.87%                | None              | \$ 22,204,918            |
| Other borrowings          |   |                            |                   |                          |
| Unsecured borrowings      | Principal is repayable in November 2022 at the maturity.  | 6.65%                      | None              | <u>173,760</u>           |
|                           |   |                            |                   | 22,378,678               |
| Less: Current portion     |   |                            |                   | ( 4,113,518)             |
|                           |   |                            |                   | <u>\$ 18,265,160</u>     |

A. Above mentioned borrowings are capital financings through financial institutions and other related parties.

B. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2022 and 2021.

C. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group’s long-term borrowings (including current portion) denominated in foreign currencies are as follows:

| Currency | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------|--------------------------|--------------------------|
| USD      | \$ 13,308,179            | \$ 12,507,669            |

(17) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standard Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 1,027,038             | \$ 1,170,562             |
| Fair value of plan assets                    | ( 678,484)               | ( 678,036)               |
| Net defined benefit liability                | <u>\$ 348,554</u>        | <u>\$ 492,526</u>        |

(c) Movements in net defined benefit liabilities are as follows:

|   | <u>2022</u>   |                                      |  |
|---|---|--------------------------------------|--|
|   | <u>Present value<br/>of defined<br/>benefit obligations</u> | <u>Fair value of<br/>plan assets</u> | <u>Net defined<br/>benefit liability</u> |
| Balance at January 1  | \$ 1,170,562  | (\$ 678,036)                         | \$ 492,526                               |
| Current service cost  | 10,519  | -                                    | 10,519                                   |
| Interest expense (income)   | 8,194   | ( 4,746)                             | 3,448                                    |
|   | <u>1,189,275</u>  | <u>( 682,782)</u>                    | <u>506,493</u>                           |
| Remeasurements:   |   |                                      |  |
| Change in demographic assumptions   | -   | -                                    | -  |
| Change in financial assumptions   | ( 52,716)   | -                                    | ( 52,716)                                |
| Experience adjustments  | ( 20,929)   | -                                    | ( 20,929)                                |
| Return on plan asset<br>(excluding amounts included in<br>interest income or expense) | -   | -                                    | -  |
|   | <u>( 73,645)</u>  | <u>( 52,686)</u>                     | <u>( 126,331)</u>                        |
| Pension fund contribution   | -   | ( 31,608)                            | ( 31,608)                                |
| Paid pension  | ( 88,592)   | 88,592                               | -  |
| Balance at December 31  | <u>\$ 1,027,038</u>   | <u>( \$ 678,484)</u>                 | <u>\$ 348,554</u>                        |

|   | 2021   |                              |                                  |
|---|--|------------------------------|----------------------------------|
|   | Present value<br>of defined<br>benefit obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
| Balance at January 1  | \$ 1,278,916                                       | (\$ 695,313)                 | \$ 583,603                       |
| Current service cost  | 13,154   | -                            | 13,154                           |
| Interest expense (income)   | 3,837  | ( 2,086)                     | 1,751                            |
|   | <u>1,295,907</u>                                   | <u>( 697,399)</u>            | <u>598,508</u>                   |
| Remeasurements:   |  |                              |                                  |
| Change in demographic assumptions   | 979  | -                            | 979                              |
| Change in financial assumptions   | ( 43,632)  | -                            | ( 43,632)                        |
| Experience adjustments  | ( 28,093)  | -                            | ( 28,093)                        |
| Return on plan asset<br>(excluding amounts included in<br>interest income or expense) | -  | ( 10,966)                    | ( 10,966)                        |
|   | <u>( 70,746)</u>                                   | <u>( 10,966)</u>             | <u>( 81,712)</u>                 |
| Pension fund contribution   | -  | ( 24,270)                    | ( 24,270)                        |
| Paid pension  | ( 54,599)  | 54,599                       | -                                |
| Balance at December 31  | <u>\$ 1,170,562</u>                                | <u>( \$ 678,036)</u>         | <u>\$ 492,526</u>                |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2022 and 2021, the actual return on plan assets was \$57,432 thousand and \$13,052 thousand, respectively.

- (e) The principal actuarial assumptions used were as follows:

|                         | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-------------------------|---------------------------------|---------------------------------|
| Discount rate           | <u>1.30%</u>                    | <u>0.70%</u>                    |
| Future salary increases | <u>3.00%</u>                    | <u>3.00%</u>                    |

For the years ended December 31, 2022 and 2021, assumptions regarding future mortality

experience are set based on the 6th empirical life table estimation in Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|   | Discount rate      |                  | Future salary increases |                    |
|---|--------------------|------------------|-------------------------|--------------------|
|   | Increase           | Decrease         | Increase                | Decrease           |
|   | 0.25%              | 0.25%            | 0.25%                   | 0.25%              |
| December 31, 2022                                     |                    |                  |                         |                    |
| Effect on present value of defined benefit obligation | <u>(\$ 20,750)</u> | <u>\$ 21,451</u> | <u>\$ 18,629</u>        | <u>(\$ 18,414)</u> |
| December 31, 2021                                     |                    |                  |                         |                    |
| Effect on present value of defined benefit obligation | <u>(\$ 25,473)</u> | <u>\$ 26,377</u> | <u>\$ 22,962</u>        | <u>(\$ 22,331)</u> |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$12,538 thousand.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

|               |    |                |
|---------------|----|----------------|
| Within 1 year | \$ | 138,369        |
| 2-5 years     |    | 272,938        |
| Over 6 years  |    | <u>285,755</u> |
|               | \$ | <u>697,062</u> |

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading Co., Ltd. for the years ended December 31, 2022 and 2021 were \$136,225 thousand and \$149,262 thousand, respectively.
- C. (a) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2022 and 2021 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$600,156 thousand and \$438,774 thousand, respectively.
- (b) Other overseas entities contribute to the statutory pension insurance or pension fund for their employees based on their wages and salaries in compliance with local laws and regulations. Other than the annual contributions, the entities have no further obligations. The pension costs

under the defined contribution pension plan of the Group for the years ended December 31, 2022 and 2021 were \$57,798 thousand and \$68,247 thousand, respectively.

(18) Share capital

As at December 31, 2022, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The Company recognized dividends distributed to shareholders amounting to \$4,537,982 thousand and \$3,889,699 thousand (\$1.4 (in dollars) and \$1.2 (in dollars) per share) for the years ended December 31, 2022 and 2021, respectively. On March 14, 2023, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2022 was \$4,537,982 thousand at \$1.4 (in dollars) per share.

(21) Other equity items

|                                   | 2022  |  |                       |
|-----------------------------------|---|--|-----------------------|
|                                   | Unrealized gain (loss) on valuation of equity instruments |  |                       |
|                                   | Currency translation                                      | at fair value through other comprehensive income | Total                 |
| At January 1                      | (\$ 7,602,556)  | \$ 14,418  | (\$ 7,588,138)        |
| Valuation adjustment – Group      | -   | ( 5,245)   | ( 5,245)              |
| Currency translation differences: | -   | -  | -                     |
| – Group                           | 2,153,007   | -  | 2,153,007             |
| – Tax on Group                    | ( 430,601)  | -  | ( 430,601)            |
| At December 31                    | <u>(\$ 5,880,150)</u>                                     | <u>\$ 9,173</u>                                  | <u>(\$ 5,870,977)</u> |
|                                   | 2021  |  |                       |
|                                   | Unrealized gain (loss) on valuation of equity instruments |  |                       |
|                                   | Currency translation                                      | at fair value through other comprehensive income | Total                 |
| At January 1                      | (\$ 6,632,448)  | \$ 21,152  | (\$ 6,611,296)        |
| Valuation adjustment – Group      | -   | ( 6,734)   | ( 6,734)              |
| Currency translation differences: | -   | -  | -                     |
| – Group                           | ( 1,212,635)  | -  | ( 1,212,635)          |
| – Tax on Group                    | 242,527   | -  | 242,527               |
| At December 31                    | <u>(\$ 7,602,556)</u>                                     | <u>\$ 14,418</u>                                 | <u>(\$ 7,588,138)</u> |

(22) Operating revenue

|                                       | Year ended           | Year ended            |
|---------------------------------------|----------------------|-----------------------|
|                                       | December 31, 2022    | December 31, 2021     |
| Revenue from contracts with customers | <u>\$ 98,622,877</u> | <u>\$ 101,536,961</u> |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

|                                       | Year ended December 31, 2022 |                      |                      |                      |                       |
|---------------------------------------|------------------------------|----------------------|----------------------|----------------------|-----------------------|
|                                       | Taiwan                       | China                | US                   | Others               | Total                 |
| Revenue from contracts with customers | <u>\$ 6,944,440</u>          | <u>\$ 41,173,521</u> | <u>\$ 11,166,092</u> | <u>\$ 39,338,824</u> | <u>\$ 98,622,877</u>  |
|                                       | Year ended December 31, 2021 |                      |                      |                      |                       |
|                                       | Taiwan                       | China                | US                   | Others               | Total                 |
| Revenue from contracts with customers | <u>\$ 6,751,039</u>          | <u>\$ 49,225,937</u> | <u>\$ 9,729,466</u>  | <u>\$ 35,830,519</u> | <u>\$ 101,536,961</u> |

## B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

|                             | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>January 1, 2021</u> |
|-----------------------------|--------------------------|--------------------------|------------------------|
| Contract liabilities:       |                          |                          |                        |
| Advance sales receipts      | \$ 527,661               | \$ 1,024,767             | \$ 1,118,360           |
| Customer loyalty programmes | <u>26,661</u>            | <u>22,807</u>            | <u>30,922</u>          |
| Total                       | <u>\$ 554,322</u>        | <u>\$ 1,047,574</u>      | <u>\$ 1,149,282</u>    |

Revenue recognised that was included in the contract liability balance at the beginning of the period:

|                             | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|-----------------------------|---|---|
| Advance sales receipts      | \$ 871,204                              | \$ 837,775                              |
| Customer loyalty programmes | <u>22,807</u>                           | <u>30,922</u>                           |
|                             | <u>\$ 894,011</u>                       | <u>\$ 868,697</u>                       |

### (23) Interest income

|  | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|--|---|---|
| Interest income from bank deposits                                 | \$ 300,058                              | \$ 126,815                              |
| Interest income from financial assets at amortised cost            | 75,346                                  | 10,327                                  |
| Interest income from financial assets at fair value through profit | -                                       | 25,165                                  |
|  | <u>\$ 375,404</u>                       | <u>\$ 162,307</u>                       |

### (24) Other income

|               | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|---------------|---|---|
| Grant revenue | \$ 339,869                              | \$ 396,470                              |
| Other income  | <u>344,738</u>                          | <u>235,794</u>                          |
|               | <u>\$ 684,607</u>                       | <u>\$ 632,264</u>                       |

### (25) Other gains and losses

|  | <u>Year ended<br/>December 31, 2022</u> | <u>Year ended<br/>December 31, 2021</u> |
|--|---|---|
| Net currency exchange loss   | (\$ 765,393)                            | (\$ 585,874)                            |
| Loss on disposal of property, plant and equipment  | ( 96,069)                               | ( 74,456)                               |
| Net gain (loss) on financial assets and liabilities at fair value through profit or loss | 244,478                                 | ( 2,687)                                |
| Miscellaneous disbursement   | <u>( 92,903)</u>                        | <u>( 118,168)</u>                       |
|  | <u>(\$ 709,887)</u>                     | <u>(\$ 781,185)</u>                     |

(26) Finance costs

|   | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|---|---|---|
| Interest expense:                         |   |   |
| Bank borrowings                           | \$ 660,074                                    | \$ 389,576                                    |
| Corporate bonds                           | 103,793                                       | 134,005                                       |
| Provisions-discount                       | 11,657  | 10,724  |
| Lease liability-interest expense          | 12,246  | 14,965  |
|   | <u>\$ 787,770</u>                             | <u>\$ 549,270</u>                             |
| Less: Capitalisation of qualifying assets | ( 7,782)                                      | ( 18,673)                                     |
| Finance costs                             | <u>\$ 779,988</u>                             | <u>\$ 530,597</u>                             |

(27) Expenses by nature

|   | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|---|---|---|
| Employee benefit expense                              |   |   |
| Wages and salaries                                    | \$ 10,782,327                                 | \$ 12,016,054                                 |
| Labour and health insurance fees                      | 691,425                                       | 696,592                                       |
| Pension costs   | 808,146                                       | 671,188                                       |
| Directors' remuneration                               | 118,271                                       | 127,130                                       |
| Other personnel expenses                              | 787,745                                       | 829,780                                       |
|   | <u>\$ 13,187,914</u>                          | <u>\$ 14,340,744</u>                          |
| Raw materials and supplies used                       | <u>\$ 49,535,896</u>                          | <u>\$ 51,076,036</u>                          |
| Depreciation expense on property, plant and equipment | <u>\$ 10,322,422</u>                          | <u>\$ 10,851,680</u>                          |
| Depreciation expense on right-of-use assets           | <u>\$ 279,557</u>                             | <u>\$ 280,706</u>                             |
| Depreciation expense on investment property           | <u>\$ 23,667</u>                              | <u>\$ 23,245</u>                              |
| Amortisation expense on intangible assets             | <u>\$ 96,268</u>                              | <u>\$ 86,228</u>                              |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$131,549 thousand and \$130,705 thousand, respectively; while directors' remuneration was accrued at \$98,662 thousand and \$98,028 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2% and 1.5% of distributable profit of current year for the year ended December 31, 2022.

Employees' compensation and directors' remuneration for 2021 amounting to \$130,705 thousand and \$98,028 thousand as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. The employees' compensation for 2021 will be distributed in the form of cash. As of March 15, 2023, the employees' compensation for 2022 has not been distributed.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|---|---|---|
| Current tax:                                      |   |   |
| Current tax on profits for the period             | \$ 2,263,908                                  | \$ 2,015,334                                  |
| Additional 5% tax on undistributed earnings       | -   | 55,011  |
| Prior year income tax under (over) estimation     | <u>23,626</u>                                 | <u>(58,229)</u>                               |
| Total current tax                                 | <u>2,287,534</u>                              | <u>2,012,116</u>                              |
| Deferred tax:                                     |   |   |
| Origination and reversal of temporary differences | <u>(309,118)</u>                              | <u>(150,965)</u>                              |
| Total current tax                                 | <u>(309,118)</u>                              | <u>(150,965)</u>                              |
| Income tax expense                                | <u>\$ 1,978,416</u>                           | <u>\$ 1,861,151</u>                           |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

|  | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|--|---|---|
| Generated during the period :                |   |   |
| Currency translation differences             | (\$ 430,601)                                  | \$ 242,527                                    |
| Remeasurement of defined benefit obligations | <u>(25,266)</u>                               | <u>(16,342)</u>                               |
| Total generated during the period            | <u>(\$ 455,867)</u>                           | <u>\$ 226,185</u>                             |

B. Reconciliation between income tax expense and accounting profit:

|  | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|--|---|---|
| Tax calculated based on profit before tax and statutory tax rate                       | \$ 1,959,149                                  | \$ 2,259,981                                  |
| Effect from items disallowed by tax regulation   | 91,444  | 88,099  |
| Income from investing overseas subsidiaries not recognized as deferred tax liabilities | (496,652)                                     | (598,266)                                     |
| Temporary differences not recognized as deferred tax regulation                        | 524,342                                       | 321,145                                       |
| Tax exempt income by tax regulation  | (123,493)                                     | (205,443)                                     |
| Prior year income tax under (over) estimation  | 23,626  | (58,229)                                      |
| Impact of change in the tax rate   | -   | (1,147)                                       |
| Additional 5% tax on undistributed earnings  | -   | 55,011  |
| Income tax expense   | <u>\$ 1,978,416</u>                           | <u>\$ 1,861,151</u>                           |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

|                            | 2022                |   |   |                     |
|----------------------------|---------------------|---|---|---------------------|
|                            | <u>January 1</u>    | <u>Recognised in<br/>profit or loss</u> | <u>Recognised<br/>in other<br/>comprehensive<br/>income</u> | <u>December 31</u>  |
| Temporary differences:     |                     |   |   |                     |
| -Deferred tax assets:      |                     |   |   |                     |
| Unrealised gain on inter   |                     |   |   |                     |
| -affiliated accounts       | \$ 127,686          | (\$ 13,747)                             | \$ -  | \$ 113,939          |
| Remeasurement of defined   |                     |   |   |                     |
| benefit obligations        | 149,207             | -                                       | ( 25,266)   | 123,941             |
| Exchange differences on    |                     |   |   |                     |
| translation of foreign     |                     |   |   |                     |
| financial statements       | 1,379,321           | -                                       | ( 430,601)  | 948,720             |
| Deferred government grant  |                     |   |   |                     |
| revenue                    | 262,634             | ( 6,681)                                | -   | 255,953             |
| Unrealised exchange loss   | 26,562              | ( 16,340)                               | -   | 10,222              |
| Others                     | 272,318             | 218,113                                 | -   | 490,431             |
| Subtotal                   | <u>\$ 2,217,728</u> | <u>\$ 181,345</u>                       | <u>(\$ 455,867)</u>   | <u>\$ 1,943,206</u> |
| -Deferred tax liabilities: |                     |   |   |                     |
| Gain on foreign long-term  |                     |   |   |                     |
| investments                | (\$ 334,075)        | \$ 67,637                               | \$ -  | ( 266,438)          |
| Adjustment of land value   |                     |   |   |                     |
| increment tax              | ( 514,733)          | -                                       | -   | ( 514,733)          |
| Others                     | ( 147,201)          | 60,136                                  | -   | ( 87,065)           |
| Subtotal                   | <u>(\$ 996,009)</u> | <u>\$ 127,773</u>                       | <u>\$ -</u>   | <u>(\$ 868,236)</u> |
| Total                      | <u>\$ 1,221,719</u> | <u>\$ 309,118</u>                       | <u>(\$ 455,867)</u>   | <u>\$ 1,074,970</u> |

|                            | 2021                |                                 |   |                     |
|----------------------------|---------------------|---------------------------------|---|---------------------|
|                            | January 1           | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | December 31         |
| Temporary differences:     |                     |                                 |   |                     |
| -Deferred tax assets:      |                     |                                 |   |                     |
| Unrealised gain on inter   |                     |                                 |   |                     |
| -affiliated accounts       | \$ 156,234          | (\$ 28,548)                     | \$ -  | \$ 127,686          |
| Remeasurement of defined   |                     |                                 |   |                     |
| benefit obligations        | 165,549             | -                               | ( 16,342)   | 149,207             |
| Exchange differences on    |                     |                                 |   |                     |
| translation of foreign     |                     |                                 |   |                     |
| financial statements       | 1,136,794           | -                               | 242,527   | 1,379,321           |
| Deferred government grant  |                     |                                 |   |                     |
| revenue                    | 273,596             | ( 10,962)                       | -   | 262,634             |
| Unrealised exchange loss   | 68,818              | ( 42,256)                       | -   | 26,562              |
| Others                     | 120,218             | 152,100                         | -   | 272,318             |
| Subtotal                   | <u>\$ 1,921,209</u> | <u>\$ 70,334</u>                | <u>\$ 226,185</u>                                 | <u>\$ 2,217,728</u> |
| -Deferred tax liabilities: |                     |                                 |   |                     |
| Gain on foreign long-term  |                     |                                 |   |                     |
| investments                | ( 449,284)          | 115,209                         | -   | ( 334,075)          |
| Adjustment of land value   |                     |                                 |   |                     |
| increment tax              | ( 514,733)          | -                               | -   | ( 514,733)          |
| Others                     | ( 112,623)          | ( 34,578)                       | -   | ( 147,201)          |
| Subtotal                   | <u>( 1,076,640)</u> | <u>80,631</u>                   | <u>-</u>  | <u>( 996,009)</u>   |
| Total                      | <u>\$ 844,569</u>   | <u>\$ 150,965</u>               | <u>\$ 226,185</u>                                 | <u>\$ 1,221,719</u> |

D. (a) The China subsidiary that was consolidated in the financial statements was a productive foreign enterprise and established in People's Republic of China and is eligible for local tax incentives. In line with local tax law, the tax rate and applicable tax rate was 15% and 25%, respectively.

(b) For the years ended December 31, 2022 and 2021, the Company's subsidiary, Cheng Shin (Thailand) was eligible to avail of the local tax incentives.

F. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

|                                  | December 31, 2022    | December 31, 2021   |
|----------------------------------|----------------------|---------------------|
| Deductible temporary differences | <u>\$ 11,405,029</u> | <u>\$ 8,799,957</u> |

E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2022 and 2021 were \$53,795,445 thousand and \$50,581,303 thousand, respectively.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

|   | Year ended December 31, 2022 |   |                                       |
|---|------------------------------|---|---------------------------------------|
|   | Amount<br>after tax          | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings<br>per share<br>(in dollars) |
| <u>Basic earnings per share</u>   |                              |   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent   | \$ 4,961,369                 | 3,241,416   | \$ 1.53                               |
| <u>Diluted earnings per share</u>   |                              |   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent   | 4,961,369                    | 3,241,416   |                                       |
| Assumed conversion of all<br>dilutive potential ordinary shares   |                              |   |                                       |
| Employees' compensation   | -                            | 4,870   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent plus<br>assumed conversion of all dilutive<br>potential ordinary shares | \$ 4,961,369                 | 3,246,286   | \$ 1.53                               |
|   | Year ended December 31, 2021 |   |                                       |
|   | Amount<br>after tax          | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings<br>per share<br>(in dollars) |
| <u>Basic earnings per share</u>   |                              |   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent   | \$ 5,270,007                 | 3,241,416   | \$ 1.63                               |
| <u>Diluted earnings per share</u>   |                              |   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent   | 5,270,007                    | 3,241,416   |                                       |
| Assumed conversion of all<br>dilutive potential ordinary shares   |                              |   |                                       |
| Employees' compensation   | -                            | 4,450   |                                       |
| Profit attributable to ordinary<br>shareholders of the parent plus<br>assumed conversion of all dilutive<br>potential ordinary shares | \$ 5,270,007                 | 3,245,866   | \$ 1.62                               |

(30) Supplemental cash flow information

Investing activities with partial cash payments :

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Purchase of property, plant and equipment    | \$ 3,135,673                    | \$ 4,353,139                    |
| Add: Opening balance of payable on equipment | 565,792                         | 607,905                         |
| Less: Ending balance of payable on equipment | ( 432,843)                      | ( 565,792)                      |
| Cash paid during the period                  | <u>\$ 3,268,622</u>             | <u>\$ 4,395,252</u>             |

(31) Changes in liabilities from financing activities

|  | 2022                     |                         |                      |                      |                    |                                   |   |
|--|--------------------------|-------------------------|----------------------|----------------------|--------------------|-----------------------------------|---|
|  | Short-term<br>borrowings | Long-term<br>borrowings | Bonds<br>payable     | Dividends<br>payable | Lease<br>liability | Guarantee<br>deposits<br>received | Liabilities from<br>financing<br>activities-gross |
| At January 1                                   | \$ 9,365,279             | \$ 22,378,678           | \$ 16,500,000        | \$ 9                 | \$ 556,358         | \$ 250,496                        | \$ 49,050,820                                     |
| Changes in cash flow from financing activities | ( 3,131,708)             | 2,666,406               | ( 6,000,000)         | ( 3,912,252)         | ( 188,920)         | 20,094                            | ( 10,546,380)                                     |
| Interest paid                                  | -                        | -                       | -                    | -                    | ( 12,246)          | -                                 | ( 12,246)   |
| Additions                                      | -                        | -                       | -                    | 3,912,252            | 29,944             | -                                 | 3,942,196   |
| Amortisation of interest expense               | -                        | -                       | -                    | -                    | 12,246             | -                                 | 12,246  |
| Impact of changes in foreign exchange rate     | ( 38,825)                | 1,173,828               | -                    | 1                    | 36,523             | -                                 | 1,171,527   |
| At December 31                                 | <u>\$ 6,194,746</u>      | <u>\$ 26,218,912</u>    | <u>\$ 10,500,000</u> | <u>\$ 10</u>         | <u>\$ 433,905</u>  | <u>\$ 270,590</u>                 | <u>\$ 43,618,163</u>                              |
|  | 2021                     |                         |                      |                      |                    |                                   |   |
|  | Short-term<br>borrowings | Long-term<br>borrowings | Bonds<br>payable     | Dividends<br>payable | Lease<br>liability | Guarantee<br>deposits<br>received | Liabilities from<br>financing<br>activities-gross |
| At January 1                                   | \$ 7,222,391             | \$ 26,706,526           | \$ 14,500,000        | \$ 657               | \$ 714,351         | \$ 257,773                        | \$ 49,401,698                                     |
| Changes in cash flow from financing activities | 2,505,565                | ( 4,141,467)            | 2,000,000            | ( 3,889,699)         | ( 184,827)         | ( 7,277)                          | ( 3,717,705)                                      |
| Changes in other non-cash items                | -                        | -                       | -                    | ( 647)               | -                  | -                                 | ( 647)  |
| Interest paid                                  | -                        | -                       | -                    | -                    | ( 14,965)          | -                                 | ( 14,965)   |
| Additions                                      | -                        | -                       | -                    | 3,889,699            | 51,851             | -                                 | 3,941,550   |
| Amortisation of interest expense               | -                        | -                       | -                    | -                    | 14,965             | -                                 | 14,965  |
| Impact of changes in foreign exchange rate     | ( 362,677)               | ( 186,381)              | -                    | ( 1)                 | ( 25,017)          | -                                 | ( 574,076)  |
| At December 31                                 | <u>\$ 9,365,279</u>      | <u>\$ 22,378,678</u>    | <u>\$ 16,500,000</u> | <u>\$ 9</u>          | <u>\$ 556,358</u>  | <u>\$ 250,496</u>                 | <u>\$ 49,050,820</u>                              |

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

| <u>Names of related parties</u>   | <u>Relationship with the Group</u>                                     |
|-----------------------------------|--|
| Toyo Tire & Rubber Co., Ltd.      | Associate which invests in subsidiary by using the equity method       |
| New Pacific IND. CD., LTD.        | Investee accounted for using the equity method                         |
| MERIDA INDUSTRY CO., LTD.         | The Company's director is the company's vice chairman                  |
| Maxxis (XiaMen) Trading CO., LTD. | The Company's director is the company's representative                 |
| Jye Luo Memory Co Ltd.            | The Company's director is the company's representative                 |
| Lo, Ming-Ling                     | Spouse of the Company's director                                       |
| Lo, Ming-I                        | Spouse of the Company's chairman                                       |
| Lo, Tsai-Jen                      | The Company's director   |
| Luo, Yuan-Yo                      | Relative of the Company's director within first degree of relationship |
| Lo, Yuan-Long                     | Relative of the Company's director within first degree of relationship |
| Chen, Po-Chia                     | Relative of the Company's director within first degree of relationship |
| Chen, Ping-Hao                    | Relative of the Company's chairman within first degree of relationship |

### (2) Significant related party transactions

#### A. Operating revenue

|                        | <u>Year ended</u><br><u>December 31, 2022</u> | <u>Year ended</u><br><u>December 31, 2021</u> |
|------------------------|---|---|
| Sales of goods:        |   |   |
| -Other related parties | \$ <u>332,293</u>                             | \$ <u>247,958</u>                             |

Prices and collection terms of abovementioned sales are the same with third parties, and the credit terms are between 60~90 days.

#### B. Receivables from related parties

|                        | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------|--------------------------|--------------------------|
| Accounts receivable:   |                          |                          |
| -Other related parties | \$ <u>72,535</u>         | \$ <u>39,826</u>         |

#### C. Loans to / from related parties: shown as long-term liabilities, current portion and long-term borrowings

|                                   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------|--------------------------|--------------------------|
| Payables due to related parties : |                          |                          |
| -Other related parties            | \$ <u>-</u>              | \$ <u>173,760</u>        |

The Group obtained financing from other related parties and financial institutions for capital needs. Please refer to Note 6(16) for interest rates, borrowing periods and repayment methods.

#### D. Lease transactions - lessee

(a) The Group leases land from Lo, Ming-Ling, Lo, Ming-I, Lo, Tsai-Jen, Luo, Yuan-Yo, Lo, Yuan-Long, Chen, Po-Chia and Chen, Ping-Hao. Rental contracts are typically made for periods of 4 to 5 years. Rents are prepaid at the beginning of the year.

#### (b) Lease liabilities

##### i. Outstanding balance

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Key management personnel | \$ 13,976                | \$ 27,829                |
| ii. Interest expense     |                          |                          |

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <u>Year ended</u>        | <u>Year ended</u>        |
|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Key management personnel | \$ 123                   | \$ 258                   |

(3) Key management compensation

|                              |                          |                          |
|------------------------------|--------------------------|--------------------------|
|                              | <u>Year ended</u>        | <u>Year ended</u>        |
|                              | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Short-term employee benefits | \$ 259,646               | \$ 267,080               |
| Post-employment benefits     | 1,964                    | 1,389                    |
|                              | <u>\$ 261,610</u>        | <u>\$ 268,469</u>        |

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

| <u>Pledged asset</u>  | <u>Book value</u>        |                          | <u>Purpose</u>   |
|---|--------------------------|--------------------------|--|
|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |  |
| Time deposits (shown as<br>'Financial assets at amortised<br>cost - non-current') | \$ 34,948                | \$ -                     | Customs guarantees,<br>Performance guarantees<br>and Import credit limit |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

(1) Contingencies

The Company's former distributor, Khalid Saeed Al Hajri Company Ltd. (the "KCT"), claimed that the termination of its agency contract was in dispute and filed a claim for arbitration. The Company believes that the agency contract proposed by KCT is not authorized by the Company and that the claim is not justified. The arbitration is still ongoing and KCT filed its latest pleading on February 26, 2023. The Company has been seeking the advice of its legal counsel and is actively participating in the above arbitration proceedings.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

|                               |                          |                          |
|-------------------------------|--------------------------|--------------------------|
|                               | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Property, plant and equipment | \$ 2,656,182             | \$ 2,607,008             |

B. Amount of letter of credit that has been issued but not yet used:

|   |                          |                          |
|---|--------------------------|--------------------------|
|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| Amount of letter of credit that has been<br>issued but not yet used | \$ -                     | \$ 6,877                 |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

A. To meet the requirement of PT MAXXIS International Indonesia's working capital and purchase of production equipment, the Board of Directors resolved to increase the capital of PT MAXXIS International Indonesia by US\$30,000 thousand on March 14, 2023 and completed this capital increase on March 16, 2023.

B. To meet the requirement of Maxxis Tubber India Private Limited's working capital and purchase of

production equipment, the Board of Director resolved to increase the capital of Maxxis Rubber India Private Limited by INR\$5,810,000 thousand on March 14, 2023.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Group's strategy was unchanged from 2021. The Group maintained the gearing ratios below 200%. The gearing ratios at December 31, 2022 and 2021 were as follows:

|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Total liabilities        | \$ 61,496,804            | \$ 68,244,629            |
| Total equity             | \$ 84,386,815            | \$ 81,477,368            |
| Less : Intangible assets | ( 233,013)               | ( 222,669)               |
| Tangible equity          | <u>\$ 84,153,802</u>     | <u>\$ 81,254,699</u>     |
| Debt-equity ratio        | <u>73%</u>               | <u>84%</u>               |

### (2) Financial instruments

#### A. Financial instruments by category

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u>  |                          |                          |
| Financial assets at fair value through profit or loss                      |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss | \$ -                     | \$ 17,648                |
| Financial assets at fair value through other comprehensive income          |                          |                          |
| Designation of equity instrument   | <u>\$ 76,025</u>         | <u>\$ 81,270</u>         |
| Financial assets at amortised cost   |                          |                          |
| Cash and cash equivalents  | \$ 21,735,562            | \$ 25,927,827            |
| Financial assets at amortised cost   | 5,441,377                | 141,344                  |
| Notes receivable, net  | 3,436,147                | 2,879,178                |
| Accounts receivable (including related parties)                            | 9,612,429                | 9,138,034                |
| Guarantee deposits paid  | 79,169                   | 68,967                   |
|  | <u>\$ 40,304,684</u>     | <u>\$ 38,155,350</u>     |

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Financial liabilities at amortised cost                |                          |                          |
| Short-term borrowings                                  | \$ 6,194,746             | \$ 9,365,279             |
| Notes payable  | 169,724                  | 320,028                  |
| Accounts payable                                       | 7,163,658                | 7,536,483                |
| Other accounts payable                                 | 4,973,035                | 5,406,529                |
| Corporate bonds payable<br>(including current portion) | 10,500,000               | 16,500,000               |
| Long-term borrowings (including current portion)       | 26,218,912               | 22,378,678               |
| Guarantee deposits received                            | <u>270,590</u>           | <u>250,496</u>           |
|  | <u>\$ 55,490,665</u>     | <u>\$ 61,757,493</u>     |
| Lease liabilities (including current portion)          | <u>\$ 433,905</u>        | <u>\$ 556,358</u>        |

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. Primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- ii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR, JPY, MXN and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022

|  | Foreign<br>currency amount<br>(thousands) | Exchange rate | Book value<br>(TWD<br>in thousands) | Sensitivity analysis   |                             |  |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|
|  |   |               |                                     | Degree of<br>variation | Effect on<br>profit or loss | Effect on other<br>comprehensive<br>income |
| <b>(Foreign currency:<br/>functional currency)</b> |   |               |                                     |                        |                             |  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 186,342                                | 30.710        | \$ 5,722,563                        | 1%                     | \$ 57,226                   | \$ -                                       |
| RMB : TWD  | 75,225                                    | 4.408         | 331,592                             | 1%                     | 3,316                       | -  |
| EUR : TWD  | 11,698                                    | 32.720        | 382,759                             | 1%                     | 3,828                       | -  |
| JPY : TWD  | 569,819                                   | 0.232         | 132,198                             | 1%                     | 1,322                       | -  |
| USD : RMB  | 90,239                                    | 6.967         | 2,771,288                           | 1%                     | 27,713                      | -  |
| EUR : RMB  | 22,603                                    | 7.423         | 739,583                             | 1%                     | 7,396                       | -  |
| JPY : RMB  | 533,704                                   | 0.053         | 124,686                             | 1%                     | 1,247                       | -  |
| GBP : RMB  | 5,925                                     | 8.414         | 219,752                             | 1%                     | 2,198                       | -  |
| USD : THB  | 56,855                                    | 34.347        | 1,745,802                           | 1%                     | 17,458                      | -  |
| USD : VND  | 9,783                                     | 23,806.202    | 300,436                             | 1%                     | 3,004                       | -  |
| USD : CAD  | 14,987                                    | 1.355         | 460,368                             | 1%                     | 4,604                       | -  |
| USD : IDR  | 41,514                                    | 15,510.101    | 1,274,895                           | 1%                     | 12,749                      | -  |
| <u>Financial liabilities</u>                       |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 13,993                                 | 30.710        | \$ 429,725                          | 1%                     | \$ 4,297                    | \$ -                                       |
| USD : RMB  | 21,353                                    | 6.967         | 655,762                             | 1%                     | 6,558                       | -  |
| USD : THB  | 9,545                                     | 34.347        | 293,091                             | 1%                     | 2,931                       | -  |
| USD : VND  | 61,941                                    | 23,806.202    | 1,902,208                           | 1%                     | 19,022                      | -  |
| USD : CAD  | 5,917                                     | 1.355         | 181,758                             | 1%                     | 1,818                       | -  |
| USD : IDR  | 311,255                                   | 15,510.101    | 9,558,641                           | 1%                     | 95,586                      | -  |
| USD : INR  | 190,371                                   | 82.732        | 5,846,316                           | 1%                     | 58,463                      | -  |

December 31, 2021

|  | Sensitivity analysis                      |               |                                     |                        |                             |  |  |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|--|
|  | Foreign<br>currency amount<br>(thousands) | Exchange rate | Book value<br>(TWD<br>in thousands) | Degree of<br>variation | Effect on<br>profit or loss | Effect on other<br>comprehensive<br>income |  |
| <b>(Foreign currency:<br/>functional currency)</b> |   |               |                                     |                        |                             |  |  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |  |
| USD : TWD  | \$ 299,575                                | 27.680 \$     | 8,292,236                           | 1% \$                  | 82,922 \$                   | -  |  |
| RMB : TWD  | 33,151                                    | 4.344         | 144,008                             | 1%                     | 1,440                       | -  |  |
| EUR : TWD  | 20,586                                    | 31.320        | 644,754                             | 1%                     | 6,448                       | -  |  |
| JPY : TWD  | 1,343,878                                 | 0.241         | 323,875                             | 1%                     | 3,239                       | -  |  |
| USD : RMB  | 69,698                                    | 6.372         | 1,929,238                           | 1%                     | 19,292                      | -  |  |
| EUR : RMB  | 23,169                                    | 7.210         | 725,659                             | 1%                     | 7,257                       | -  |  |
| JPY : RMB  | 455,696                                   | 0.055         | 108,875                             | 1%                     | 1,089                       | -  |  |
| GBP : RMB  | 5,621                                     | 8.587         | 209,674                             | 1%                     | 2,097                       | -  |  |
| RUB : RMB  | 803,143                                   | 0.085         | 296,553                             | 1%                     | 2,966                       | -  |  |
| USD : THB  | 46,563                                    | 33.162        | 1,289,342                           | 1%                     | 12,893                      | -  |  |
| USD : VND  | 6,388                                     | 23,066.667    | 176,820                             | 1%                     | 1,768                       | -  |  |
| USD : CAD  | 10,588                                    | 1.280         | 293,008                             | 1%                     | 2,930                       | -  |  |
| USD : IDR  | 32,830                                    | 13,979.798    | 908,734                             | 1%                     | 9,087                       | -  |  |
| <u>Financial liabilities</u>                       |   |               |                                     |                        |                             |  |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |  |
| USD : TWD  | \$ 18,108                                 | 27.680 \$     | 501,229                             | 1% \$                  | 5,012 \$                    | -  |  |
| USD : RMB  | 20,272                                    | 6.372         | 561,128                             | 1%                     | 5,611                       | -  |  |
| USD : THB  | 10,861                                    | 33.162        | 300,744                             | 1%                     | 3,007                       | -  |  |
| USD : VND  | 70,316                                    | 23,066.667    | 1,946,347                           | 1%                     | 19,463                      | -  |  |
| USD : IDR  | 333,848                                   | 13,979.798    | 9,240,913                           | 1%                     | 92,409                      | -  |  |
| USD : INR  | 191,584                                   | 74.389        | 5,303,073                           | 1%                     | 53,031                      | -  |  |

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$765,393 thousand and (\$585,874) thousand, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2022 and 2021 would have increased/decreased by \$760 thousand and \$813 thousand, respectively.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the TWD, USD, THB, RMB and INR.
  - ii. The Group's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
  - iii. As at December 31, 2022 and 2021, if interest rates on TWD, USD, THB, RMB and INR denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the years ended December 31, 2022 and 2021 would have been \$32,169 thousand and \$31,468 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and financial assets at amortised cost based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 30 days.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As at December 31, 2022 and 2021, the Group has no written-off financial assets that are still under recourse procedures.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable; accounts receivable that are significantly past due are assessed individually for their expected credit losses. As at December 31, 2022 and 2021, the provision matrix is as follows:

| <u>December 31, 2022</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
|--------------------------|---------------------------|-------------------------|-----------------------|
| Without past due         | 0.00%                     | \$ 7,587,205            | \$ -                  |
| Up to 30 days            | 1.15%                     | 1,171,734               | 13,475                |
| 31 to 90 days            | 1.86%                     | 611,009                 | 11,365                |
| 91 to 180 days           | 5.55%                     | 171,199                 | 9,501                 |
| Over 180 days            | 10.84%                    | 37,111                  | 4,023                 |
|                          |                           | <u>\$ 9,578,258</u>     | <u>\$ 38,364</u>      |
| <br>                     |                           |                         |                       |
| <u>December 31, 2021</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
| Without past due         | 0.00%                     | \$ 7,580,524            | \$ -                  |
| Up to 30 days            | 0.95%                     | 1,082,707               | 10,286                |
| 31 to 90 days            | 1.52%                     | 323,352                 | 4,915                 |
| 91 to 180 days           | 4.17%                     | 113,396                 | 4,729                 |
| Over 180 days            | 8.59%                     | 19,865                  | 1,706                 |
| Individual               | 100.00%                   | 43,069                  | 43,069                |
|                          |                           | <u>\$ 9,162,913</u>     | <u>\$ 64,705</u>      |

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

|                                 | 2022             | 2021             |
|---------------------------------|------------------|------------------|
| At January 1                    | \$ 64,705        | \$ 60,595        |
| Provision for impairment        | 18,961           | 580              |
| Write-offs                      | ( 46,775)        | ( 4,019)         |
| Other                           | -                | 8,243            |
| Effect of exchange rate changes | 1,473            | ( 694)           |
| At December 31                  | <u>\$ 38,364</u> | <u>\$ 64,705</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022

| <u>Non-derivative financial liabilities</u> | <u>Less than<br/>three months</u> | <u>Between three<br/>and six months</u> | <u>Between six<br/>months and 1 year</u> | <u>Over 1 year</u> | <u>Total</u> |
|---|-----------------------------------|---|--|--------------------|--------------|
| Short-term borrowings                       | \$ 4,737,844                      | \$ 875,549                              | \$ 638,669                               | \$ -               | \$ 6,252,062 |
| Notes and accounts payable                  | 7,333,382                         | -                                       | -  | -                  | 7,333,382    |
| Other payables                              | 4,693,764                         | 16,605                                  | 127,791                                  | 134,875            | 4,973,035    |
| Lease liability                             | 56,589                            | 36,767                                  | 61,359                                   | 279,190            | 433,905      |
| Guarantee deposits received                 | 393                               | 3,680                                   | 8,010                                    | 258,507            | 270,590      |
| Long-term borrowings                        | 1,308,387                         | 592,849                                 | 4,386,368                                | 22,300,428         | 28,588,032   |
| Bonds payable                               | -                                 | -                                       | 2,569,750                                | 8,120,000          | 10,689,750   |

December 31, 2021

| <u>Non-derivative financial liabilities</u> | <u>Less than<br/>three months</u> | <u>Between three<br/>and six months</u> | <u>Between six<br/>months and 1 year</u> | <u>Over 1 year</u> | <u>Total</u> |
|---|-----------------------------------|---|--|--------------------|--------------|
| Short-term borrowings                       | \$ 7,736,631                      | \$ 955,728                              | \$ 701,310                               | \$ -               | \$ 9,393,669 |
| Notes and accounts payable                  | 7,856,511                         | -                                       | -  | -                  | 7,856,511    |
| Other payables                              | 5,094,067                         | 91                                      | 164,103                                  | 148,268            | 5,406,529    |
| Lease liability                             | 55,562                            | 39,884                                  | 75,938                                   | 384,974            | 556,358      |
| Guarantee deposits received                 | 296                               | 5                                       | 5  | 250,190            | 250,496      |
| Long-term borrowings                        | 977,145                           | 121,404                                 | 3,340,797                                | 18,412,446         | 22,851,792   |
| Bonds payable                               | -                                 | -                                       | 6,127,550                                | 10,689,750         | 16,817,300   |

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, financial assets at amortised cost, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

|                        | December 31, 2022      |                |                |                |
|------------------------|------------------------|----------------|----------------|----------------|
|                        | <u>Carrying amount</u> | Fair value     |                |                |
|                        |                        | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Financial liabilities: |                        |                |                |                |
| Bonds payable          | \$ 10,500,000          | \$ -           | \$ 10,525,872  | \$ -           |

|                        | December 31, 2021      |                |                |                |
|------------------------|------------------------|----------------|----------------|----------------|
|                        | <u>Carrying amount</u> | Fair value     |                |                |
|                        |                        | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Financial liabilities: |                        |                |                |                |
| Bonds payable          | \$ 16,500,000          | \$ -           | \$ 16,546,968  | \$ -           |

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date, the interest rate of par value was equivalent to market interest rate.

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of assets and liabilities is as follows:

|   | December 31, 2022 |           |           |           |
|---|-------------------|-----------|-----------|-----------|
|   | Level 1           | Level 2   | Level 3   | Total     |
| <b>Assets</b>   |                   |           |           |           |
| <u>Recurring fair value measurements</u>                          |                   |           |           |           |
| Financial assets at fair value through other comprehensive income |                   |           |           |           |
| - Equity securities   | \$ 17,838         | \$ -      | \$ 58,187 | \$ 76,025 |
|   | December 31, 2021 |           |           |           |
|   | Level 1           | Level 2   | Level 3   | Total     |
| <b>Assets</b>   |                   |           |           |           |
| <u>Recurring fair value measurements</u>                          |                   |           |           |           |
| Financial assets at fair value through profit or loss             |                   |           |           |           |
| - Derivative instruments  | \$ -              | \$ 17,648 | \$ -      | \$ 17,648 |
| Financial assets at fair value through other comprehensive income |                   |           |           |           |
| - Equity securities   | 23,083            | -         | 58,187    | 81,270    |
| Total   | \$ 23,083         | \$ 17,648 | \$ 58,187 | \$ 98,918 |

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. For Level 1, the Group used market quoted prices as their fair values according to the characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- iii. Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2022 and 2021.

(4) Assessment of the impact of Covid-19

Due to the spread of Covid-19 pandemic, production of all factories of the Group's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., was temporarily suspended under the local government's pandemic prevention program from April 6 to 19, 2022. Based on the Group's assessment, the overall finance and business were not significantly impacted due to the appropriate countermeasures undertaken.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(25) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 7.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: please refer to table 9.
- B. Ceiling on investments in Mainland China: please refer to table 9.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:  
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2022: please refer to tables 5, 6 and 7.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

#### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organization is divided into Cheng Shin (Taiwan), MAXXIS (Taiwan) Trading, Cheng Shin (Xiamen), Cheng Shin (China), Petrel (Xiamen), Cheng Shin (Thailand) and other segments based on the nature of each company. The Group's revenue is mainly from manufacturing and sales of bicycle tires, electrical vehicle tires, reclaimed rubber, etc.

#### (2) Measurement of segment information

The Group's segment profit (loss) is measured with the profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

#### (3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

|  | Year ended December 31, 2022   |                                       |  |   |                      |                       |
|--|--|---------------------------------------|--|---|----------------------|-----------------------|
|  | CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments   | Total                 |
| Revenue  |  |                                       |  |   |                      |                       |
| Revenue from external customers  | \$ 15,459,214  | \$ 15,228,649                         | \$ 22,174,136  | \$ 9,515,011                              | \$ 20,595,352        | \$ 82,972,362         |
| Revenue from inter-segment revenue   | 9,214,033  | 1,604,267                             | 444,596  | 1,347,502                                 | 4,014,623            | 16,625,021            |
| Total segment revenue  | <u>\$ 24,673,247</u>   | <u>\$ 16,832,916</u>                  | <u>\$ 22,618,732</u>   | <u>\$ 10,862,513</u>                      | <u>\$ 24,609,975</u> | <u>\$ 99,597,383</u>  |
| Geographical regions   |  |                                       |  |   |                      |                       |
| Taiwan   | \$ 10,064,488  | \$ 232,746                            | \$ 115,167   | \$ 30,629                                 | \$ 171,047           | \$ 10,614,077         |
| China  | 308,649  | 11,780,702                            | 17,781,129   | 4,529                                     | 15,653,230           | 45,528,239            |
| US   | 5,982,879  | 364,378                               | 5,957  | 1,095,256                                 | 466,715              | 7,915,185             |
| Others   | 8,317,231  | 4,455,090                             | 4,716,479  | 9,732,099                                 | 8,318,983            | 35,539,882            |
| Total  | <u>\$ 24,673,247</u>   | <u>\$ 16,832,916</u>                  | <u>\$ 22,618,732</u>   | <u>\$ 10,862,513</u>                      | <u>\$ 24,609,975</u> | <u>\$ 99,597,383</u>  |
| Segment income   | <u>\$ 5,212,380</u>  | <u>\$ 118,006</u>                     | <u>\$ 51,417</u>   | <u>\$ 963,973</u>                         | <u>\$ 2,460,450</u>  | <u>\$ 8,806,226</u>   |
| Depreciation and amortisation  | <u>\$ 1,529,962</u>  | <u>\$ 1,749,786</u>                   | <u>\$ 3,031,784</u>  | <u>\$ 998,267</u>                         | <u>\$ 2,439,589</u>  | <u>\$ 9,749,388</u>   |
| Interest income  | <u>\$ 63,770</u>   | <u>\$ 7,202</u>                       | <u>\$ 210,319</u>  | <u>\$ 532</u>                             | <u>\$ 265,233</u>    | <u>\$ 547,056</u>     |
| Finance costs  | <u>\$ 237,668</u>  | <u>\$ 51,180</u>                      | <u>\$ 4,632</u>  | <u>\$ 25,949</u>                          | <u>\$ 170,466</u>    | <u>\$ 489,895</u>     |
| Share of profit of associates and joint ventures accounted for under equity method | <u>\$ 26,362</u>   | <u>\$ -</u>                           | <u>\$ -</u>  | <u>\$ -</u>                               | <u>\$ -</u>          | <u>\$ 26,362</u>      |
|  | Year ended December 31, 2021   |                                       |  |   |                      |                       |
|  | CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments   | Total                 |
| Revenue  |  |                                       |  |   |                      |                       |
| Revenue from external customers  | \$ 15,268,181  | \$ 16,790,114                         | \$ 26,705,975  | \$ 9,215,320                              | \$ 20,278,259        | \$ 88,257,849         |
| Revenue from inter-segment revenue   | 9,819,232  | 1,754,262                             | 526,502  | 1,349,212                                 | 5,733,027            | 19,182,235            |
| Total segment revenue  | <u>\$ 25,087,413</u>   | <u>\$ 18,544,376</u>                  | <u>\$ 27,232,477</u>   | <u>\$ 10,564,532</u>                      | <u>\$ 26,011,286</u> | <u>\$ 107,440,084</u> |
| Geographical regions   |  |                                       |  |   |                      |                       |
| Taiwan   | \$ 10,464,479  | \$ 243,979                            | \$ 107,719   | \$ 110,144                                | \$ 210,351           | \$ 11,136,672         |
| China  | 360,540  | 13,651,937                            | 22,189,975   | 7,350                                     | 18,865,334           | 55,075,136            |
| US   | 6,313,588  | 436,062                               | 61   | 855,433                                   | 483,911              | 8,089,055             |
| Others   | 7,948,806  | 4,212,399                             | 4,934,722  | 9,591,605                                 | 6,451,690            | 33,139,222            |
| Total  | <u>\$ 25,087,413</u>   | <u>\$ 18,544,377</u>                  | <u>\$ 27,232,477</u>   | <u>\$ 10,564,532</u>                      | <u>\$ 26,011,286</u> | <u>\$ 107,440,085</u> |
| Segment income   | <u>\$ 3,286,125</u>  | <u>\$ 420,013</u>                     | <u>\$ 985,779</u>  | <u>\$ 626,259</u>                         | <u>\$ 3,324,109</u>  | <u>\$ 8,642,285</u>   |
| Depreciation and amortisation  | <u>\$ 1,622,316</u>  | <u>\$ 1,819,359</u>                   | <u>\$ 3,177,455</u>  | <u>\$ 1,188,902</u>                       | <u>\$ 2,471,746</u>  | <u>\$ 10,279,778</u>  |
| Interest income  | <u>\$ 30,746</u>   | <u>\$ 7,891</u>                       | <u>\$ 142,016</u>  | <u>\$ 421</u>                             | <u>\$ 223,891</u>    | <u>\$ 404,965</u>     |
| Finance costs  | <u>\$ 222,184</u>  | <u>\$ 67,565</u>                      | <u>\$ 17,864</u>   | <u>\$ 44,507</u>                          | <u>\$ 182,389</u>    | <u>\$ 534,509</u>     |
| Share of profit of associates and joint ventures accounted for under equity method | <u>\$ 19,401</u>   | <u>\$ -</u>                           | <u>\$ -</u>  | <u>\$ -</u>                               | <u>\$ -</u>          | <u>\$ 19,401</u>      |

(4) Reconciliation for segment income

A. A reconciliation of income after adjustment and total segment income from continuing operations is provided as follows:

|  | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|--|--|--|
| Adjusted revenue from reportable segments          | \$ 99,597,383                          | \$ 107,440,084                         |
| Adjusted revenue from other operating segments     | <u>16,907,146</u>                      | <u>14,617,075</u>                      |
| Total operating segments                           | 116,504,529                            | 122,057,159                            |
| Elimination of inter-segment revenue               | <u>( 17,881,652)</u>                   | <u>( 20,520,198)</u>                   |
| Total consolidated operating revenue               | <u>\$ 98,622,877</u>                   | <u>\$ 101,536,961</u>                  |
| Geographical regions                               |  |  |
| Geographical regions from reportable segments      | \$ 99,597,383                          | \$ 107,440,084                         |
| Geographical regions from other operating segments |  |  |
| Taiwan   | 173,413                                | 97,865                                 |
| China  | 1,719,449                              | 2,319,018                              |
| US   | 9,585,610                              | 7,815,413                              |
| Others   | <u>5,428,674</u>                       | <u>4,384,779</u>                       |
| Total geographical regions                         | 116,504,529                            | 122,057,159                            |
| Elimination of inter-segment revenue               | <u>( 17,881,652)</u>                   | <u>( 20,520,198)</u>                   |
| Total consolidated operating revenue               | <u>\$ 98,622,877</u>                   | <u>\$ 101,536,961</u>                  |

B. A reconciliation of adjusted current income before tax and the income before tax from continuing operations is provided as follows:

|   | Year ended<br><u>December 31, 2022</u> | Year ended<br><u>December 31, 2021</u> |
|---|--|--|
| Adjusted income from reportable segments before income tax    | \$ 8,806,226                           | \$ 8,642,285                           |
| Adjusted loss from other operating segments before income tax | <u>( 1,821,743)</u>                    | <u>( 1,468,286)</u>                    |
| Total operating segments                                      | 6,984,483                              | 7,173,999                              |
| Loss from elimination of inter-segment revenue                | <u>( 13,807)</u>                       | <u>( 17,998)</u>                       |
| Income from continuing operations before income tax           | <u>\$ 6,970,676</u>                    | <u>\$ 7,156,001</u>                    |

(5) Information on products and services

Revenue from external customers is mainly from processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. Details of revenue is as follows:

|               | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---------------|---------------------------------|---------------------------------|
| Sales revenue | \$ 97,956,849                   | \$ 100,574,179                  |
| Others        | 666,028                         | 962,782                         |
|               | <u>\$ 98,622,877</u>            | <u>\$ 101,536,961</u>           |

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

|        | Year ended December 31, 2022 |                      | Year ended December 31, 2021 |                      |
|--------|------------------------------|----------------------|------------------------------|----------------------|
|        | Revenue                      | Non-current assets   | Revenue                      | Non-current assets   |
| China  | \$ 41,173,521                | \$ 44,865,608        | \$ 49,225,937                | \$ 49,376,469        |
| USA    | 11,166,092                   | 624,560              | 9,729,466                    | 630,197              |
| Taiwan | 6,944,440                    | 15,438,065           | 6,751,039                    | 15,970,019           |
| Others | 39,338,824                   | 20,336,637           | 35,830,519                   | 21,473,094           |
|        | <u>\$ 98,622,877</u>         | <u>\$ 81,264,870</u> | <u>\$ 101,536,961</u>        | <u>\$ 87,449,779</u> |

The Company's geographical revenue is calculated based on the countries where sales occur. Non-current assets refer to property, plant and equipment, right-of-use assets, investment property, intangible assets (shown as other non-current assets) and guarantee deposits paid (shown as other non-current assets), but exclude financial instruments and deferred income tax assets.

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2022 and 2021.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

| No.<br>(Note 1) | Creditor                                   | Borrower   | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2022 | Balance at December 31, 2022<br>(Note 7) | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral |       | Limit on loans granted to a single party<br>(Note 2, 3) | Ceiling on total loans granted<br>(Note 4, 5) | Footnote |
|-----------------|--|--|------------------------|--------------------|---|--|--------------------------|---------------|----------------|--|---------------------------------|---------------------------------|------------|-------|---|---|----------|
|                 |  |  |                        |                    |   |  |                          |               |                |  |                                 |                                 | Item       | Value |   |   |          |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | Other receivables      | Yes                | \$ 3,379,500  | \$ 2,204,000                             | \$ 2,084,984             | 3.65%-3.85%   | Note 6         | -  | Operating capital               | -                               | None       | -     | \$ 5,377,608  | \$ 8,962,680                                  | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | Other receivables      | Yes                | 3,329,250   | 2,204,000                                | 837,520                  | 3.65%-3.85%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608   | 8,962,680                                     | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN (XIAMEN) INTL                                     | Other receivables      | Yes                | 585,780   | 573,040                                  | 418,760                  | 4.65%-4.85%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608   | 8,962,680                                     | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.                    | Other receivables      | Yes                | 13,518  | -  | -                        | -             | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608   | 8,962,680                                     | Note 8   |
| 2               | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | Other receivables      | Yes                | 450,600   | 352,640                                  | 352,640                  | 3.00%         | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,175,821   | 10,351,642                                    | Note 8   |
| 3               | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | Other receivables      | Yes                | 1,126,500   | -  | -                        | -             | Note 6         | -  | Operating capital               | -                               | None       | -     | 6,840,067   | 11,400,111                                    | Note 8   |
| 3               | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.  | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Other receivables      | Yes                | 675,900   | 661,200                                  | 264,480                  | 3.65%-3.70%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 6,840,067   | 11,400,111                                    | Note 8   |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above Companies' net assets.

Note 3: Limit on loans granted by CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. to a single party is 20% of above Companies' net assets.

Note 4: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of above Companies' net assets.

Note 5: Limit on loans granted by CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to others is 40% of above Companies' net assets.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 7: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 8: The transactions were eliminated when preparing the consolidated financial statements.



CHENG SHIN RUBBER IND. CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 3  
Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by               | Marketable securities (Note 1) | Relationship with the securities issuer   | As of December 31, 2022 |            |               |            | Footnote |
|----------------------------------|--------------------------------|---|-------------------------|------------|---------------|------------|----------|
|                                  |                                |   | Number of shares/ units | Book value | Ownership (%) | Fair value |          |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares          | - Current financial assets at fair value through other comprehensive income     | -                       | \$ 17,838  | -             | 17,838     | Note 2   |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares          | - Non-current financial assets at fair value through other comprehensive income | -                       | 58,187     | -             | 58,187     | Note 2   |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'.

Note 2: Other marketable securities do not exceed 5% of the account.

CHENG SHIN RUBBER IND. CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2022

Table 4 Expressed in thousands of NTD (Except as otherwise indicated)

| Investor                         | Marketable securities (Note 1)      | General ledger account                            | Counterparty (Note 2)               | Relationship with the investor (Note 2) | Balance as at January 1, 2022 |              | Addition (Note 3) | Disposal (Note 3) | Gain (loss) on disposal | Balance as at December 31, 2022 |               |                  |
|----------------------------------|-------------------------------------|---|-------------------------------------|---|-------------------------------|--------------|-------------------|-------------------|-------------------------|---------------------------------|---------------|------------------|
|                                  |                                     |   |                                     |   | Number of shares              | Amount       |                   |                   |                         | Number of shares                | Amount        | Number of shares |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia   | Investments accounted for using the equity method | PT MAXXIS International Indonesia   | Subsidiary                              | 139,994,750                   | \$ 4,233,389 | 29,998,875        | \$ 943,105        | -                       | -                               | 169,993,625   | \$ 5,176,494     |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited | Investments accounted for using the equity method | Maxxis Rubber India Private Limited | Subsidiary                              | 874,992,906                   | 4,027,544    | 230,998,127       | 860,206           | -                       | -                               | 1,105,991,033 | 4,887,750        |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller                               | Counterparty                                | Relationship with the counterparty | Transaction       |              |   | Differences in transaction terms compared to third party transactions (Note 1) |             |         | Notes/accounts receivable (payable)                         |       | Footnote (Note 2) |
|--|---|------------------------------------|-------------------|--------------|---|--|-------------|---------|---|-------|-------------------|
|  |   |                                    | Purchases (sales) | Amount       | Percentage of total purchases (sales) (%) | Unit price   | Credit term | Balance | Percentage of total notes/accounts receivable (payable) (%) |       |                   |
| Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER USA, INC.                 | Subsidiary                         | (sales)           | \$ 5,037,854 | ( 24.68)                                  | Collect within 120 days after shipment of goods                                | Same        | Same    | \$ 1,535,674  | 50.13 | Note 3            |
| Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER CANADA, INC.              | Subsidiary                         | (sales)           | ( 582,895)   | ( 2.86)                                   | Collect within 90 days after shipment of goods                                 | Same        | Same    | 102,615   | 3.35  | Note 3            |
| Cheng Shin Rubber Ind. Co., Ltd.               | Maxxis (Taiwan) Trading Co., LTD.           | Subsidiary                         | (sales)           | ( 3,447,972) | ( 16.89)                                  | Collect within 30 days   | Same        | Same    | 318,155   | 10.40 | Note 3            |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent               | (sales)           | ( 1,197,402) | ( 7.11)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 495,218   | 19.43 | Note 3            |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | ( 184,095)   | ( 1.09)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 33,116  | 1.30  | Note 3            |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | MERIDA INDUSTRY CO., LTD.                   | Associates                         | (sales)           | ( 129,975)   | ( 0.77)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 31,276  | 1.23  |                   |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | ( 795,493)   | ( 19.58)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 323,750   | 45.19 | Note 3            |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.   | Same ultimate parent               | (sales)           | ( 270,425)   | ( 6.65)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 44,852  | 6.26  | Note 3            |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | ( 143,764)   | ( 3.54)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 28,491  | 3.98  | Note 3            |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | ( 1,565,137) | ( 16.32)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 539,668   | 76.03 | Note 3            |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | ( 320,234)   | ( 26.17)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 39,774  | 30.38 | Note 3            |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | ( 215,170)   | ( 17.58)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 26,527  | 20.26 | Note 3            |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.   | Same ultimate parent               | (sales)           | ( 135,575)   | ( 11.08)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 23,821  | 18.19 | Note 3            |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.     | Maxxis Europe B.V.                          | Same ultimate parent               | (sales)           | ( 107,605)   | ( 0.66)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 98,785  | 2.53  | Note 3            |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent               | (sales)           | ( 686,678)   | ( 17.72)                                  | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 70,583  | 8.94  | Note 3            |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | KUNSHAN MAXXIS TIRE CO., LTD                | Same ultimate parent               | (sales)           | ( 121,823)   | ( 3.14)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 22,438  | 2.84  | Note 3            |
| Cheng Shin Rubber (Vietnam) IND Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent               | (sales)           | ( 136,782)   | ( 1.94)                                   | Collect within 120 days after shipment of goods                                | Same        | Same    | 37,365  | 6.89  | Note 3            |
| MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent               | (sales)           | ( 1,095,256) | ( 10.08)                                  | Collect within 120 days after shipment of goods                                | Same        | Same    | 341,958   | 21.80 | Note 3            |
| MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER CANADA, INC.              | Same ultimate parent               | (sales)           | ( 111,985)   | ( 1.03)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 30,920  | 1.97  | Note 3            |
| PT MAXXIS International Indonesia              | Cheng Shin Rubber (Vietnam) IND Co., Ltd.   | Same ultimate parent               | (sales)           | ( 142,215)   | ( 5.61)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 2,195   | 0.65  | Note 3            |
| PT MAXXIS International Indonesia              | Maxxis Rubber India Private Limited         | Same ultimate parent               | (sales)           | ( 148,480)   | ( 5.85)                                   | Collect within 60-90 days after shipment of goods                              | Same        | Same    | 23,285  | 6.95  | Note 3            |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 6

| Creditor                                    | Counterparty                                | Relationship with the counterparty | Balance as at December 31, 2022 | Turnover rate | Overdue receivables |              | Expressed in thousands of NTD (Except as otherwise indicated) |
|---|---|------------------------------------|---------------------------------|---------------|---------------------|--------------|---|
|   |   |                                    |                                 |               | Amount              | Action taken |   |
| Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER USA, INC.                 | Subsidiary (Note 4)                | \$ 1,534,305                    | Note 3        | -                   | \$ 760,469   | -   |
| Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER CANADA, INC.              | Subsidiary (Note 4)                | 118,117                         | Note 3        | -                   | 61,510       | -   |
| Cheng Shin Rubber Ind. Co., Ltd.            | MAXXIS International (Thailand) Co., Ltd.   | Sub-subsubsidiary (Note 4)         | 117,132                         | Note 2        | -                   | 12,291       | -   |
| Cheng Shin Rubber Ind. Co., Ltd.            | Maxxis (Taiwan) Trading Co., LTD.           | Subsidiary (Note 4)                | 320,033                         | Note 3        | -                   | 318,155      | -   |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent (Note 4)      | 495,218                         | 2.84          | -                   | 322,257      | -   |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent (Note 4)      | 114,753                         | Note 3        | -                   | 34,666       | -   |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent (Note 4)      | 324,567                         | Note 3        | -                   | 224,252      | -   |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent (Note 4)      | 576,710                         | Note 3        | -                   | 392,656      | -   |
| MAXXIS International (Thailand) Co., Ltd.   | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent (Note 4)      | 341,958                         | 4.41          | -                   | 81,549       | -   |

Note 1: Subsequent collection is the amount collected as of March 7, 2023.

Note 2: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

Note 3: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 7

| Number<br>(Note 1) | Company name                                   | Counterparty   | Relationship<br>(Note 2) | Transaction            |                 | Expressed in thousands of NTD<br>(Except as otherwise indicated) |   |
|--------------------|--|--|--------------------------|------------------------|-----------------|--|---|
|                    |  |  |                          | General ledger account | Amount (Note 4) |  |   |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER USA, INC.                                  | 1                        | Sales                  | \$ 5,037,854    | Collect within 120 days after shipment of goods                  | Percentage of consolidated total operating revenues or total assets (Note 3)(%) |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER USA, INC.                                  | 1                        | Accounts receivable    | 1,533,674       | Collect within 120 days after shipment of goods                  | 5.11  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER CANADA, INC.                               | 1                        | Sales                  | 582,895         | Collect within 90 days after shipment of goods                   | 1.05  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.               | Maxxis (Taiwan) Trading Co., LTD.                            | 1                        | Sales                  | 3,447,972       | The term is 30 days after monthly billing                        | 0.59  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.               | Maxxis (Taiwan) Trading Co., LTD.                            | 1                        | Accounts receivable    | 318,155         | The term is 30 days after monthly billing                        | 3.50  |
| 1                  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                   | 3                        | Sales                  | 1,197,402       | Collect within 60-90 days after shipment of goods                | 0.22  |
| 1                  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                   | 3                        | Accounts receivable    | 495,218         | Collect within 60-90 days after shipment of goods                | 1.21  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Sales                  | 795,493         | Collect within 60-90 days after shipment of goods                | 0.34  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.                    | 3                        | Sales                  | 270,425         | Collect within 60-90 days after shipment of goods                | 0.81  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | 3                        | Other receivables      | 2,084,984       | Pay interest quarterly   | 0.27  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Other receivables      | 837,520         | Pay interest quarterly   | 1.43  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD | 3                        | Other receivables      | 418,760         | Pay interest quarterly   | 0.57  |
| 3                  | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.      | CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD | 3                        | Other receivables      | 264,480         | Pay interest quarterly   | 0.29  |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Sales                  | 1,565,137       | Collect within 60-90 days after shipment of goods                | 0.18  |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Accounts receivable    | 296,839         | Collect within 60-90 days after shipment of goods                | 1.59  |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Notes receivable       | 242,829         | Payment at sight after due date                                  | 0.20  |
| 5                  | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 3                        | Sales                  | 320,234         | Collect within 60-90 days after shipment of goods                | 0.17  |
| 5                  | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | 3                        | Sales                  | 215,170         | Collect within 60-90 days after shipment of goods                | 0.32  |
| 6                  | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.     | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | 3                        | Other receivables      | 352,640         | Pay interest quarterly   | 0.22  |
| 7                  | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                   | 3                        | Sales                  | 686,678         | Collect within 60-90 days after shipment of goods                | 0.24  |
|                    |  |  |                          |                        |                 |  | 0.70  |

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 7

| Number<br>(Note 1) | Company name                              | Counterparty                | Relationship<br>(Note 2) | Transaction            |                 |  | Expressed in thousands of NTD<br>(Except as otherwise indicated) |
|--------------------|---|-----------------------------|--------------------------|------------------------|-----------------|--|--|
|                    |   |                             |                          | General ledger account | Amount (Note 4) | Transaction terms                                  |  |
| 8                  | MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 3                        | Sales                  | 1,095,256       | Collect within 120 days<br>after shipment of goods | 1.11   |
| 8                  | MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 3                        | Accounts receivable    | 341,958         | Collect within 120 days<br>after shipment of goods | 0.23   |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT\$200 million.

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investees  
Year ended December 31, 2022

| Investor                         | Investee                                       | Location               | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               |               | Net profit (loss) of the investee for the Year ended December 31, 2022 | Investment income (loss) recognised by the Company for the Year ended December 31, 2022 (Note 1) | Footnote                  |
|----------------------------------|--|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|---------------|--|--|---------------------------|
|                                  |  |                        |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Ownership (%) | Book value    |  |  |                           |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International Co., Ltd.                 | Cayman Islands         | Holding company  | \$ 912,218                      | \$ 912,218                      | 35,050,000                          | 100.00        | \$ 42,707,845 | \$ 558,818   | \$ 564,778   | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | CST Trading Ltd.                               | British Virgin Islands | Holding company  | 2,103,073                       | 2,103,073                       | 72,900,000                          | 100.00        | 28,089,136    | 953,503  | 966,274  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS Trading Ltd.                            | British Virgin Islands | Holding company  | 7,669,780                       | 7,669,780                       | 237,811,720                         | 100.00        | 11,496,228    | 1,781,284  | 1,736,332  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC.                    | U.S.A                  | Import and export of tires   | 551,820                         | 551,820                         | 1,800,000                           | 100.00        | 2,995,507     | 369,108  | 369,120  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC.                 | Canada                 | Import and export of tires   | 32,950                          | 32,950                          | 1,000,000                           | 100.00        | 732,910       | 63,590   | 63,590   | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | NEW PACIFIC INDUSTRY COMPANY LIMITED           | Taiwan                 | Processing and sales of various anti-vibration rubber and hardware | 50,001                          | 50,001                          | 5,000,000                           | 50.00         | 199,626       | 52,724   | 26,362   | Note 2                    |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS Tech Center Europe B.V.                 | Netherlands            | Technical centre   | 41,260                          | 41,260                          | 1,000,000                           | 100.00        | 86,141        | 6,013  | 6,013  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia              | Indonesia              | Production and sales of various types of tires                     | 5,176,494                       | 4,233,389                       | 169,993,625                         | 100.00        | -             | ( 1,180,778)   | ( 1,180,598)   | Subsidiary Note 3, Note 5 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited            | India                  | Production and sales of various types of tires                     | 4,887,750                       | 4,027,544                       | 1,105,991,033                       | 100.00        | -             | ( 1,283,781)   | ( 1,283,264)   | Subsidiary Note 3, Note 5 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD.              | Taiwan                 | Wholesale and retail of tires                                      | 100,000                         | 100,000                         | 10,000,000                          | 100.00        | 661,686       | 420,661  | 420,661  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS TRADING INDONESIA                    | Indonesia              | Large-amount trading of vehicles parts and accessories             | 30,235                          | 30,235                          | 9,990                               | 100.00        | 41,066        | ( 12)  | ( 12)  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Europe B.V.                             | Netherlands            | Import and export of tires   | 17,700                          | 17,700                          | 500,000                             | 100.00        | 579           | ( 2,997)   | ( 2,997)   | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS RUBBER JAPAN CO., LTD.                  | Japan                  | Import and export of tires   | 13,820                          | 13,820                          | 5,000                               | 100.00        | 11,688        | 750  | 750  | Subsidiary Note 3         |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico                 | Import and export of tires   | 593                             | 593                             | -                                   | 20.00         | 842           | 185  | 37   | Note 3, Note 4            |

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investees  
Year ended December 31, 2022

| Investor                        | Investee                                       | Location               | Main business activities                           | Initial investment amount       |                                 | Shares held as at December 31, 2022 |            | Ownership (%) | Book value | Net profit (loss) of the investee for the Year ended December 31, 2022 | Investment income/(loss) recognised by the Company for the Year ended December 31, 2022 (Note 1) | Footnote            |
|---------------------------------|--|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|------------|---------------|------------|--|--|---------------------|
|                                 |  |                        |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Value      |               |            |  |  |                     |
| MAXXIS International Co., Ltd   | MAXXIS International (HK) Ltd.                 | Hong Kong              | Holding company                                    | -                               | -                               | 226,801,983                         | 35,222,501 | 100.00        | 1,071,236  | 1,071,236  | 1,071,236  | Sub-subsiary Note 3 |
| CST Trading Ltd.                | Cheng Shin International (HK) Ltd.             | Hong Kong              | Holding company                                    | -                               | -                               | 246,767,840                         | 27,890,956 | 100.00        | 938,308    | 938,308  | 938,308  | Sub-subsiary Note 3 |
| MAXXIS Trading Ltd.             | MAXXIS Holdings (BVI) Co., Ltd.                | British Virgin Islands | Holding company                                    | 7,669,780                       | 7,669,780                       | 237,811,720                         | 11,806,526 | 100.00        | 1,780,920  | 1,780,920  | 1,780,920  | Sub-subsiary Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | MAXXIS International (Thailand) Co., Ltd.      | Thailand               | Production and sales of truck and automobile tires | 5,724,372                       | 5,724,372                       | 65,000,000                          | 8,190,730  | 100.00        | 963,973    | 963,973  | 920,868  | Sub-subsiary Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd.      | Vietnam                | Production and sales of various types of tires     | 1,945,408                       | 1,945,408                       | 62,000,000                          | 3,612,867  | 100.00        | 816,701    | 816,701  | 814,853  | Sub-subsiary Note 3 |
| CHENG SHIN RUBBER USA, INC.     | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico                 | Import and export of tires                         | 2,457                           | 2,214                           | -                                   | 3,367      | 80.00         | 185        | 185  | 148  | Note 3, Note 4      |

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Joint ventures are accounted for under the equity method.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

Note 4: The Group collectively holds 100% of share ownership in the investee, of which 20% is directly held and 80% is indirectly held through CHENG SHIN RUBBER USA, INC.

Note 5: The Company continuously provides financial support to the investee accounted for using the equity method, and transferred the credit balance to 'other non-current liabilities.'

The transaction was eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

| Investee in<br>Mainland China                           | Main business<br>activities  | Paid-in capital<br>(Note 6) | Investment<br>method (Note 1) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China<br>as of January 1,<br>2022 | Amount remitted from Taiwan to<br>Mainland China/ Amount remitted<br>back to Taiwan for the Year ended<br>December 31, 2022 | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China as<br>of December 31,<br>2022 | Net income of<br>investee as of<br>December 31,<br>2022 | Ownership<br>held by the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognised<br>by the Company<br>for the Year ended<br>December 31,<br>2022, (Note 2) | Book value of<br>investments in<br>Mainland China<br>as of December<br>31, 2022 | Accumulated<br>amount of<br>investment income<br>remitted back to<br>Taiwan as of<br>December 31,<br>2022 | Footnote     |
|---|--|-----------------------------|-------------------------------|--|---|--|---|--|--|---|---|--------------|
|   |  |                             |                               |  |   |  |   |  |  |   |   |              |
| CHENG SHIN<br>RUBBER (XIAMEN)<br>IND., LTD.             | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | \$ 5,374,250                | 2                             | \$ 910,834   | \$ -  | \$ 910,834   | \$ 383,735  | 100.00   | \$ 384,869   | \$ 24,480,558   | \$ 19,967,518   | (Note 3,5,7) |
| CHENG SHIN TIRE &<br>RUBBER (CHINA)<br>CO., LTD.        | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | 6,909,750                   | 2                             | 2,385,506  | -   | 2,385,506  | 911,293   | 100.00   | 926,771  | 25,879,104  | 23,942,844  | (Note 4,7)   |
| CHENG SHIN TOYO<br>(KUNSHAN)<br>MACHINERY CO.,<br>LTD.  | Plastic machinery, molds and its<br>accessory products   | 261,035                     | 2                             | 68,602   | -   | 68,602   | 27,741  | 50.00  | 13,871   | 320,364   | 478,714   | (Note 7)     |
| CHENG SHIN TIRE &<br>RUBBER<br>(CHONGQING) CO.,<br>LTD. | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | 3,071,000                   | 2                             | -  | -   | -  | ( 1,104)  | 100.00   | 7,895  | 5,643,771   | 1,548,045   | (Note 4,7)   |
| KUNSHAN MAXXIS<br>TIRE CO., LTD                         | Retail of accessories for rubber<br>tires  | 22,040                      | 2                             | -  | -   | -  | 3,203   | 100.00   | 3,203  | 51,669  | -   | (Note 7)     |
| TIANJIN TAFENG<br>RUBBER IND CO.,<br>LTD.               | Warehouse logistics and after-<br>sales service centre   | 552,780                     | 2                             | -  | -   | -  | ( 62,445)   | 100.00   | ( 62,445)  | 608,172   | 757,407   | (Note 7)     |
| CHENG SHIN<br>PETREL TIRE<br>(XIAMEN) CO., LTD.         | A. Radial tire and other various<br>tire products<br>B. Reclaimed rubber and other<br>rubber products<br>C. Plastic machinery, molds and<br>its accessory products                                   | 3,992,300                   | 2                             | -  | -   | -  | ( 766,744)  | 100.00   | ( 766,726)   | 11,411,706  | 4,245,663   | (Note 3,7)   |

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

| Investee in<br>Mainland China                                | Main business<br>activities   | Paid-in capital<br>(Note 6) | Investment<br>method (Note 1) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China<br>as of January 1,<br>2022 | Amount remitted from Taiwan to<br>Mainland China/ Amount remitted<br>back to Taiwan for the Year ended<br>December 31, 2022 | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China as<br>of December 31,<br>2022 | Net income of<br>investee as of<br>December 31,<br>2022 | Ownership<br>held by the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognised<br>by the Company<br>for the Year ended<br>December 31,<br>2022, (Note 2) | Book value of<br>investments in<br>Mainland China<br>as of December<br>31, 2022 | Accumulated<br>amount of<br>investment income<br>remitted back to<br>Taiwan as of<br>December 31,<br>2022 | Footnote    |
|--|---|-----------------------------|-------------------------------|--|---|--|---|--|--|---|---|-------------|
|  |   |                             |                               |  |   |  |   |  |  |   |   |             |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.                       | A. Radial tire and other various tire products<br>B. Reclaimed rubber and other rubber products<br>C. Plastic machinery, molds and its accessory products | 1,381,950                   | 2                             | -  | -   | -  | 613,029   | 100.00   | 617,838  | 8,962,680   | 6,217,061   | (Note 7)    |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | A. Research, development and testing of tires and automobiles accessory products and display of related products<br>B. Management of racing tracks        | 614,200                     | 2                             | -  | -   | (92,392)   | (92,392)  | 100.00   | 92,392   | -   | -   | (Note 7)    |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.                    | Distribution of rubber and components of tires  | 154,280                     | 2                             | -  | -   | (7,142)  | (7,142)   | 95.00  | 6,785  | 92,565  | -   | (Note 7)    |
| CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.                       | International container transportation business   | 63,528                      | 2                             | -  | -   | 34,074   | 34,074  | 49.00  | 16,696   | 140,881   | -   | (Note 7)    |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | A. Tires and tubes<br>B. Reclaimed rubber, adhesive, tape and other rubber products<br>C. Plastic machinery, molds and its accessory products             | 4,187,600                   | 2                             | -  | -   | 667,741  | 667,741   | 100.00   | 667,741  | 7,634,199   | 917,395   | (Note 5, 7) |
| XIAMEN ESATE CO., LTD.                                       | Construction and trading of employees' housing  | 1,675,040                   | 2                             | -  | -   | 20,805   | 20,805  | 100.00   | 20,805   | 2,126,271   | -   | (Note 7)    |

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Fire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd, respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD30.71: USD 1 and NTD 4.408: RMB 1 prevailing on December 31, 2022.

Note 7: Investment income (loss) was recognised based on the financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

CHENG SHIN RUBBER IND. CO., LTD.  
Ceiling on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

| Company name                     | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 1) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2) |
|----------------------------------|---|---|--|
| Cheng Shin Rubber Ind. Co., Ltd. | \$ 3,774,259  | \$ 20,664,759   | \$ -   |

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

December 31, 2022

Table 10

| Name of major shareholders | Shares                |               |
|----------------------------|-----------------------|---------------|
|                            | Number of shares held | Ownership (%) |
| Luo, Ming-Han              | 370,176,378           | 11.42         |
| Luo Jye Memory Co Ltd.     | 324,430,630           | 10.00         |

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were held by registered and the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System.

V. Parent Company Only Financial Statements certified by the CPAs of the Most Recent Year

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 22002414

To the Board of Directors and Shareholders of Cheng Shin Rubber Ind. Co., Ltd.

### ***Opinion***

We have audited the accompanying balance sheets of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other Matter* section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

***Appropriateness of cut-off on sales revenue***

Description

For the accounting policy of revenue recognition, please refer to Note 4(32). For the detail of sales revenue, please refer to Note 6(22). For the year ended December 31, 2022, the sales revenue amounted to NT\$ 20,409,294 thousand.

The Company's main business is the manufacturing and sales of various tires and rubber products. The main sources of sales revenue are from the assembly plants and dealers. In accordance with the contract terms with some assembly plants, as inspections are completed in the assembly plants, the transfer of control to the merchandise is completed and sales revenue is recognized. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. The aforementioned issue arises from the Company's subsidiaries, recognized under investments accounted for using equity method. Therefore, we included the appropriateness of cut-off on sales revenue as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Company's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements' control of revenue recognition on assembly plant sales.
2. We tested the Company's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the appropriateness of cut-off on sales revenue.

***Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.***

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(16). For the details of property, plant and equipment, please refer to Note 6(8). As at December 31, 2022, the unfinished construction and equipment under acceptance amounted to NT\$ 1,073,899 thousand.

To maintain market competitiveness, the Company continuously expands plants, replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves human judgement, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Company's property, plant and equipment process cycle, reviewed internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
2. We tailored our audit over fixed asset classification to check whether reclassification of assets are correct and recorded in the proper period.
3. We verified the status of unfinished construction and uninspected equipment and assessed the reasonableness of the recognition of unfinished construction and uninspected equipment.

### ***Other matter – Scope of the audit***

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$ 11,803,597 thousand and NT\$ 9,594,273 thousand, representing 10% and 8% of total assets as at December 31, 2022 and 2021, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$ 1,736,332 thousand and NT\$ 1,416,841 thousand, representing 26% and 33% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

### ***Responsibilities of management and those charged with governance for the financial statements***

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

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

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

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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Wu, Yu-Lung

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Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2023

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Assets                    | Notes   | December 31, 2022 |                       | December 31, 2021 |                       |            |
|---------------------------|---|-------------------|-----------------------|-------------------|-----------------------|------------|
|                           |   | AMOUNT            | %                     | AMOUNT            | %                     |            |
| <b>Current assets</b>     |   |                   |                       |                   |                       |            |
| 1100                      | Cash and cash equivalents   | 6(1)              | \$ 4,746,099          | 4                 | \$ 7,240,356          | 6          |
| 1110                      | Financial assets at fair value through profit or loss - current                 | 6(2)              | -                     | -                 | 17,648                | -          |
| 1120                      | Financial assets at fair value through other comprehensive income - current     | 6(3)              | 17,838                | -                 | 23,083                | -          |
| 1150                      | Notes receivable, net   | 6(5)              | 29,331                | -                 | 55,293                | -          |
| 1170                      | Accounts receivable, net  | 6(5)              | 1,003,822             | 1                 | 955,676               | 1          |
| 1180                      | Accounts receivable - related parties   | 7                 | 2,005,383             | 2                 | 1,882,288             | 2          |
| 130X                      | Inventories   | 6(6)              | 2,336,736             | 2                 | 2,783,085             | 3          |
| 1410                      | Prepayments   |                   | 203,287               | -                 | 91,981                | -          |
| 1470                      | Other current assets  | 7                 | 353,353               | -                 | 359,956               | -          |
| 11XX                      | <b>Current Assets</b>   |                   | <u>10,695,849</u>     | <u>9</u>          | <u>13,409,366</u>     | <u>12</u>  |
| <b>Non-current assets</b> |   |                   |                       |                   |                       |            |
| 1517                      | Financial assets at fair value through other comprehensive income - non-current | 6(3)              | 58,187                | -                 | 58,187                | -          |
| 1535                      | Financial assets at amortised cost - non-current                                | 6(4)              | 1,605,679             | 2                 | 1,981,718             | 2          |
| 1550                      | Investments accounted for using the equity method                               | 6(7)              | 87,023,254            | 75                | 83,420,591            | 72         |
| 1600                      | Property, plant and equipment, net  | 6(8)              | 15,010,653            | 13                | 15,540,737            | 13         |
| 1755                      | Right-of-use assets   | 6(9)              | 46,639                | -                 | 73,639                | -          |
| 1760                      | Investment property, net  | 6(10)             | 288,336               | -                 | 288,881               | -          |
| 1780                      | Intangible assets   | 6(11)             | 29,509                | -                 | 23,483                | -          |
| 1840                      | Deferred income tax assets  | 6(28)             | 1,243,179             | 1                 | 1,744,851             | 1          |
| 1900                      | Other non-current assets  |                   | 23,545                | -                 | 1,934                 | -          |
| 15XX                      | <b>Non-current assets</b>   |                   | <u>105,328,981</u>    | <u>91</u>         | <u>103,134,021</u>    | <u>88</u>  |
| 1XXX                      | <b>Total assets</b>   |                   | <u>\$ 116,024,830</u> | <u>100</u>        | <u>\$ 116,543,387</u> | <u>100</u> |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity  |  | Notes       | December 31, 2022     |            | December 31, 2021     |            |
|---|--|-------------|-----------------------|------------|-----------------------|------------|
|   |  |             | AMOUNT                | %          | AMOUNT                | %          |
| <b>Current liabilities</b>  |  |             |                       |            |                       |            |
| 2100  | Short-term borrowings                  | 6(12)       | \$ 1,900,000          | 2          | \$ 2,800,000          | 2          |
| 2130  | Current contract liabilities           | 6(22)       | 108,190               | -          | 257,430               | -          |
| 2150  | Notes payable                          |             | 20,000                | -          | -                     | -          |
| 2170  | Accounts payable                       |             | 1,095,678             | 1          | 1,204,144             | 1          |
| 2180  | Accounts payable - related parties     | 7           | 25,500                | -          | 44,103                | -          |
| 2200  | Other payables                         | 6(13) and 7 | 1,590,912             | 1          | 1,714,016             | 2          |
| 2230  | Current income tax liabilities         | 6(28)       | 1,189,781             | 1          | 828,168               | 1          |
| 2280  | Current lease liabilities              | 7           | 32,289                | -          | 40,111                | -          |
| 2320  | Long-term liabilities, current portion | 6(15)(16)   | 5,500,000             | 5          | 7,700,000             | 7          |
| 2399  | Other current liabilities, others      | 6(14)       | 57,154                | -          | 86,970                | -          |
| 21XX  | <b>Current Liabilities</b>             |             | <u>11,519,504</u>     | <u>10</u>  | <u>14,674,942</u>     | <u>13</u>  |
| <b>Non-current liabilities</b>  |  |             |                       |            |                       |            |
| 2530  | Corporate bonds payable                | 6(15)       | 8,000,000             | 7          | 10,500,000            | 9          |
| 2540  | Long-term borrowings                   | 6(16)       | 9,700,000             | 8          | 7,700,000             | 7          |
| 2570  | Deferred income tax liabilities        | 6(28)       | 781,171               | 1          | 855,071               | 1          |
| 2580  | Non-current lease liabilities          | 7           | 14,845                | -          | 34,178                | -          |
| 2600  | Other non-current liabilities          | 6(7)(17)    | 2,198,111             | 2          | 1,860,727             | 1          |
| 25XX  | <b>Non-current liabilities</b>         |             | <u>20,694,127</u>     | <u>18</u>  | <u>20,949,976</u>     | <u>18</u>  |
| 2XXX  | <b>Total liabilities</b>               |             | <u>32,213,631</u>     | <u>28</u>  | <u>35,624,918</u>     | <u>31</u>  |
| <b>Equity</b>   |  |             |                       |            |                       |            |
| Share capital   |  |             |                       |            |                       |            |
| 3110  | Shares capital - common stock          | 6(18)       | 32,414,155            | 28         | 32,414,155            | 28         |
| Capital surplus   |  |             |                       |            |                       |            |
| 3200  | Capital surplus                        | 6(19)       | 67,757                | -          | 67,770                | -          |
| Retained earnings   |  |             |                       |            |                       |            |
|   |  | 6(20)       |                       |            |                       |            |
| 3310  | Legal reserve                          |             | 16,665,921            | 14         | 16,132,580            | 14         |
| 3320  | Special reserve                        |             | 7,588,138             | 7          | 6,611,296             | 6          |
| 3350  | Unappropriated retained earnings       |             | 32,946,205            | 28         | 33,280,806            | 28         |
| Other equity interest   |  |             |                       |            |                       |            |
|   |  | 6(21)       |                       |            |                       |            |
| 3400  | Other equity interest                  |             | ( 5,870,977)          | ( 5)       | ( 7,588,138)          | ( 7)       |
| 3XXX  | <b>Total equity</b>                    |             | <u>83,811,199</u>     | <u>72</u>  | <u>80,918,469</u>     | <u>69</u>  |
| Significant contingent liabilities and<br>unrecognised contract commitments |  |             |                       |            |                       |            |
| Significant events after the balance<br>sheet date                          |  |             |                       |            |                       |            |
| 3X2X  | <b>Total liabilities and equity</b>    |             | <u>\$ 116,024,830</u> | <u>100</u> | <u>\$ 116,543,387</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Notes  | Year ended December 31 |                     |              |                      |              |
|-------|--|------------------------|---------------------|--------------|----------------------|--------------|
|       |  | 2022                   |                     | 2021         |                      |              |
|       |  | AMOUNT                 | %                   | AMOUNT       | %                    |              |
| 4000  | Sales revenue  | 6(22) and 7            | \$ 20,409,294       | 100          | \$ 20,707,983        | 100          |
| 5000  | Operating costs  | 6(6)                   | ( 14,436,516)       | ( 71)        | ( 15,190,338)        | ( 73)        |
| 5900  | Net operating margin   |                        | 5,972,778           | 29           | 5,517,645            | 27           |
| 5910  | Unrealized loss from sales   |                        | 27,358              | -            | 32,649               | -            |
| 5950  | Gross profit from operation  |                        | <u>6,000,136</u>    | <u>29</u>    | <u>5,550,294</u>     | <u>27</u>    |
|       | Operating expenses   |                        |                     |              |                      |              |
| 6100  | Selling expenses   |                        | ( 1,505,553)        | ( 7)         | ( 1,527,034)         | ( 8)         |
| 6200  | General and administrative expenses  |                        | ( 940,729)          | ( 5)         | ( 1,056,241)         | ( 5)         |
| 6300  | Research and development expenses  |                        | ( 692,742)          | ( 3)         | ( 795,155)           | ( 4)         |
| 6000  | Total operating expenses   |                        | <u>( 3,139,024)</u> | <u>( 15)</u> | <u>( 3,378,430)</u>  | <u>( 17)</u> |
| 6900  | Operating profit   |                        | <u>2,861,112</u>    | <u>14</u>    | <u>2,171,864</u>     | <u>10</u>    |
|       | Non-operating income and losses  |                        |                     |              |                      |              |
| 7100  | Interest income  | 6(23) and 7            | 62,147              | -            | 30,382               | -            |
| 7010  | Other income   | 6(24) and 7            | 1,161,081           | 6            | 1,084,370            | 5            |
| 7020  | Other gains and losses   | 6(25)                  | 813,522             | 4            | ( 215,385)           | ( 1)         |
| 7050  | Finance costs  | 6(26)                  | ( 237,666)          | ( 1)         | ( 222,166)           | ( 1)         |
| 7070  | Share of profit of associates and joint ventures accounted for using equity method   |                        | <u>1,687,046</u>    | <u>8</u>     | <u>3,457,430</u>     | <u>17</u>    |
| 7000  | Total non-operating income and losses  |                        | <u>3,486,130</u>    | <u>17</u>    | <u>4,134,631</u>     | <u>20</u>    |
| 7900  | <b>Profit before income tax</b>  |                        | <u>6,347,242</u>    | <u>31</u>    | <u>6,306,495</u>     | <u>30</u>    |
| 7950  | Income tax expense   | 6(28)                  | ( 1,385,873)        | ( 7)         | ( 1,036,488)         | ( 5)         |
| 8200  | <b>Profit for the year</b>   |                        | <u>\$ 4,961,369</u> | <u>24</u>    | <u>\$ 5,270,007</u>  | <u>25</u>    |
|       | <b>Other comprehensive income</b>  |                        |                     |              |                      |              |
|       | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>  |                        |                     |              |                      |              |
| 8311  | Other comprehensive income, before tax, actuarial gains on defined benefit plans   | 6(17)                  | \$ 126,331          | 1            | \$ 81,712            | -            |
| 8316  | Unrealized loss on valuation of equity instruments at fair value through other comprehensive income  | 6(3)                   | ( 5,245)            | -            | ( 6,734)             | -            |
| 8330  | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(7)                   | 2,847               | -            | ( 1,965)             | -            |
| 8349  | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | 6(28)                  | ( 25,266)           | -            | ( 16,342)            | -            |
| 8310  | Components of other comprehensive income that will not be reclassified to profit or loss   |                        | <u>98,667</u>       | <u>1</u>     | <u>56,671</u>        | <u>-</u>     |
|       | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>  |                        |                     |              |                      |              |
| 8361  | Financial statements translation differences of foreign operations   | 6(21)                  | 2,153,007           | 10           | ( 1,212,635)         | ( 6)         |
| 8399  | Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss  | 6(21)(28)              | ( 430,601)          | ( 2)         | 242,527              | 2            |
| 8360  | Components of other comprehensive income (loss) that will be reclassified to profit or loss  |                        | <u>1,722,406</u>    | <u>8</u>     | <u>( 970,108)</u>    | <u>( 4)</u>  |
| 8300  | <b>Other comprehensive income (loss) for the year</b>  |                        | <u>\$ 1,821,073</u> | <u>9</u>     | <u>( \$ 913,437)</u> | <u>( 4)</u>  |
| 8500  | <b>Total comprehensive income for the year</b>   |                        | <u>\$ 6,782,442</u> | <u>33</u>    | <u>\$ 4,356,570</u>  | <u>21</u>    |
| 9750  | Basic earnings per share   | 6(29)                  | \$ 1.53             |              | \$ 1.63              |              |
| 9850  | Diluted earnings per share   | 6(29)                  | \$ 1.53             |              | \$ 1.62              |              |

The accompanying notes are an integral part of these parent company only financial statements.

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

| Notes  | Capital surplus              |                             |                        | Retained earnings       |               |                 | Other equity interest            |  |   | Total equity  |
|--|------------------------------|-----------------------------|------------------------|-------------------------|---------------|-----------------|----------------------------------|--|---|---------------|
|  | Share capital - common stock | Treasury stock transactions | Gain on sale of assets | Donated assets received | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income |               |
| <u>Year ended December 31, 2021</u>                            |                              |                             |                        |                         |               |                 |                                  |  |   |               |
| Balance at January 1, 2021                                     | \$ 32,414,155                | \$ 9,772                    | \$ 42,804              | \$ 691                  | \$ 15,533,661 | \$ 6,904,245    | \$ 32,143,063                    | \$ 6,632,448   | \$ 21,152   | \$ 80,437,095 |
| Profit for the year  | -                            | -                           | -                      | -                       | -             | -               | 5,270,007                        | -  | -   | 5,270,007     |
| Other comprehensive income (loss) for the year                 | -                            | -                           | -                      | -                       | -             | -               | 63,405                           | (970,108)  | (6,734)   | (913,437)     |
| Total comprehensive income (loss)                              | -                            | -                           | -                      | -                       | -             | -               | 5,333,412                        | (970,108)  | (6,734)   | 4,356,570     |
| Appropriation and distribution of 2020 earnings:               |                              |                             |                        |                         |               |                 |                                  |  |   |               |
| Legal reserve  | -                            | -                           | -                      | -                       | 598,919       | -               | (598,919)                        | -  | -   | -             |
| Special reserve  | -                            | -                           | -                      | -                       | (292,949)     | 292,949         | -                                | -  | -   | -             |
| Cash dividends   | -                            | -                           | -                      | -                       | -             | (3,889,699)     | -                                | -  | -   | (3,889,699)   |
| Capital surplus arising from donated assets                    | -                            | -                           | -                      | 14,503                  | -             | -               | -                                | -  | -   | 14,503        |
| Balance at December 31, 2021                                   | \$ 32,414,155                | \$ 9,772                    | \$ 42,804              | \$ 15,194               | \$ 16,132,580 | \$ 6,611,296    | \$ 33,280,806                    | \$ 7,602,556   | \$ 14,418   | \$ 80,918,469 |
| <u>Year ended December 31, 2022</u>                            |                              |                             |                        |                         |               |                 |                                  |  |   |               |
| Balance at January 1, 2022                                     | \$ 32,414,155                | \$ 9,772                    | \$ 42,804              | \$ 15,194               | \$ 16,132,580 | \$ 6,611,296    | \$ 33,280,806                    | \$ 7,602,556   | \$ 14,418   | \$ 80,918,469 |
| Profit for the year  | -                            | -                           | -                      | -                       | -             | -               | 4,961,369                        | -  | -   | 4,961,369     |
| Other comprehensive income (loss) for the year                 | -                            | -                           | -                      | -                       | -             | -               | 103,912                          | (1,722,406)  | (5,245)   | (4,162,530)   |
| Total comprehensive income (loss)                              | -                            | -                           | -                      | -                       | -             | -               | 5,065,281                        | (1,722,406)  | (5,245)   | (4,900,000)   |
| Appropriation and distribution of 2021 earnings:               |                              |                             |                        |                         |               |                 |                                  |  |   |               |
| Legal reserve  | -                            | -                           | -                      | -                       | 533,341       | -               | (533,341)                        | -  | -   | -             |
| Special reserve  | -                            | -                           | -                      | -                       | 976,842       | 976,842         | -                                | -  | -   | -             |
| Cash dividends   | -                            | -                           | -                      | -                       | -             | (3,889,699)     | -                                | -  | -   | (3,889,699)   |
| Dividends extinguished by prescription claimed by shareholders | -                            | -                           | -                      | (13)                    | -             | -               | -                                | -  | -   | (13)          |
| Balance at December 31, 2022                                   | \$ 32,414,155                | \$ 9,772                    | \$ 42,804              | \$ 15,181               | \$ 16,665,921 | \$ 7,588,138    | \$ 32,946,205                    | \$ 5,880,150   | \$ 9,173  | \$ 83,811,199 |

The accompanying notes are an integral part of these parent company only financial statements.

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|   | Notes     | Year ended December 31 |                  |
|---|-----------|------------------------|------------------|
|   |           | 2022                   | 2021             |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                      |           |                        |                  |
| Profit before tax   |           | \$ 6,347,242           | \$ 6,306,495     |
| Adjustments   |           |                        |                  |
| Adjustments to reconcile profit (loss)  |           |                        |                  |
| Unrealised loss on inter-company transaction  |           | ( 10,126 )             | ( 43,800 )       |
| Depreciation  | 6(8)(27)  | 1,454,779              | 1,547,795        |
| Depreciation expense on right-of-use assets   | 6(9)(27)  | 42,743                 | 45,408           |
| Depreciation on investment property   | 6(10)(27) | 545                    | 546              |
| Amortisation expense  | 6(11)(27) | 29,647                 | 24,450           |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | 6(2)(25)  | ( 244,478 )            | 2,687            |
| Gain on disposal of property, plant and equipment                                       | 6(8)(25)  | ( 68,362 )             | ( 100,957 )      |
| Share of profit of associates and joint ventures accounted for using equity method      |           | ( 1,687,046 )          | ( 3,457,430 )    |
| Interest income   | 6(23)     | ( 62,147 )             | ( 30,382 )       |
| Dividends received  |           | ( 31,273 )             | ( 7,265 )        |
| Interest expense  | 6(26)     | 237,666                | 222,166          |
| Effect of exchange rate changes on cash and cash equivalents                            |           | ( 573,479 )            | ( 216,162 )      |
| Changes in operating assets and liabilities   |           |                        |                  |
| Changes in operating assets   |           |                        |                  |
| Net changes in financial assets and liabilities at fair value through profit or loss    |           | 262,126                | ( 19,515 )       |
| Notes receivable, net   |           | 25,962                 | ( 21,503 )       |
| Accounts receivable   |           | ( 48,146 )             | 351,471          |
| Accounts receivable - related parties   |           | ( 123,095 )            | ( 56,725 )       |
| Inventories   |           | 444,495                | ( 466,259 )      |
| Other current assets  |           | ( 97,761 )             | 240,063          |
| Other non-current assets  |           | 1                      | -                |
| Changes in operating liabilities  |           |                        |                  |
| Contract liabilities - current  |           | ( 149,240 )            | 141,137          |
| Notes payable   |           | 20,000                 | -                |
| Accounts payable  |           | ( 108,466 )            | ( 82,356 )       |
| Accounts payable - related parties  |           | ( 18,603 )             | ( 336,430 )      |
| Other payables  |           | ( 114,103 )            | 86,808           |
| Accrued pension liabilities   |           | ( 18,686 )             | ( 10,469 )       |
| Other current liabilities   |           | ( 29,816 )             | 14,331           |
| Cash inflow generated from operations   |           | 5,480,379              | 4,134,104        |
| Interest received   |           | 57,060                 | 53,837           |
| Dividends received  |           | 2,627,821              | 4,249,370        |
| Interest paid   |           | ( 258,884 )            | ( 223,110 )      |
| Income tax paid   |           | ( 1,052,355 )          | ( 1,111,352 )    |
| Net cash flows from operating activities  |           | <u>6,854,021</u>       | <u>7,102,849</u> |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|  | Notes     | Year ended December 31 |                |
|--|-----------|------------------------|----------------|
|  |           | 2022                   | 2021           |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>             |           |                        |                |
| Acquisition of financial assets at amortised cost              |           | \$ -                   | (\$ 1,981,718) |
| Proceeds from repayments of financial assets at amortised cost |           | 376,039                | -              |
| Acquisition of investments accounted for using equity method   |           | ( 1,803,311 )          | -              |
| Acquisition of property, plant and equipment                   | 6(8)      | ( 942,384 )            | ( 861,701 )    |
| Proceeds from disposal of property, plant and equipment        |           | 37,048                 | 4,769          |
| Acquisition of intangible assets                               | 6(11)     | ( 31,537 )             | ( 39,193 )     |
| Increase in refundable deposits                                |           | ( 21,612 )             | ( 210 )        |
| Net cash flows used in investing activities                    |           | ( 2,385,757 )          | ( 2,878,053 )  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>             |           |                        |                |
| Increase in short-term borrowings                              | 6(12)(31) | 4,200,000              | 4,800,000      |
| Decrease in short-term borrowings                              | 6(12)(31) | ( 5,100,000 )          | ( 3,400,000 )  |
| Proceeds from issuance of corporate bonds                      | 6(15)(31) | -                      | 8,000,000      |
| Repayments of corporate bonds                                  | 6(15)(31) | ( 6,000,000 )          | ( 6,000,000 )  |
| Proceeds from long-term borrowings                             | 6(16)(31) | 11,200,000             | 3,600,000      |
| Repayments of long-term borrowings                             | 6(16)(31) | ( 7,900,000 )          | ( 6,400,000 )  |
| Increase in guarantee deposits received                        | 6(31)     | ( 2,906 )              | 971            |
| Repayments of principal portion of lease liabilities           | 6(9)(31)  | ( 43,382 )             | ( 45,571 )     |
| Cash dividends paid  | 6(20)(31) | ( 3,889,699 )          | ( 3,889,699 )  |
| Capital surplus arising from donated assets                    |           | -                      | 14,503         |
| Dividends extinguished by prescription claimed by shareholders |           | ( 13 )                 | -              |
| Net cash flows used in financing activities                    |           | ( 7,536,000 )          | ( 3,319,796 )  |
| Effect of exchange rate changes on cash and cash equivalents   |           | 573,479                | 216,162        |
| Net (decrease) increase in cash and cash equivalents           |           | ( 2,494,257 )          | 1,121,162      |
| Cash and cash equivalents at beginning of year                 | 6(1)      | 7,240,356              | 6,119,194      |
| Cash and cash equivalents at end of year                       | 6(1)      | \$ 4,746,099           | \$ 7,240,356   |

The accompanying notes are an integral part of these parent company only financial statements.

CHENG SHIN RUBBER IND. CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated on December 1969 and is primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery. The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements have been authorized for issuance by the Board of Directors on March 14, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                                 | <u>Effective date by<br/>International Accounting<br/>Standards Board</u> |
|--|---|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’                        | January 1, 2022   |
| Amendments to IAS 16, ‘Property, plant and equipment — proceeds before intended use’ | January 1, 2022   |
| Amendments to IFRS 37, ‘Onerous contracts—cost of fulfilling a contract’             | January 1, 2022   |
| Annual improvements to IFRS Standards 2018–2020                                      | January 1, 2022   |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| <u>New Standards, Interpretations and Amendments</u>   | <u>Effective date by International Accounting Standards Board</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   |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by International Accounting Standards Board</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 International Accounting Standards Board      |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback'  | January 1, 2024   |
| IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'   | January 1, 2024   |
| Amendments to IAS 1, 'Non-current liabilities with covenants'   | January 1, 2024   |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements are prepared in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The accompanying parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

## B. Translation of foreign operations

The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

## (4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## (5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

## (6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

The Company measured the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component on every balance sheet dates.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) – lease receivables/operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on

initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) Joint operation and investments accounted for using the equity method- joint ventures

The Company accounts for its interest in a joint venture using the equity method. When the transaction provides evidence of a reduction in the net realisable value of current assets or an

impairment loss, all such losses shall be recognized immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, 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 part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
  - (a) Buildings: 5 ~ 60 years
  - (b) Machinery and equipment: 5 ~ 30 years
  - (c) Test equipment: 5 ~ 15 years
  - (d) Transportation equipment: 5 ~ 10 years
  - (e) Office equipment: 3 ~ 10 years
  - (f) Other assets: 3~ 20years

(17) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable; and
  - (b) Variable lease payments that depend on an index or a rate.The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there

are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 40 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 8 years.

(20) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial

liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(25) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Financial guarantee contracts

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(28) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(29) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount

of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is 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 independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet

date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(32) Revenue recognition

Sales of goods

- A. The Company manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue of the Company, which mainly consists of sale of various tires and rubber products, was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates

concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There are no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2022.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

|                                  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 1,052                 | \$ 1,002                 |
| Checking deposits                | 280                      | 14,977                   |
| Demand deposits                  | 825,321                  | 2,083,259                |
| Foreign currency deposits        | 1,339,806                | 5,141,118                |
| Time deposits                    | <u>2,579,640</u>         | <u>-</u>                 |
|                                  | <u>\$ 4,746,099</u>      | <u>\$ 7,240,356</u>      |
| Interest rate range              |                          |                          |
| Time deposits                    | <u>4.03%~4.61%</u>       | <u>-</u>                 |

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

### (2) Financial assets at fair value through profit or loss

| <u>Item</u>  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current items:   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss |                          |                          |
| Derivative instruments   | <u>\$ -</u>              | <u>\$ 17,648</u>         |

A. The Company recognized net profit (loss) amounting to \$244,478 thousand and (\$2,687) thousand on financial assets mandatorily measured at fair value through profit or loss – derivative instruments for the years ended December 31, 2022 and 2021, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

|  | <u>December 31, 2021</u>                        |                           |
|--|---|---------------------------|
| <u>Derivative instruments</u>                                | <u>Contract amount<br/>(Notional principal)</u> | <u>Contract period</u>    |
| Current items:   |   |                           |
| Forward foreign exchange contracts<br>( USD exchange to NTD) | <u>USD 78,000 thousand</u>                      | 2021/09/28~<br>2022/05/04 |
| Foreign exchange swap<br>( USD exchange to NTD)              | <u>USD 45,000 thousand</u>                      | 2021/10/20~<br>2022/05/06 |

As at December 31, 2022, there was no derivative financial asset transactions.

The Company entered into forward foreign exchange contracts and foreign exchange swap to hedge exchange rate risk of import (export) proceeds. However, these contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided

in Note 12(2).

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

| Items                | December 31, 2022 | December 31, 2021 |
|----------------------|-------------------|-------------------|
| Current items:       |                   |                   |
| Equity instruments   |                   |                   |
| Listed stocks        | \$ 8,665          | \$ 8,665          |
| Valuation adjustment | 9,173             | 14,418            |
| Total                | \$ 17,838         | \$ 23,083         |
| Non-current items:   |                   |                   |
| Equity instruments   |                   |                   |
| Unlisted stocks      | \$ 58,187         | \$ 58,187         |

- A. The Company has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$76,025 thousand and \$81,270 thousand as at December 31, 2022 and 2021, respectively.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

|  | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--|---------------------------------|---------------------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> |                                 |                                 |
| Fair value change recognised in other comprehensive loss                   | (\$ 5,245)                      | (\$ 6,734)                      |

- C. Information relating to credit risk of financial assets at fair value through other comprehensive loss/income is provided in Note 12(2).

(4) Financial assets at amortised cost

| Items                    | December 31, 2022 | December 31, 2021 |
|--------------------------|-------------------|-------------------|
| Non-current items:       |                   |                   |
| Restricted bank deposits | \$ 1,587,679      | \$ 1,981,718      |
| TIIP grants account      | 18,000            | -                 |
|                          | \$ 1,605,679      | \$ 1,981,718      |

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

|                 | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|-----------------|---------------------------------|---------------------------------|
| Interest income | \$ 4,631                        | \$ 2,219                        |

- B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$1,605,679 thousand and

\$1,981,718 thousand, respectively.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

D. Restricted bank deposits were made by the Company and were approved by the Taxation Bureau of the Ministry of Finance in accordance with the "The Regulations on Industries Investment from Repatriated Offshare Funds". The Company also submitted the investment plan to the Ministry of Economic Affairs. According to the regulations, the funds can only be used in accordance with the approved investment plans.

(5) Notes and accounts receivables

|                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------|--------------------------|--------------------------|
| Notes receivable     | \$ 38,608                | \$ 64,570                |
| Less: Loss allowance | ( 9,277)                 | ( 9,277)                 |
|                      | <u>\$ 29,331</u>         | <u>\$ 55,293</u>         |
| <br>                 |                          |                          |
| Accounts receivable  | \$ 1,015,540             | \$ 967,394               |
| Less: Loss allowance | ( 11,718)                | ( 11,718)                |
|                      | <u>\$ 1,003,822</u>      | <u>\$ 955,676</u>        |

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

|                  | <u>December 31, 2022</u> |                     | <u>December 31, 2021</u> |                     |
|------------------|--------------------------|---------------------|--------------------------|---------------------|
|                  | Accounts<br>receivable   | Notes<br>receivable | Accounts<br>receivable   | Notes<br>receivable |
| Without past due | \$ 846,838               | \$ 38,608           | \$ 812,143               | \$ 64,570           |
| Up to 30 days    | 119,677                  | -                   | 107,924                  | -                   |
| 31 -90 days      | 45,134                   | -                   | 38,069                   | -                   |
| 91 -180 days     | 1,113                    | -                   | 4,825                    | -                   |
| Over 180 days    | <u>2,778</u>             | <u>-</u>            | <u>4,433</u>             | <u>-</u>            |
|                  | <u>\$ 1,015,540</u>      | <u>\$ 38,608</u>    | <u>\$ 967,394</u>        | <u>\$ 64,570</u>    |

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$3,166,500 thousand.

C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$29,331 thousand and \$55,293 thousand; \$1,003,822 thousand and \$955,676 thousand, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

|                  | December 31, 2022   |                                 |                     |
|------------------|---------------------|---------------------------------|---------------------|
|                  | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw material     | \$ 988,198          | \$ -                            | \$ 988,198          |
| Work in progress | 549,892             | -                               | 549,892             |
| Finished goods   | 812,550             | ( 13,904)                       | 798,646             |
|                  | <u>\$ 2,350,640</u> | <u>(\$ 13,904)</u>              | <u>\$ 2,336,736</u> |

|                  | December 31, 2021   |                                 |                     |
|------------------|---------------------|---------------------------------|---------------------|
|                  | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw materials    | \$ 1,328,125        | \$ -                            | \$ 1,328,125        |
| Work in progress | 447,047             | -                               | 447,047             |
| Finished goods   | 1,021,817           | ( 13,904)                       | 1,007,913           |
|                  | <u>\$ 2,796,989</u> | <u>(\$ 13,904)</u>              | <u>\$ 2,783,085</u> |

The cost of inventories recognized as expense for the period:

|                    | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------------|---------------------------------|---------------------------------|
| Cost of goods sold | \$ 14,453,927                   | \$ 15,220,854                   |
| Others             | ( 17,411)                       | ( 30,516)                       |
|                    | <u>\$ 14,436,516</u>            | <u>\$ 15,190,338</u>            |

(7) Investments accounted for using equity method

|   | December 31, 2022    | December 31, 2021    |
|---|----------------------|----------------------|
| Subsidiaries:                                     |                      |                      |
| MAXXIS International Co., Ltd.                    | \$ 42,707,845        | \$ 42,473,721        |
| CST Trading Ltd.                                  | 28,089,136           | 27,697,590           |
| MAXXIS Trading Ltd.                               | 11,496,228           | 9,287,333            |
| CHENG SHIN RUBBER USA, INC.                       | 2,995,507            | 2,321,753            |
| PT MAXXIS International Indonesia                 | -                    | 135,796              |
| CHENG SHIN RUBBER CANADA, INC.                    | 732,910              | 647,155              |
| MAXXIS (Taiwan) Trading CO., LTD                  | 661,686              | 543,185              |
| MAXXIS Tech Center Europe B.V.                    | 86,141               | 76,451               |
| PT. MAXXIS TRADING INDONESIA                      | 41,066               | 42,593               |
| Maxxis Europe B.V.                                | 579                  | 2,606                |
| MAXXIS INTERNATIONAL MEXICO S.<br>de R.L. de C.V. | 842                  | 689                  |
| MAXXIS RUBBER JAPAN CO., LTD.                     | 11,688               | 11,302               |
| Associates:                                       |                      |                      |
| NEW PACIFIC INDUSTRY COMPANY LIMITED              | 199,626              | 180,417              |
|   | <u>\$ 87,023,254</u> | <u>\$ 83,420,591</u> |

- A. As at December 31, 2022, the credit balance of long-term equity investments, shown as ‘other non-current liabilities’, is due to the Company continuously providing financial support.

|                                     | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------------|--------------------------|--------------------------|
| Subsidiary:                         |                          |                          |
| MAXXIS Rubber India Private Limited | \$ 1,756,887             | \$ 1,358,435             |
| PT MAXXIS International Indonesia   | <u>85,811</u>            | <u>-</u>                 |
|                                     | <u>\$ 1,842,698</u>      | <u>\$ 1,358,435</u>      |

B. Subsidiary

Details of the Company’s subsidiaries are provided in Note 4(3) of the Company’s consolidated financial statements as of and for the year ended December 31, 2022.

C. Joint ventures

The carrying amount of the Company’s interests in all individually immaterial joint ventures and the Company’s share of the operating results are summarized below:

As at December 31, 2022 and 2021, the carrying amount of the Company’s individually immaterial joint ventures amounted to \$199,626 thousand and \$180,417 thousand, respectively.

|  | <u>Year ended December<br/>31, 2022</u> | <u>Year ended December<br/>31, 2021</u> |
|--|---|---|
| Share of profit of joint ventures accounted<br>for using equity method | \$ 26,362                               | \$ 19,401                               |
| Other comprehensive income (loss) - net of tax                         | <u>2,847</u>                            | <u>(1,965)</u>                          |
| Total comprehensive income   | <u>\$ 29,209</u>                        | <u>\$ 17,436</u>                        |

(8) Property, plant and equipment, net

|  | Year ended December 31, 2022 |                     |                  |                 |                        |
|--|------------------------------|---------------------|------------------|-----------------|------------------------|
|  | Beginning of period          | Additions           | Disposals        | Transfer        | End of period          |
| Cost   |                              |                     |                  |                 |                        |
| Land   | \$ 3,925,468                 | \$ -                | \$ -             | \$ -            | \$ 3,925,468           |
| Buildings and structures                               | 6,858,418                    | 26,493              | ( 1,975)         | 4,740           | 6,887,676              |
| Machinery  | 14,156,104                   | 132,494             | ( 53,167)        | 338,061         | 14,573,492             |
| Testing equipment                                      | 826,424                      | 7,521               | -                | 823             | 834,768                |
| Transportation equipment                               | 197,788                      | 2,821               | ( 1,196)         | 1,282           | 200,695                |
| Office equipment                                       | 199,831                      | 2,665               | -                | -               | 202,496                |
| Other facilities                                       | 4,849,739                    | 117,094             | ( 13,153)        | 7,370           | 4,961,050              |
| Unfinished construction and equipment under acceptance | 770,410                      | 667,041             | ( 7,140)         | 356,412         | 1,073,899              |
|  | <u>\$ 31,784,182</u>         | <u>\$ 956,129</u>   | <u>\$ 76,631</u> | <u>\$ 4,136</u> | <u>\$ 32,659,544</u>   |
| Accumulated depreciation                               |                              |                     |                  |                 |                        |
| Buildings and structures                               | (\$ 2,692,022)               | \$ 193,389          | \$ 1,772         | \$ -            | (\$ 2,883,639)         |
| Machinery  | ( 8,423,896)                 | ( 795,569)          | 38,019           | -               | ( 9,181,446)           |
| Testing equipment                                      | ( 757,477)                   | ( 29,149)           | -                | -               | ( 786,626)             |
| Transportation equipment                               | ( 164,254)                   | ( 13,577)           | 581              | -               | ( 177,250)             |
| Office equipment                                       | ( 173,287)                   | ( 15,541)           | -                | -               | ( 188,828)             |
| Other facilities                                       | ( 4,032,509)                 | ( 407,554)          | 8,961            | -               | ( 4,431,102)           |
|  | <u>(\$ 16,243,445)</u>       | <u>\$ 1,454,779</u> | <u>\$ 49,333</u> | <u>\$ -</u>     | <u>(\$ 17,648,891)</u> |
|  | <u>\$ 15,540,737</u>         |                     |                  |                 | <u>\$ 15,010,653</u>   |

Year ended December 31, 2021

|  | Beginning of period    | Additions             | Disposals          | Transfer          | End of period          |
|--|------------------------|-----------------------|--------------------|-------------------|------------------------|
| <b>Cost</b>  |                        |                       |                    |                   |                        |
| Land   | \$ 3,925,468           | \$ -                  | \$ -               | \$ -              | \$ 3,925,468           |
| Buildings and structures                               | 6,563,263              | 76,375                | -                  | 218,780           | 6,858,418              |
| Machinery  | 13,831,156             | 311,390               | ( 76,529)          | 90,087            | 14,156,104             |
| Testing equipment                                      | 819,918                | 1,495                 | ( 928)             | 5,939             | 826,424                |
| Transportation equipment                               | 196,801                | 1,718                 | ( 731)             | -                 | 197,788                |
| Office equipment                                       | 192,593                | 7,238                 | -                  | -                 | 199,831                |
| Other facilities                                       | 4,615,654              | 218,689               | ( 10,951)          | 26,347            | 4,849,739              |
| Unfinished construction and equipment under acceptance | 872,265                | 245,142               | ( 487)             | ( 346,510)        | 770,410                |
|  | <u>\$ 31,017,118</u>   | <u>\$ 862,047</u>     | <u>(\$ 89,626)</u> | <u>(\$ 5,357)</u> | <u>\$ 31,784,182</u>   |
| <b>Accumulated depreciation</b>                        |                        |                       |                    |                   |                        |
| Buildings and structures                               | (\$ 2,504,676)         | \$ 187,346            | \$ -               | \$ -              | (\$ 2,692,022)         |
| Machinery  | ( 7,739,977)           | ( 760,448)            | 76,529             | -                 | ( 8,423,896)           |
| Testing equipment                                      | ( 713,846)             | ( 44,559)             | 928                | -                 | ( 757,477)             |
| Transportation equipment                               | ( 149,270)             | ( 15,522)             | 538                | -                 | ( 164,254)             |
| Office equipment                                       | ( 144,271)             | ( 29,016)             | -                  | -                 | ( 173,287)             |
| Other facilities                                       | ( 3,530,482)           | ( 510,904)            | 8,877              | -                 | ( 4,032,509)           |
|  | <u>(\$ 14,782,522)</u> | <u>(\$ 1,547,795)</u> | <u>\$ 86,872</u>   | <u>\$ -</u>       | <u>(\$ 16,243,445)</u> |
|  | <u>\$ 16,234,596</u>   |                       |                    |                   | <u>\$ 15,540,737</u>   |

(9) Leasing arrangements — lessee

- A. The Company leases various assets including land, buildings, business vehicles, and multifunction printers. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets of land may not be used as security for borrowing purposes.
- B. Short-term leases comprise forklift trucks and stacking machines. Low-value assets comprise of defibrillators.
- C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

|                          | <u>December 31, 2022</u>    | <u>December 31, 2021</u>    |
|--------------------------|-----------------------------|-----------------------------|
|                          | <u>Book value</u>           | <u>Book value</u>           |
| Land                     | \$ 13,720                   | \$ 27,440                   |
| Buildings and structures | 4,068                       | 1,158                       |
| Transportation equipment | 19,591                      | 31,984                      |
| Office equipment         | 3,313                       | 3,253                       |
| Other equipment          | 5,947                       | 9,804                       |
|                          | <u>\$ 46,639</u>            | <u>\$ 73,639</u>            |
|                          | <u>Year ended December</u>  | <u>Year ended December</u>  |
|                          | <u>31, 2022</u>             | <u>31, 2021</u>             |
|                          | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Land                     | \$ 13,720                   | \$ 13,720                   |
| Buildings and structures | 1,859                       | 2,630                       |
| Transportation equipment | 21,959                      | 23,706                      |
| Office equipment         | 1,348                       | 1,335                       |
| Other equipment          | 3,857                       | 4,017                       |
|                          | <u>\$ 42,743</u>            | <u>\$ 45,408</u>            |

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets amounted to \$16,329 thousand and \$20,538 thousand, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

| <u>Items affecting profit or loss</u> | <u>Year ended December</u> | <u>Year ended December</u> |
|---------------------------------------|----------------------------|----------------------------|
|                                       | <u>31, 2022</u>            | <u>31, 2021</u>            |
| Interest expense on lease liabilities | \$ 485                     | \$ 734                     |
| Expense on short-term lease contracts | 1,633                      | 1,188                      |
| Expense on leases of low-value assets | 87                         | 87                         |
| Expense on variable lease payments    | 2,882                      | 3,281                      |
|                                       | <u>\$ 5,087</u>            | <u>\$ 5,290</u>            |

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounted to \$43,382 thousand and \$45,571 thousand, respectively.
- G. Variable lease payments
- (a) Some of the Company's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 6.03% and 6.47% of

lease payments are on the basis of variable payment terms and are accrued based on the stored amount of tires for the years ended December 31, 2022 and 2021, respectively. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$29 thousand and \$33 thousand for the years ended December 31, 2022 and 2021, respectively.

(10) Investment property, net

|                          | Year ended December 31, 2022                  |             |             |   |
|--------------------------|---|-------------|-------------|---|
|                          | Opening net<br>book amount as<br>at January 1 | Additions   | Transfer    | Closing net<br>book amount as<br>at December 31 |
| Cost                     |   |             |             |   |
| Land                     | \$ 336,421                                    | \$ -        | \$ -        | \$ 336,421                                      |
| Buildings and structures | 27,766  | -           | -           | 27,766  |
|                          | <u>\$ 364,187</u>                             | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 364,187</u>                               |
| Accumulated depreciation |   |             |             |   |
| Buildings and structures | (\$ 24,268)                                   | (\$ 545)    | \$ -        | (\$ 24,813)                                     |
| Accumulated impairment   |   |             |             |   |
| Land                     | (\$ 51,038)                                   | \$ -        | \$ -        | (\$ 51,038)                                     |
|                          | <u>\$ 288,881</u>                             |             |             | <u>\$ 288,336</u>                               |
|                          |   |             |             |   |
|                          | Year ended December 31, 2021                  |             |             |   |
|                          | Opening net<br>book amount as<br>at January 1 | Additions   | Transfer    | Closing net<br>book amount as<br>at December 31 |
| Cost                     |   |             |             |   |
| Land                     | \$ 336,421                                    | \$ -        | \$ -        | \$ 336,421                                      |
| Buildings and structures | 27,766  | -           | -           | 27,766  |
|                          | <u>\$ 364,187</u>                             | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 364,187</u>                               |
| Accumulated depreciation |   |             |             |   |
| Buildings and structures | (\$ 23,722)                                   | (\$ 546)    | \$ -        | (\$ 24,268)                                     |
| Accumulated impairment   |   |             |             |   |
| Land                     | (\$ 51,038)                                   | \$ -        | \$ -        | (\$ 51,038)                                     |
|                          | <u>\$ 289,427</u>                             |             |             | <u>\$ 288,881</u>                               |

A. Rental income from investment property is shown below:

|   | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|---|---------------------------------|---------------------------------|
| Rental income from investment property  | \$ 9,288                        | \$ 9,288                        |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ 545                          | \$ 546                          |

B. The fair value of the investment property held by the Company as of December 31, 2022 and 2021 was \$738,280 thousand and \$557,821 thousand, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(11) Intangible assets

|                          | Year ended December 31, 2022                  |             |             |          |   |
|--------------------------|---|-------------|-------------|----------|---|
|                          | Opening net<br>book amount as<br>at January 1 | Additions   | Disposals   | Transfer | Closing net<br>book amount as<br>at December 31 |
| Cost                     |   |             |             |          |   |
| Software                 | \$ 146,928                                    | \$ 31,537   | (\$ 13,243) | \$ 4,136 | \$ 169,358                                      |
| Accumulated amortisation |   |             |             |          |   |
| Software                 | (\$ 123,445)                                  | (\$ 29,647) | \$ 13,243   | \$ -     | (\$ 139,849)                                    |
|                          | <u>\$ 23,483</u>                              |             |             |          | <u>\$ 29,509</u>                                |
|                          | Year ended December 31, 2021                  |             |             |          |   |
|                          | Opening net<br>book amount as<br>at January 1 | Additions   | Disposals   | Transfer | Closing net<br>book amount as<br>at December 31 |
| Cost                     |   |             |             |          |   |
| Software                 | \$ 126,108                                    | \$ 39,193   | (\$ 18,373) | \$ -     | \$ 146,928                                      |
| Accumulated amortisation |   |             |             |          |   |
| Software                 | (\$ 117,368)                                  | (\$ 24,450) | \$ 18,373   | \$ -     | (\$ 123,445)                                    |
|                          | <u>\$ 8,740</u>                               |             |             |          | <u>\$ 23,483</u>                                |

Details of amortization on intangible assets are as follows:

|                                   | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|-----------------------------------|---------------------------------|---------------------------------|
| Operating costs                   | \$ 1,100                        | \$ 1,051                        |
| Administrative expenses           | 17,301                          | 13,467                          |
| Research and development expenses | 11,246                          | 9,932                           |
|                                   | <u>\$ 29,647</u>                | <u>\$ 24,450</u>                |

(12) Short-term borrowings

| Type of borrowings        | December 31, 2022   | Interest rate range | Collateral |
|---------------------------|---------------------|---------------------|------------|
| Bank borrowings           |                     |                     |            |
| Bank unsecured borrowings | <u>\$ 1,900,000</u> | 1.5%~1.64%          | None       |
| Type of borrowings        | December 31, 2021   | Interest rate range | Collateral |
| Bank borrowings           |                     |                     |            |
| Bank unsecured borrowings | <u>\$ 2,800,000</u> | 0.38%~0.52%         | None       |

(13) Other payables

|                                    | December 31, 2022   | December 31, 2021   |
|------------------------------------|---------------------|---------------------|
| Employee compensation payable      | \$ 262,254          | \$ 270,248          |
| Wages and salaries payable         | 600,876             | 654,732             |
| Payable on machinery and equipment | 141,941             | 128,196             |
| Compensation due to directors      | 98,662              | 98,028              |
| Others                             | 487,179             | 562,812             |
|                                    | <u>\$ 1,590,912</u> | <u>\$ 1,714,016</u> |

(14) Other current liabilities

|                        | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------|-------------------|
| Receipts under custody | 57,154            | 86,002            |
| Others                 | -                 | 968               |
|                        | <u>\$ 57,154</u>  | <u>\$ 86,970</u>  |

(15) Bonds payable

|                                | December 31, 2022   | December 31, 2021    |
|--------------------------------|---------------------|----------------------|
| Bonds payable - issued in 2017 | \$ -                | \$ 3,500,000         |
| Bonds payable - issued in 2018 | 2,500,000           | 5,000,000            |
| Bonds payable - issued in 2021 | 8,000,000           | 8,000,000            |
|                                | 10,500,000          | 16,500,000           |
| Less: Current portion          | ( 2,500,000)        | ( 6,000,000)         |
|                                | <u>\$ 8,000,000</u> | <u>\$ 10,500,000</u> |

- A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on July 27, 2021 and completed on August 5, 2021. The bonds were fully issued and total issuance amount was \$8 billion with a coupon rate of 0.60%. The issuance period of the bonds was 5 years, which is from August 5, 2021 to August 5, 2026. The terms are as follows:
- (a) Interest accrued/ paid:  
The interest is accrued/ paid at a single rate annually from the issue date.
  - (b) Redemption:  
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:
- (a) Interest accrued/ paid:  
The interest is accrued/paid at a single rate annually from the issue date.
  - (b) Redemption:  
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/ paid:  
The interest is accrued/ paid at a single rate annually from the issue date.
  - (b) Redemption:  
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- D. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:  
The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

(16) Long-term borrowings

| <u>Type of borrowings</u>        | <u>Borrowing period and repayment term</u>                  | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2022</u>                   |
|----------------------------------|---|----------------------------|-------------------|--|
| Installment-repayment borrowings |   |                            |                   |  |
| Unsecured borrowings             | Principal is repayable in installment until November, 2027. | 1.41%~1.73%                | None              | \$ 12,700,000                              |
| Less: Current portion            |   |                            |                   | <u>( 3,000,000)</u><br><u>\$ 9,700,000</u> |

| <u>Type of borrowings</u>        | <u>Borrowing period and repayment term</u>                 | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2021</u>                   |
|----------------------------------|--|----------------------------|-------------------|--|
| Installment-repayment borrowings |  |                            |                   |  |
| Unsecured borrowings             | Principal is repayable in installment until October, 2025. | 0.70%~0.81%                | None              | \$ 9,400,000                               |
| Less: Current portion            |  |                            |                   | <u>( 1,700,000)</u><br><u>\$ 7,700,000</u> |

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company's unutilized bank borrowing facilities were \$6,250,000 thousand and \$800,000 thousand, respectively.

(17) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly

an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 1,027,038             | \$ 1,170,562             |
| Fair value of plan assets                    | ( 678,485)               | ( 678,036)               |
| Net defined benefit liability                | <u>\$ 348,554</u>        | <u>\$ 492,526</u>        |

(c) Movements in net defined benefit liabilities are as follows:

|   | <u>2022</u>   |                                      |  |
|---|---|--------------------------------------|--|
|   | <u>Present value of<br/>defined benefit<br/>obligations</u> | <u>Fair value of<br/>plan assets</u> | <u>Net defined<br/>benefit liability</u> |
| Balance at January 1  | \$ 1,170,562  | (\$ 678,036)                         | \$ 492,526                               |
| Current service cost  | 10,519  | -                                    | 10,519                                   |
| Interest expense (income)   | 8,194   | ( 4,746)                             | 3,448                                    |
|   | <u>1,189,275</u>  | <u>( 682,782)</u>                    | <u>506,493</u>                           |
| Remeasurements:   |   |                                      |  |
| Change in demographic assumptions   | -   | -                                    | -  |
| Change in financial assumptions   | ( 52,716)   | -                                    | ( 52,716)                                |
| Experience adjustments  | ( 20,929)   | -                                    | ( 20,929)                                |
| Return on plan asset<br>(excluding amounts included<br>in interest income or expense) | -   | ( 52,686)                            | ( 52,686)                                |
|   | <u>( 73,645)</u>  | <u>( 52,686)</u>                     | <u>( 126,331)</u>                        |
| Pension fund contribution   | -   | ( 31,608)                            | ( 31,608)                                |
| Paid pension  | ( 88,591)   | 88,591                               | -  |
| Balance at December 31  | <u>\$ 1,027,039</u>   | <u>( \$ 678,485)</u>                 | <u>\$ 348,554</u>                        |

2021

|   | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|---|--|------------------------------|----------------------------------|
| Balance at January 1  | \$ 1,278,916                                       | (\$ 695,313)                 | \$ 583,603                       |
| Current service cost  | 13,154   | -                            | 13,154                           |
| Interest expense (income)   | 3,837  | ( 2,086)                     | 1,751                            |
|   | <u>1,295,907</u>                                   | <u>( 697,399)</u>            | <u>598,508</u>                   |
| Remeasurements:   |  |                              |                                  |
| Change in demographic assumptions   | 979  | -                            | 979                              |
| Change in financial assumptions   | ( 43,632)  | -                            | ( 43,632)                        |
| Experience adjustments  | ( 28,093)  | -                            | ( 28,093)                        |
| Return on plan asset<br>(excluding amounts included<br>in interest income or expense) | -  | ( 10,966)                    | ( 10,966)                        |
|   | <u>( 70,746)</u>                                   | <u>( 10,966)</u>             | <u>( 81,712)</u>                 |
| Pension fund contribution   | -  | ( 24,270)                    | ( 24,270)                        |
| Paid pension  | ( 54,599)  | 54,599                       | -                                |
| Balance at December 31  | <u>\$ 1,170,562</u>                                | <u>(\$ 678,036)</u>          | <u>\$ 492,526</u>                |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2022 and 2021, the actual return on plan assets was \$57,432 thousand and \$13,052 thousand, respectively.

(e) The principal actuarial assumptions used were as follows:

|                         | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-------------------------|---------------------------------|---------------------------------|
| Discount rate           | 1.30%                           | 0.70%                           |
| Future salary increases | 3.00%                           | 3.00%                           |

For the years ended December 31, 2022 and 2021, assumptions regarding future mortality experience are set based on the 6<sup>th</sup> empirical life table estimation in Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|   | Discount rate  |                | Future salary increases |                |
|---|----------------|----------------|-------------------------|----------------|
|   | Increase 0.25% | Decrease 0.25% | Increase 0.25%          | Decrease 0.25% |
| December 31, 2022                                     |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 20,750)    | \$ 21,451      | \$ 18,629               | (\$ 18,141)    |
| December 31, 2021                                     |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 25,473)    | \$ 26,377      | \$ 22,962               | (\$ 22,331)    |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$12,538 thousand.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 9 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

|               |    |                |
|---------------|----|----------------|
| Within 1 year | \$ | 138,369        |
| 2-5 years     |    | 272,938        |
| Over 6 years  |    | 285,755        |
|               | \$ | <u>697,062</u> |

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$135,591 thousand and \$148,645 thousand, respectively.

(18) Share capital

As at December 31, 2022, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. The Company recognised dividends distributed to shareholders amounting to \$4,537,982 thousand and \$3,889,699 thousand (\$1.4 (in dollars) and \$1.2 (in dollars) per share) for the years ended December 31, 2022 and 2021, respectively. On March 14, 2023, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2022 was \$4,537,982 thousand at \$1.4 (in dollars) per share.

(21) Other equity items

|                                      | 2022                  |   |                       |
|--------------------------------------|-----------------------|---|-----------------------|
|                                      | Currency translation  | Unrealized gain on valuation of equity instruments at fair value through other comprehensive income | Total                 |
| At January 1                         | (\$ 7,602,556)        | \$ 14,418   | (\$ 7,588,138)        |
| Valuation adjustment – Company       | -                     | ( 5,245)  | ( 5,245)              |
| Currency translation differences:    |                       |   |                       |
| – Subsidiaries and associates        | 2,153,007             | -   | 2,153,007             |
| – Tax on subsidiaries and associates | ( 430,601)            | -   | ( 430,601)            |
| At December 31                       | <u>(\$ 5,880,150)</u> | <u>\$ 9,173</u>   | <u>(\$ 5,870,977)</u> |

|                                      | 2021                  |   |                       |
|--------------------------------------|-----------------------|---|-----------------------|
|                                      | Currency translation  | Unrealized gain on valuation of equity instruments at fair value through other comprehensive income | Total                 |
| At January 1                         | (\$ 6,632,448)        | \$ 21,152   | (\$ 6,611,296)        |
| Valuation adjustment – Company       | -                     | ( 6,734)  | ( 6,734)              |
| Currency translation differences:    |                       |   |                       |
| – Subsidiaries and associates        | ( 1,212,635)          | -   | ( 1,212,635)          |
| – Tax on subsidiaries and associates | 242,527               | -   | 242,527               |
| At December 31                       | <u>(\$ 7,602,556)</u> | <u>\$ 14,418</u>  | <u>(\$ 7,588,138)</u> |

(22) Operating revenue

|                                       | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---------------------------------------|------------------------------|------------------------------|
| Revenue from contracts with customers | <u>\$ 20,409,294</u>         | <u>\$ 20,707,983</u>         |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following and geographical regions:

| Year ended December 31, 2022    |                     |                   |                     |                     |                      |
|---------------------------------|---------------------|-------------------|---------------------|---------------------|----------------------|
| Sale of tires based on location |                     |                   |                     |                     |                      |
|                                 | Taiwan              | China             | US                  | Others              | Total                |
| Revenue from external contracts | \$ 2,352,572        | \$ 296,934        | \$ 905,682          | \$ 7,664,244        | \$ 11,219,432        |
| Inter-segment revenue           | <u>3,447,972</u>    | <u>11,715</u>     | <u>5,037,854</u>    | <u>692,321</u>      | <u>9,189,862</u>     |
| Total segment revenue           | <u>\$ 5,800,544</u> | <u>\$ 308,649</u> | <u>\$ 5,943,536</u> | <u>\$ 8,356,565</u> | <u>\$ 20,409,294</u> |
| Year ended December 31, 2021    |                     |                   |                     |                     |                      |
| Sale of tires based on location |                     |                   |                     |                     |                      |
|                                 | Taiwan              | China             | US                  | Others              | Total                |
| Revenue from external contracts | \$ 2,397,277        | \$ 291,833        | \$ 1,108,187        | \$ 7,154,261        | \$ 10,951,558        |
| Inter-segment revenue           | <u>3,687,771</u>    | <u>68,707</u>     | <u>5,205,401</u>    | <u>794,546</u>      | <u>9,756,425</u>     |
| Total segment revenue           | <u>\$ 6,085,048</u> | <u>\$ 360,540</u> | <u>\$ 6,313,588</u> | <u>\$ 7,948,807</u> | <u>\$ 20,707,983</u> |

#### B. Contract liabilities

The Company has recognised the following revenue-related contract liabilities:

|  | December 31, 2022            | December 31, 2021            | January 1, 2021   |
|--|------------------------------|------------------------------|-------------------|
| Contract liabilities:  |                              |                              |                   |
| Advance sales receipts   | \$ <u>108,190</u>            | \$ <u>257,430</u>            | \$ <u>116,293</u> |
| Revenue recognised that was included in the contract liability balance at the beginning of the period: |                              |                              |                   |
|  | Year ended December 31, 2022 | Year ended December 31, 2021 |                   |
| Advance sales receipts   | \$ <u>168,030</u>            | \$ <u>105,516</u>            |                   |

#### (23) Interest income

|   | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|------------------------------|------------------------------|
| Interest income from bank deposits      | \$ 47,107                    | \$ 15,836                    |
| Interest income endorsements/guarantees | <u>15,040</u>                | <u>14,546</u>                |
|   | <u>\$ 62,147</u>             | <u>\$ 30,382</u>             |

#### (24) Other income

|                                  | Year ended December 31, 2022 | Year ended December 31, 2021 |
|----------------------------------|------------------------------|------------------------------|
| Revenue from patent royalties    | \$ 451,152                   | \$ 442,228                   |
| Revenue from trademark royalties | 355,667                      | 323,453                      |
| Revenue from commission          | 206,879                      | 205,087                      |
| Revenue from dividend            | 31,273                       | 7,265                        |
| Revenue from per diem            | 15,446                       | 12,620                       |
| Others                           | <u>100,664</u>               | <u>93,717</u>                |
|                                  | <u>\$ 1,161,081</u>          | <u>\$ 1,084,370</u>          |

(25) Other gains and losses

|   | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|---|---------------------------------|---------------------------------|
| Net currency exchange gain (loss)   | \$ 545,172                      | (\$ 301,958)                    |
| Gain on disposal of property, plant and<br>equipment                                    | 68,362                          | 100,957                         |
| Gain (loss) on financial assets and liabilities<br>at fair value through profit or loss | 244,478                         | ( 2,687)                        |
| Miscellaneous disbursements   | ( 44,490)                       | ( 11,697)                       |
|   | <u>\$ 813,522</u>               | <u>(\$ 215,385)</u>             |

(26) Finance costs

|                                  | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|----------------------------------|---------------------------------|---------------------------------|
| Interest expense:                |                                 |                                 |
| Bank borrowings                  | \$ 133,388                      | \$ 87,427                       |
| Corporate bonds                  | 103,793                         | 134,005                         |
| Lease liability-interest expense | 485                             | 734                             |
|                                  | <u>\$ 237,666</u>               | <u>\$ 222,166</u>               |

(27) Expenses by nature

|  | Year ended December 31, 2022 |                          |                     |
|--|------------------------------|--------------------------|---------------------|
|  | <u>Operating costs</u>       | <u>Operating expense</u> | <u>Total</u>        |
| Employee benefits costs                                  |                              |                          |                     |
| Wages and salaries                                       | \$ 2,266,638                 | \$ 1,224,885             | \$ 3,491,523        |
| Labour and health insurance fees                         | 225,716                      | 111,491                  | 337,207             |
| Pension costs  | 98,636                       | 50,922                   | 149,558             |
| Directors' remuneration                                  | -                            | 105,882                  | 105,882             |
| Other personnel expenses                                 | 74,074                       | 15,526                   | 89,600              |
|  | <u>\$ 2,665,064</u>          | <u>\$ 1,508,706</u>      | <u>\$ 4,173,770</u> |
| Raw materials and supplies used                          | <u>\$ 8,666,953</u>          | <u>\$ -</u>              | <u>\$ 8,666,953</u> |
| Depreciation expense on property,<br>plant and equipment | <u>\$ 1,335,126</u>          | <u>\$ 119,653</u>        | <u>\$ 1,454,779</u> |
| Depreciation expense on right-of-use assets              | <u>\$ 18,625</u>             | <u>\$ 24,118</u>         | <u>\$ 42,743</u>    |
| Depreciation expense on investment property              | <u>\$ -</u>                  | <u>\$ 545</u>            | <u>\$ 545</u>       |
| Amortisation expense on intangible assets                | <u>\$ 1,100</u>              | <u>\$ 28,547</u>         | <u>\$ 29,647</u>    |
|  |                              |                          |                     |
|  | Year ended December 31, 2021 |                          |                     |
|  | <u>Operating costs</u>       | <u>Operating expense</u> | <u>Total</u>        |
| Employee benefits costs                                  |                              |                          |                     |
| Wages and salaries                                       | \$ 2,677,179                 | \$ 1,371,487             | \$ 4,048,666        |
| Labour and health insurance fees                         | 240,080                      | 119,725                  | 359,805             |
| Pension costs  | 109,224                      | 54,326                   | 163,550             |
| Directors' remuneration                                  | -                            | 113,941                  | 113,941             |
| Other personnel expenses                                 | 78,591                       | 17,314                   | 95,905              |
|  | <u>\$ 3,105,074</u>          | <u>\$ 1,676,793</u>      | <u>\$ 4,781,867</u> |
| Raw materials and supplies used                          | <u>\$ 8,402,513</u>          | <u>\$ -</u>              | <u>\$ 8,402,513</u> |
| Depreciation expense on property,<br>plant and equipment | <u>\$ 1,381,979</u>          | <u>\$ 165,816</u>        | <u>\$ 1,547,795</u> |
| Depreciation expense on right-of-use assets              | <u>\$ 20,709</u>             | <u>\$ 24,699</u>         | <u>\$ 45,408</u>    |
| Depreciation expense on investment property              | <u>\$ -</u>                  | <u>\$ 546</u>            | <u>\$ 546</u>       |
| Amortisation expense on intangible assets                | <u>\$ 1,051</u>              | <u>\$ 23,399</u>         | <u>\$ 24,450</u>    |

Note: As at December 31, 2022 and 2021, the Company had 4,798 and 5,262 employees, respectively, of which 9 directors were not the Company's employee.

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. Average employee benefit costs for the year ended December 31, 2022 was \$849 thousand ((Total employee benefit costs for the year ended December 31, 2022 – Total directors' remuneration for the year ended December 31, 2022) / (Number of employees for the year ended December 31, 2022 – Number of non-employee directors for the year ended December 31, 2022)). Average

employee benefit costs for the year ended December 31, 2021 was \$889 thousand ((Total employee benefit costs for the year ended December 31, 2021 – Total directors’ remuneration for the year ended December 31, 2021) / (Number of employees for the year ended December 31, 2020 – Number of non-employee directors for the year ended December 31, 2021)).

C. Average employee wages and salaries for the year ended December 31, 2022 were \$729 thousand (Total employee wages and salaries for the year ended December 31, 2022 / (Number of employees for the year ended December 31, 2022 – Number of non-employee directors for the year ended December 31, 2022)). Average employee wages and salaries for the year ended December 31, 2021 were \$771 thousand (Total employee wages and salaries for the year ended December 31, 2021 / (Number of employees for the year ended December 31, 2021 – Number of non-employee directors for the year ended December 31, 2021)).

D. Changes of average employee wages and salaries was 5.45% ((Average employee wages and salaries for the year ended December 31, 2022 - Average employee wages and salaries for the year ended December 31, 2021) / Average employee wages and salaries for the year ended December 31, 2021).

(a) The Company has set up an audit committee, so there are no supervisors.

(b) The compensation policy and payment were determined by the Remuneration Committee of the Company in accordance with the market average of each position, and the duties and responsibilities of such position, as well as personal contribution to the Company’s operation target. Besides taking overall operating performance of the Company into consideration, personal achievements and contributions made to business operations are also evaluated during the remuneration determination process. The Board of Directors would then approve the remuneration that is fair and reasonable.

The Company’s independent director remuneration is delegated to the Board to decide and will be decided according to their participation procedure and contribution to the Company’s operation and the common standard in the industry. The independent directors receive a fixed amount of remuneration and the traveling expenses of attending meetings. They do not receive other forms of remuneration and may not participate in the distribution of the Company’s director remuneration.

The employees’ emolument of the Company mainly includes salary, bonus, employee compensation, etc. The payment standard is set according to the industry salary standard, the Company’s operating conditions, employees’ personal performance, the position held and the responsibility assumed as well as in compliance with the laws and regulations. The employees’ compensation is distributed according to the Company’s Articles of Incorporation and distributable profit of the year. The employees’ emolument do not vary according to age, gender, race, religion, political affiliation, marital status and union membership.

E. For the years ended December 31, 2022 and 2021, employees’ compensation was accrued at \$131,549 thousand and \$130,705 thousand, respectively; while directors’ remuneration was accrued at \$98,662 thousand and \$98,028 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2% and 1.5% of distributable profit of current year for the year ended December 31, 2022.

Employees' compensation and directors' remuneration for 2021 amounting to \$130,705 thousand and \$98,028 thousand as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. The employees' compensation for 2021 will be distributed in the form of cash. As of March 15, 2023, the employees' compensation for 2022 has not been distributed.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Current tax:                                      |                                 |                                 |
| Current tax on profits for the period             | \$ 1,300,426                    | \$ 1,086,432                    |
| Prior year income tax under (over) estimation     | 113,542                         | ( 1,987)                        |
| Additional 5% tax on undistributed earnings       | -                               | 55,011                          |
| Total current tax                                 | 1,413,968                       | 1,139,456                       |
| Deferred tax:                                     |                                 |                                 |
| Origination and reversal of temporary differences | ( 28,095)                       | ( 102,968)                      |
| Income tax expense                                | <u>\$ 1,385,873</u>             | <u>\$ 1,036,488</u>             |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

|  | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--|---------------------------------|---------------------------------|
| Generated during the period:                 |                                 |                                 |
| Currency translation differences             | (\$ 430,601)                    | \$ 242,527                      |
| Remeasurement of defined benefit obligations | ( 25,266)                       | ( 16,342)                       |
| Total generated during the period            | ( 455,867)                      | 226,185                         |
| Income tax from other comprehensive income   | <u>(\$ 455,867)</u>             | <u>\$ 226,185</u>               |

B. Reconciliation between income tax expense and accounting profit

|  | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|--|---------------------------------|---------------------------------|
| Tax calculated based on profit before tax and statutory tax rate                       | \$ 1,269,448                    | \$ 1,261,299                    |
| Effects from items disallowed by tax regulation  | 64,598                          | 70,321                          |
| Income from investing overseas subsidiaries not recognized as deferred tax liabilities | ( 496,652)                      | ( 598,266)                      |
| Temporary differences not recognised as deferred tax assets                            | 524,342                         | 321,145                         |
| Tax exempt income by tax regulation  | ( 89,405)                       | ( 71,035)                       |
| Prior year income tax (under) over estimation  | 113,542                         | ( 1,987)                        |
| Additional 5% tax on undistributed earnings  | -                               | 55,011                          |
| Income tax expense   | <u>\$ 1,385,873</u>             | <u>\$ 1,036,488</u>             |

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

|   | 2022                |                                    |   |                     |
|---|---------------------|------------------------------------|---|---------------------|
|   | January 1           | Recognised<br>in<br>profit or loss | Recognised in<br>other<br>comprehensive<br>income | December 31         |
| Temporary differences:  |                     |                                    |   |                     |
| - Deferred tax assets:  |                     |                                    |   |                     |
| Unrealized gain on inter-affiliated accounts                        | \$ 127,686          | (\$ 13,747)                        | \$ -  | \$ 113,939          |
| Remeasurement of defined benefit obligations                        | 149,207             | -                                  | ( 25,266)   | 123,941             |
| Exchange differences on translation of foreign financial statements | 1,379,321           | -                                  | ( 430,601)  | 948,720             |
| Unrealised exchange loss  | 26,562              | ( 16,339)                          | -   | 10,223              |
| Others  | 55,812              | ( 9,456)                           | -   | 46,356              |
| Subtotal  | <u>\$ 1,738,588</u> | <u>(\$ 39,542)</u>                 | <u>(\$ 455,867)</u>                               | <u>\$ 1,243,179</u> |
| - Deferred tax liabilities:   |                     |                                    |   |                     |
| Gain on foreign long-term investments                               | (\$ 334,075)        | \$ 67,637                          | \$ -  | (\$ 266,438)        |
| Adjustment of land value increment tax                              | ( 514,733)          | -                                  | -   | ( 514,733)          |
| Subtotal  | <u>(\$ 848,808)</u> | <u>\$ 67,637</u>                   | <u>\$ -</u>                                       | <u>(\$ 781,171)</u> |
| Total   | <u>\$ 889,780</u>   | <u>\$ 28,095</u>                   | <u>(\$ 455,867)</u>                               | <u>\$ 462,008</u>   |

|   | 2021                |                              |  |                     |
|---|---------------------|------------------------------|--|---------------------|
|   | January 1           | Recognised in profit or loss | Recognised in other comprehensive income | December 31         |
| Temporary differences:  |                     |                              |  |                     |
| - Deferred tax assets:  |                     |                              |  |                     |
| Unrealized gain on inter-affiliated accounts                        | \$ 156,234          | (\$ 28,548)                  | \$ -                                     | \$ 127,686          |
| Remeasurement of defined benefit obligations                        | 165,549             | -                            | ( 16,342)                                | 149,207             |
| Exchange differences on translation of foreign financial statements | 1,136,794           | -                            | 242,527                                  | 1,379,321           |
| Unrealised exchange loss  | 68,818              | ( 42,256)                    | -  | 26,562              |
| Others  | 15,761              | 46,314                       | -  | 62,075              |
| Subtotal  | <u>\$ 1,543,156</u> | <u>(\$ 24,490)</u>           | <u>\$ 226,185</u>                        | <u>\$ 1,744,851</u> |
| - Deferred tax liabilities:   |                     |                              |  |                     |
| Gain on foreign long-term investments                               | (\$ 449,284)        | \$ 115,209                   | \$ -                                     | (\$ 334,075)        |
| Adjustment of land value increment tax                              | ( 514,733)          | -                            | -  | ( 514,733)          |
| Others  | ( 18,512)           | 12,249                       | -  | ( 6,263)            |
| Subtotal  | <u>(\$ 982,529)</u> | <u>\$ 127,458</u>            | <u>\$ -</u>                              | <u>(\$ 855,071)</u> |
| Total   | <u>\$ 560,627</u>   | <u>\$ 102,968</u>            | <u>\$ 226,185</u>                        | <u>\$ 889,780</u>   |

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

|                                  | December 31, 2022    | December 31, 2021   |
|----------------------------------|----------------------|---------------------|
| Deductible temporary differences | <u>\$ 11,405,029</u> | <u>\$ 8,799,957</u> |

E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2022 and 2021 were \$53,795,445 thousand and \$50,581,303 thousand, respectively.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

|  | Year ended December 31, 2022 |   |                                       |
|--|------------------------------|---|---------------------------------------|
|  | Amount<br>after tax          | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings<br>per share<br>(in dollars) |
| <u>Basic earnings per share</u>  |                              |   |                                       |
| Profit for the year  | \$ 4,961,369                 | 3,241,416   | \$ 1.53                               |
| <u>Diluted earnings per share</u>  |                              |   |                                       |
| Profit for the year  | 4,961,369                    | 3,241,416   |                                       |
| Assumed conversion of all<br>dilutive potential ordinary shares<br>Employees' compensation | -                            | 4,870   |                                       |
| Profit for the year plus assumed conversion<br>of all dilutive potential ordinary shares   | \$ 4,961,369                 | 3,246,286   | \$ 1.53                               |
|  | Year ended December 31, 2021 |   |                                       |
|  | Amount<br>after tax          | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings<br>per share<br>(in dollars) |
| <u>Basic earnings per share</u>  |                              |   |                                       |
| Profit for the year  | \$ 5,270,007                 | 3,241,416   | \$ 1.63                               |
| <u>Diluted earnings per share</u>  |                              |   |                                       |
| Profit for the year  | 5,270,007                    | 3,241,416   |                                       |
| Assumed conversion of all<br>dilutive potential ordinary shares<br>Employees' compensation | -                            | 4,450   |                                       |
| Profit for the year plus assumed conversion<br>of all dilutive potential ordinary shares   | \$ 5,270,007                 | 3,245,866   | \$ 1.62                               |

(30) Supplemental cash flow information

Investing activities with partial cash payments

|  | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--|---------------------------------|---------------------------------|
| Purchase of property, plant and equipment    | \$ 956,129                      | \$ 862,047                      |
| Add: Opening balance of payable on equipment | 128,196                         | 127,850                         |
| Less: Ending balance of payable on equipment | (141,941)                       | (128,196)                       |
| Cash paid during the period                  | \$ 942,384                      | \$ 861,701                      |

(31) Changes in liabilities from financing activities

|  | 2022                  |                      |                      |                   |                  |                             |   |
|--|-----------------------|----------------------|----------------------|-------------------|------------------|-----------------------------|---|
|  | Short-term borrowings | Long-term borrowings | Bonds payable        | Dividends payable | Lease liability  | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1                                   | \$ 2,800,000          | \$ 9,400,000         | \$ 16,500,000        | \$ -              | \$ 74,289        | \$ 9,767                    | \$ 28,784,056                               |
| Changes in cash flow from financing activities | ( 900,000)            | 3,300,000            | ( 6,000,000)         | ( 3,889,699)      | ( 43,382)        | ( 2,906)                    | ( 7,535,987)                                |
| Interest paid                                  | -                     | -                    | -                    | -                 | ( 485)           | -                           | ( 485)                                      |
| Additions                                      | -                     | -                    | -                    | 3,889,699         | 16,227           | -                           | 3,905,926                                   |
| Changes in non-cash items                      | -                     | -                    | -                    | -                 | -                | -                           | -   |
| Amortisation of interest expense               | -                     | -                    | -                    | -                 | 485              | -                           | 485   |
| At December 31                                 | <u>\$ 1,900,000</u>   | <u>\$ 12,700,000</u> | <u>\$ 10,500,000</u> | <u>\$ -</u>       | <u>\$ 47,134</u> | <u>\$ 6,861</u>             | <u>\$ 25,153,995</u>                        |
|  | 2021                  |                      |                      |                   |                  |                             |   |
|  | Short-term borrowings | Long-term borrowings | Bonds payable        | Dividends payable | Lease liability  | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1                                   | \$ 1,400,000          | \$ 12,200,000        | \$ 14,500,000        | \$ 647            | \$ 102,188       | \$ 8,796                    | \$ 28,211,631                               |
| Changes in cash flow from financing activities | 1,400,000             | ( 2,800,000)         | 2,000,000            | ( 3,889,699)      | ( 45,571)        | 971                         | ( 3,334,299)                                |
| Interest paid                                  | -                     | -                    | -                    | -                 | ( 734)           | -                           | ( 734)                                      |
| Additions                                      | -                     | -                    | -                    | 3,889,699         | 17,672           | -                           | 3,907,371                                   |
| Changes in non-cash items                      | -                     | -                    | -                    | ( 647)            | -                | -                           | ( 647)                                      |
| Amortisation of interest expense               | -                     | -                    | -                    | -                 | 734              | -                           | 734   |
| At December 31                                 | <u>\$ 2,800,000</u>   | <u>\$ 9,400,000</u>  | <u>\$ 16,500,000</u> | <u>\$ -</u>       | <u>\$ 74,289</u> | <u>\$ 9,767</u>             | <u>\$ 28,784,056</u>                        |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties          | Relationship with the Group  |
|-----------------------------------|--|
| Toyo Tire & Rubber Co., Ltd.      | Associate which invests in subsidiary by using the equity method       |
| New Pacific IND. CD., LTD.        | Investee accounted for using the equity method                         |
| MERIDA INDUSTRY CO., LTD.         | The Company's director is the company's vice chairman                  |
| Maxxis (XiaMen) Trading CO., LTD. | The Company's director is the company's representative                 |
| Jye Luo Memory Co Ltd.            | The Company's director is the company's representative                 |
| Lo, Ming-Ling                     | Spouse of the Company's director                                       |
| Lo, Ming-I                        | Spouse of the Company's chairman                                       |
| Lo, Tsai-Jen                      | The Company's director   |
| Luo, Yuan-Yo                      | Relative of the Company's director within first degree of relationship |
| Lo, Yuan-Long                     | Relative of the Company's director within first degree of relationship |
| Chen, Po-Chia                     | Relative of the Company's director within first degree of relationship |
| Chen, Ping-Hao                    | Relative of the Company's chairman within first degree of relationship |

Except for the related parties shown above, other are investee companies. Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions

A. Operating revenue

|                                   | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|-----------------------------------|---------------------------------|---------------------------------|
| Sales of goods:                   |                                 |                                 |
| – Subsidiaries                    |                                 |                                 |
| MAXXIS (Taiwan) Trading CO., LTD. | \$ 3,447,972                    | \$ 3,687,771                    |
| CHENG SHIN RUBBER USA, INC.       | 5,037,854                       | 5,205,401                       |
| Others                            | 564,815                         | 863,253                         |
| – Other related parties           | 81,191                          | 66,619                          |
|                                   | <u>\$ 9,131,832</u>             | <u>\$ 9,823,044</u>             |

The Company's sales price to related parties was approximately the same as third parties. Credit term for exporting sales amount was the same as third parties, which was collected after 60 days to 90 days.

B. Purchases

|                 | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|-----------------|---------------------------------|---------------------------------|
| Sales of goods: |                                 |                                 |
| Subsidiaries    | <u>\$ 283,813</u>               | <u>\$ 734,721</u>               |

The credit term for purchases from related parties is the same with third parties. Except for Maxxis (Thailand) which is paid 30 days after the purchase, other payments are the same with third parties, which are 90 days after the purchase.

C. Property transactions

(a) Proceeds from sales of property and gain (loss) on disposal:

|              | Year ended December 31, 2022 |                  | Year ended December 31, 2021 |                  |
|--------------|------------------------------|------------------|------------------------------|------------------|
|              | Sales amount                 | Gain on disposal | Sales amount                 | Gain on disposal |
| Subsidiaries | <u>\$ 37,048</u>             | <u>\$ 18,783</u> | <u>\$ 4,769</u>              | <u>\$ 2,776</u>  |

(b) Ending balance of receivables from sales of property:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | <u>\$ 4,084</u>   | <u>\$ 2,145</u>   |

Abovementioned receipt from sales of fixed assets to related parties are collected 60~90 days after the sales of equipment.

D. Revenue from patent royalties (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from patent royalties:

|              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | \$ 451,152                      | \$ 442,228                      |

(b) Ending balance of royalty receivables from technology:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 122,860        | \$ 113,831        |

Abovementioned royalty revenue for technology was calculated by applying the agreed upon ratio to net sales amounts, and payment was originally collected yearly and was changed to quarterly since 2014.

E. Interest income-endorsements/guarantees (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Interest income-endorsements/guarantees:

|              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | \$ 15,040                       | \$ 14,546                       |

(b) Ending balance of interest receivables from endorsements and guarantees:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 8,437          | \$ 8,269          |

Abovementioned interest income from endorsements and guarantees was calculated by applying the agreed ratio to the amount guaranteed and payment was originally collected yearly but was changed to quarterly since 2014.

F. Revenue from commission (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from commission:

|              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | \$ 206,879                      | \$ 205,087                      |

(b) Ending balance of receivables from commission:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 50,581         | \$ 40,405         |

Abovementioned commission revenue was determined at certain rate of sales amounts and payment was originally collected yearly but was changed to quarterly since 2014.

G. Revenue from trademark royalties (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from trademark royalties:

|              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | \$ 355,667                      | \$ 323,453                      |

(b) Ending balance of receivables from trademark royalties:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 84,030         | \$ 70,547         |

Abovementioned revenue from trademark royalties was determined at certain rate of sales and was originally collected yearly but was changed to quarterly since 2014.

H. Revenue from per diem (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from per diem:

|              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | \$ 15,446                       | \$ 12,620                       |

(b) Ending balance of receivables from per diem:

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 6,625          | \$ 7,899          |

The aforementioned per diem income is based on agreed per diem rate multiplied by traveling days. Collection terms have been revised from yearly to quarterly since year 2014.

I. Accounts receivable

|                                   | December 31, 2022   | December 31, 2021   |
|-----------------------------------|---------------------|---------------------|
| Accounts receivable               |                     |                     |
| –Subsidiaries                     |                     |                     |
| CHENG SHIN RUBBER USA, INC.       | \$ 1,533,674        | \$ 1,328,328        |
| MAXXIS (Taiwan) Trading CO., LTD. | 318,155             | 410,080             |
| CHENG SHIN RUBBER CANADA, INC.    | 102,615             | 56,081              |
| Others                            | 29,856              | 70,626              |
| –Other related parties            | 21,083              | 17,173              |
|                                   | <u>\$ 2,005,383</u> | <u>\$ 1,882,288</u> |

J. Other receivables (shown as ‘Other current assets’)

|              | December 31, 2022 | December 31, 2021 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$ 5,489          | \$ 4,155          |

Other receivables mainly arose from supplies and packaging material sold to related parties and payment on behalf of related parties.

K. Accounts payable

|              | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------|--------------------------|--------------------------|
| Subsidiaries | \$ 25,500                | \$ 44,103                |

L. Other payables

|              | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------|--------------------------|--------------------------|
| Subsidiaries | \$ 101,242               | \$ 76,418                |
| Associates   | -                        | 30                       |
|              | <u>\$ 101,242</u>        | <u>\$ 76,448</u>         |

Abovementioned payments are advertisement expense and sponsorship to racing drivers paid by related parties on behalf of the Company.

M. Lease transactions – lessee

(a) The Company leases lands from Lo, Ming-Ling, Lo, Ming-I, Lo, Tsai-Jen, Luo, Yuan-Yo, Lo, Yuan-Long, Chen, Po-Chia and Chen, Ping-Hao. Rental contracts are typically made for periods of 4 to 5 years. Rents are prepaid at the beginning of the year.

(b) Lease liabilities

i. Outstanding balance

|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Key management personnel | \$ 13,976                | \$ 27,829                |

ii. Interest expense

|                          | <u>Year ended December<br/>31, 2022</u> | <u>Year ended December<br/>31, 2021</u> |
|--------------------------|---|---|
| Key management personnel | \$ 123                                  | \$ 258                                  |

N. Information about guarantees

As of December 31, 2022 and 2021, the Company and the financial institutions agreed that the Company's subsidiaries may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details are as follows:

| <u>Obligee</u> | <u>Guaranteed line of credit</u> | <u>Used amounts as of December 31, 2022</u> |
|----------------|----------------------------------|---|
| Subsidiaries   | USD 634,500 thousand             | USD 487,276 thousand                        |
|                | INR 3,150,000 thousand           | INR 87,979 thousand                         |

| <u>Obligee</u> | <u>Guaranteed line of credit</u> | <u>Used amounts as of December 31, 2021</u> |
|----------------|----------------------------------|---|
| Subsidiaries   | USD 680,000 thousand             | USD 518,551 thousand                        |
|                | THB 1,000,000 thousand           | THB 85,920 thousand                         |
|                | INR 2,900,000 thousand           | INR 2,193,384 thousand                      |

As of December 31, 2022 and 2021, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

|                              | Year ended December<br>31, 2022 | Year ended December<br>31, 2021 |
|------------------------------|---------------------------------|---------------------------------|
| Short-term employee benefits | \$ 233,261                      | \$ 245,199                      |
| Post-employment benefits     | 1,964                           | 1,389                           |
|                              | <u>\$ 235,225</u>               | <u>\$ 246,588</u>               |

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

A. Information about related parties' guarantees is provided in Note 7.

B. The Company's former distributor, Khalid Saeed Al Hajri Company Ltd. (the "KCT") claimed that the termination of its agency contract was in dispute and filed a claim for arbitration. The Company believes that the agency contract proposed by KCT is not authorized by the Company and that the claim is not justified. The arbitration is still ongoing and KCT filed its latest pleading on February 26, 2023. The Company has been seeking the advice of its legal counsel and is actively participating in the above arbitration proceedings.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

|                               | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Property, plant and equipment | \$ 401,950               | \$ 100,642               |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

(1) To meet the requirement of PT MAXXIS International Indonesia's working capital and purchase of production of equipment, the Board of Directors resolved to increase the capital of PT MAXXIS International Indonesia by US\$30,000 thousand on March 14, 2023 and completed this capital increase on March 16, 2023.

(2) To meet the requirement of Maxxis Rubber India Private Limited's working capital and purchase of production of equipment, the Board of Directors resolved to increase the capital of Maxxis Rubber India Private Limited by INR\$5,810,000 thousand on March 14, 2023.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Company's strategy was unchanged from 2021. The company maintained the gearing ratios below 200%. The gearing ratios at December 31, 2022 and 2021 were as follows:

|                          | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Total liabilities        | \$ 32,213,631            | \$ 35,624,918            |
| Total equity             | \$ 83,811,199            | \$ 80,918,469            |
| Less : Intangible assets | ( 29,509)                | ( 23,483)                |
| Tangible equity          | <u>\$ 83,781,690</u>     | <u>\$ 80,894,986</u>     |
| Debt-equity ratio        | <u>38.45%</u>            | <u>44.04%</u>            |

(2) Financial instruments

A. Financial instruments by category

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u>   |                          |                          |
| Financial assets at fair value through profit or loss-current                   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss      | \$ -                     | \$ 17,648                |
| Financial assets at fair value through other comprehensive income - current     |                          |                          |
| Designation of equity instrument  | 17,838                   | 23,083                   |
| Financial assets at fair value through other comprehensive income - non-current |                          |                          |
| Designation of equity instrument  | 58,187                   | 58,187                   |
| Financial assets at amortised cost - non-current                                | 1,605,679                | 1,981,718                |
| Cash and cash equivalents   | 4,746,099                | 7,240,356                |
| Notes receivable, net   | 29,331                   | 55,293                   |
| Accounts receivable (including related parties)                                 | 3,009,205                | 2,837,964                |
| Guarantee deposits paid   | 23,509                   | 1,898                    |
|   | <u>\$ 9,489,848</u>      | <u>\$ 12,216,147</u>     |

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Financial liabilities</u>                           |                          |                          |
| Financial liabilities at amortised cost                |                          |                          |
| Short-term borrowings                                  | \$ 1,900,000             | \$ 2,800,000             |
| Notes payable  | 20,000                   | -                        |
| Accounts payable (including related parties)           | 1,121,178                | 1,248,247                |
| Other accounts payable                                 | 1,590,912                | 1,714,016                |
| Corporate bonds payable<br>(including current portion) | 10,500,000               | 16,500,000               |
| Long-term borrowings<br>(including current portion)    | 12,700,000               | 9,400,000                |
| Guarantee deposits received                            | <u>6,861</u>             | <u>9,767</u>             |
|  | <u>\$ 27,838,951</u>     | <u>\$ 31,672,030</u>     |
| Lease liabilities (including current portion)          | <u>\$ 47,134</u>         | <u>\$ 74,289</u>         |

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. Primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.
- ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss.
- iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR, JPY, MXN and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022

|  | Foreign<br>currency amount<br>(thousands) | Exchange rate | Book value<br>(TWD<br>in thousands) | Sensitivity analysis   |                             |  |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|
|  |   |               |                                     | Degree of<br>variation | Effect on profit<br>or loss | Effect on other<br>comprehensive<br>income |
| <b>(Foreign currency:<br/>functional currency)</b> |   |               |                                     |                        |                             |  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 186,342                                | 30.710        | \$ 5,722,563                        | 1%                     | \$ 57,226                   | \$ -                                       |
| EUR : TWD  | 11,698                                    | 32.720        | 382,759                             | 1%                     | 3,828                       | -  |
| JPY : TWD  | 569,819                                   | 0.232         | 132,198                             | 1%                     | 1,322                       | -  |
| RMB : TWD  | 75,146                                    | 4.408         | 331,244                             | 1%                     | 3,312                       | -  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |
| <u>Non-monetary items</u>                          |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 151,346                                | 30.710        | \$ 4,647,836                        | 1%                     | \$ 16,523                   | \$ 29,955                                  |
| RMB : TWD  | 455,731                                   | 4.408         | 2,008,862                           | 1%                     | 20,089                      | -  |
| CAD : TWD  | 32,330                                    | 22.670        | 732,921                             | 1%                     | -                           | 7,329                                      |
| EUR : TWD  | 20,655                                    | 32.720        | 675,832                             | 1%                     | 5,844                       | 914  |
| JPY : TWD  | 1,849,377                                 | 0.232         | 429,795                             | 1%                     | 4,114                       | 184  |
| <u>Financial liabilities</u>                       |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 13,993                                 | 30.710        | 429,725                             | 1%                     | \$ 4,297                    | -  |

December 31, 2021

|  | Foreign<br>currency amount<br>(thousands) | Exchange rate | Book value<br>(TWD<br>in thousands) | Sensitivity analysis   |                             |  |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|
|  |   |               |                                     | Degree of<br>variation | Effect on profit<br>or loss | Effect on other<br>comprehensive<br>income |
| <b>(Foreign currency:<br/>functional currency)</b> |   |               |                                     |                        |                             |  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 299,575                                | 27.680        | \$ 8,292,236                        | 1%                     | \$ 82,922                   | \$ -                                       |
| EUR : TWD  | 20,586                                    | 31.320        | 644,754                             | 1%                     | 6,448                       | -  |
| JPY : TWD  | 1,343,878                                 | 0.241         | 323,203                             | 1%                     | 3,232                       | -  |
| RMB : TWD  | 33,049                                    | 4.344         | 143,565                             | 1%                     | 1,436                       | -  |
| <u>Financial assets</u>                            |   |               |                                     |                        |                             |  |
| <u>Non-monetary items</u>                          |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 129,032                                | 27.680        | \$ 3,571,606                        | 1%                     | \$ 12,499                   | \$ 23,218                                  |
| RMB : TWD  | 404,915                                   | 4.344         | 1,758,951                           | 1%                     | 17,590                      | -  |
| IDR : TWD  | 90,095,766                                | 0.002         | 178,390                             | 1%                     | -                           | 1,784                                      |
| CAD : TWD  | 29,933                                    | 21.620        | 647,151                             | 1%                     | -                           | 6,472                                      |
| EUR : TWD  | 19,794                                    | 31.320        | 619,948                             | 1%                     | 5,362                       | 838  |
| JPY : TWD  | 1,774,998                                 | 0.241         | 426,887                             | 1%                     | 4,089                       | 180  |
| <u>Financial liabilities</u>                       |   |               |                                     |                        |                             |  |
| <u>Monetary items</u>                              |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 18,108                                 | 27.680        | 501,229                             | 1%                     | \$ 5,012                    | -  |
| <u>Non-monetary items</u>                          |   |               |                                     |                        |                             |  |
| USD : TWD  | \$ 8,759                                  | 27.680        | 242,449                             | 1%                     | \$ 2,424                    | -  |

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$545,172 thousand and (\$301,958) thousand, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2022 and 2021 would have increased/decreased by \$760 thousand and \$813 thousand, respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the TWD.
- ii. The Company's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. At December 31, 2022 and 2021, if interest rates on TWD denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been \$11,680 thousand and \$9,760 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 30 days.
- iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As at December 31, 2022 and 2021, the Company has no written-off financial assets that are still under recourse procedures.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2022 and 2021, the provision matrix is as follows:

| <u>December 31, 2022</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
|--------------------------|---------------------------|-------------------------|-----------------------|
| Without past due         | 0.00%                     | \$ 846,838              | \$ -                  |
| Up to 30 days            | 4.59%                     | 119,677                 | 5,493                 |
| 31 to 90 days            | 8.37%                     | 45,134                  | 3,778                 |
| 91 to 180 days           | 42.82%                    | 1,113                   | 477                   |
| Over 180 days            | 70.91%                    | 2,778                   | 1,970                 |
|                          |                           | <u>\$ 1,015,540</u>     | <u>\$ 11,718</u>      |
| <u>December 31, 2021</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
| Without past due         | 0.00%                     | \$ 812,143              | \$ -                  |
| Up to 30 days            | 3.85%                     | 107,924                 | 4,155                 |
| 31 to 90 days            | 7.02%                     | 38,069                  | 2,672                 |
| 91 to 180 days           | 38.88%                    | 4,825                   | 1,876                 |
| Over 180 days            | 68.03%                    | 4,433                   | 3,016                 |
|                          |                           | <u>\$ 967,394</u>       | <u>\$ 11,718</u>      |

- viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

|                                      | <u>2022</u>      |
|--------------------------------------|------------------|
| At January 1 and December 31 _IFRS 9 | <u>\$ 11,718</u> |
|                                      | <u>2021</u>      |
| At January 1 and December 31 _IFRS 9 | <u>\$ 11,718</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational

needs so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### December 31, 2022

| Non-derivative financial liabilities            | Less than<br>90 days | Between 91<br>and 180 days | Between 181<br>and 365 days | Over 1 year | Total        |
|---|----------------------|----------------------------|-----------------------------|-------------|--------------|
| Short-term borrowings                           | \$ 1,900,173         | \$ -                       | \$ -                        | \$ -        | \$ 1,900,173 |
| Notes payables                                  | \$ 20,000            | \$ -                       | \$ -                        | \$ -        | \$ 20,000    |
| Accounts payable<br>(including related parties) | 1,121,178            | -                          | -                           | -           | 1,121,178    |
| Other payables                                  | 1,331,573            | -                          | 127,790                     | 131,549     | 1,590,912    |
| Lease liabilities                               | 20,189               | 4,430                      | 7,670                       | 14,845      | 47,134       |
| Guarantee deposits received                     | -                    | -                          | -                           | 6,861       | 6,861        |
| Long-term borrowings                            | 296,348              | 45,684                     | 2,831,072                   | 9,952,111   | 13,125,215   |
| Bonds payable                                   | -                    | -                          | 2,569,750                   | 8,120,000   | 10,689,750   |

#### December 31, 2021

| Non-derivative financial liabilities            | Less than<br>90 days | Between 91<br>and 180 days | Between 181<br>and 365 days | Over 1 year | Total        |
|---|----------------------|----------------------------|-----------------------------|-------------|--------------|
| Short-term borrowings                           | \$ 2,800,000         | \$ -                       | \$ -                        | \$ -        | \$ 2,800,000 |
| Accounts payable<br>(including related parties) | 1,248,247            | -                          | -                           | -           | 1,248,247    |
| Other payables                                  | 1,432,397            | -                          | 150,914                     | 130,705     | 1,714,016    |
| Lease liabilities                               | 21,231               | 6,864                      | 12,016                      | 34,178      | 74,289       |
| Guarantee deposits received                     | -                    | -                          | -                           | 9,767       | 9,767        |
| Long-term borrowings                            | 16,969               | 17,835                     | 1,729,639                   | 7,754,156   | 9,518,599    |
| Bonds payable                                   | -                    | -                          | 6,127,550                   | 10,689,750  | 16,817,300   |

As at December 31, 2022 and 2021, there was no financial derivative liabilities transaction.

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market

in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, guarantee deposits paid, short-term borrowings, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

|                        | December 31, 2022      |                |                |                |
|------------------------|------------------------|----------------|----------------|----------------|
|                        | <u>Carrying amount</u> | Fair value     |                |                |
|                        |                        | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Financial liabilities: |                        |                |                |                |
| Bonds payable          | \$ 10,500,000          | \$ -           | \$ 10,525,872  | \$ -           |

|                        | December 31, 2021      |                |                |                |
|------------------------|------------------------|----------------|----------------|----------------|
|                        | <u>Carrying amount</u> | Fair value     |                |                |
|                        |                        | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Financial liabilities: |                        |                |                |                |
| Bonds payable          | \$ 16,500,000          | \$ -           | \$ 16,546,968  | \$ -           |

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date, the interest rate of par value was equivalent to market interest rate.

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of assets and liabilities is as follows:

|   | December 31, 2022 |                  |                  |                  |
|---|-------------------|------------------|------------------|------------------|
|   | Level 1           | Level 2          | Level 3          | Total            |
| <b>Assets</b>   |                   |                  |                  |                  |
| <u>Recurring fair value measurements</u>  |                   |                  |                  |                  |
| Financial assets at fair value through profit or loss                                 |                   |                  |                  |                  |
| - Derivative instruments  | \$ -              | \$ -             | \$ -             | \$ -             |
| Financial assets at fair value through other comprehensive income - Equity securities | 17,838            | -                | 58,187           | 76,025           |
|   | <u>\$ 17,838</u>  | <u>\$ -</u>      | <u>\$ 58,187</u> | <u>\$ 76,025</u> |
|   | December 31, 2021 |                  |                  |                  |
|   | Level 1           | Level 2          | Level 3          | Total            |
| <b>Assets</b>   |                   |                  |                  |                  |
| <u>Recurring fair value measurements</u>  |                   |                  |                  |                  |
| Financial assets at fair value through profit or loss                                 |                   |                  |                  |                  |
| - Derivative instruments  | \$ -              | \$ 17,648        | \$ -             | \$ 17,648        |
| Financial assets at fair value through other comprehensive income - Equity securities | 23,083            | -                | 58,187           | 81,270           |
|   | <u>\$ 23,083</u>  | <u>\$ 17,648</u> | <u>\$ 58,187</u> | <u>\$ 98,918</u> |

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. For Level 1, the Company used market quoted prices as their fair values according to the characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- iii. Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2022 and 2021.

(4) Assessment of impact of the COVID-19

Due to the spread of Covid-19 pandemic, production of all factories of the Group's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., was temporarily suspended under the local government's pandemic prevention program from April 6 to 19, 2022. Based on the Group's assessment, the overall finance and business were not significantly impacted due to the appropriate countermeasures undertaken.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6(2), (24) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: please refer to table 9.
- B. Ceiling on investments in Mainland China: please refer to table .
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:  
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2022: please refer to tables 5, 6 and 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

| No.<br>(Note 1) | Creditor                                   | Borrower   | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2022 | Balance at December 31, 2022<br>(Note 7) | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral |       | Limit on loans granted to a single party (Note 2, 3) | Ceiling on total loans granted (Note 4, 5) | Footnote |
|-----------------|--|--|------------------------|--------------------|---|--|--------------------------|---------------|----------------|--|---------------------------------|---------------------------------|------------|-------|--|--|----------|
|                 |  |  |                        |                    |   |  |                          |               |                |  |                                 |                                 | Item       | Value |  |  |          |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                      | Other receivables      | Yes                | \$ 3,379,500  | \$ 2,204,000                             | \$ 2,084,984             | 3.65%-3.85%   | Note 6         | -  | Operating capital               | -                               | None       | \$ -  | \$ 5,377,608   | \$ 8,962,680                               | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                            | Other receivables      | Yes                | 3,329,250   | 2,204,000                                | 837,520                  | 3.65%-3.85%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608  | 8,962,680                                  | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE ENTERPRISE CO., LTD. | Other receivables      | Yes                | 585,780   | 573,040                                  | 418,760                  | 4.65%-4.85%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608  | 8,962,680                                  | Note 8   |
| 1               | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.     | CHIN CHOU CHENG SHIN RUBBER (CHINA) CO., LTD.                    | Other receivables      | Yes                | 13,518  | -  | -                        | -             | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,377,608  | 8,962,680                                  | Note 8   |
| 2               | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.                   | Other receivables      | Yes                | 450,600   | 352,640                                  | 352,640                  | 3.00%         | Note 6         | -  | Operating capital               | -                               | None       | -     | 5,175,821  | 10,351,642                                 | Note 8   |
| 3               | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                      | Other receivables      | Yes                | 1,126,500   | -  | -                        | -             | Note 6         | -  | Operating capital               | -                               | None       | -     | 6,840,067  | 11,400,111                                 | Note 8   |
| 3               | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.  | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.     | Other receivables      | Yes                | 675,900   | 661,200                                  | 264,480                  | 3.65%-3.70%   | Note 6         | -  | Operating capital               | -                               | None       | -     | 6,840,067  | 11,400,111                                 | Note 8   |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above Companies' net assets.

Note 3: Limit on loans granted by CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. to a single party is 20% of above Companies' net assets.

Note 4: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to others is 40% of above Companies' net assets.

Note 5: Limit on loans granted by CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to others is 40% of above Companies' net assets.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 7: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 8: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

| Number<br>(Note 1) | Endorser/<br>guarantor           | Party being endorsed/guaranteed           |  | Limit on<br>endorsements/<br>guarantees<br>provided for a<br>single party | Maximum<br>outstanding<br>endorsement/<br>guarantee amount<br>as of December<br>31, 2022 | Outstanding<br>endorsement/<br>guarantee amount<br>at December 31,<br>2022 | Actual amount<br>drawn down | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Ratio of accumulated<br>endorsement/<br>guarantee amount to<br>net asset value of the<br>endorser/ guarantor<br>company (%) | Ceiling on total<br>amount of<br>endorsements/<br>guarantees<br>provided | Provision of<br>endorsements/<br>guarantees by<br>parent<br>company to<br>subsidiary | Provision of<br>endorsements/<br>guarantees by<br>subsidiary to<br>parent<br>company | Provision of<br>endorsements/<br>guarantees to<br>the party in<br>Mainland<br>China | Footnote  |
|--------------------|----------------------------------|---|--|---|--|--|-----------------------------|--|---|--|--|--|---|-----------|
|                    |                                  | Company name                              | Relationship<br>with the<br>endorser/<br>guarantor |   |  |  |                             |  |   |  |  |  |   |           |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Sub-<br>subsidiary                                 | \$ 41,905,600   | \$ 866,100   | \$ -   | \$ -                        | \$ -   | -   | \$ 58,667,839  | Y  | N  | N   | Note 2, 3 |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited       | Subsidiary   | 41,905,600  | 10,226,390   | 8,226,438  | 6,071,988                   | -  | 9.82  | 58,667,839   | Y  | N  | N   | Note 2, 3 |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia         | Subsidiary   | 41,905,600  | 14,487,086   | 12,428,337   | 9,117,936                   | -  | 14.83   | 58,667,839   | Y  | N  | N   | Note 2, 3 |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets.

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets.

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets.

Note 3: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2022.

\$ 58,667,839  
\$ 16,762,240  
\$ 41,905,600

CHENG SHIN RUBBER IND. CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 3  
Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by               | Marketable securities (Note 1) | Relationship with the securities issuer   | As of December 31, 2022 |            |               |            |          |
|----------------------------------|--------------------------------|---|-------------------------|------------|---------------|------------|----------|
|                                  |                                |   | Number of shares/ units | Book value | Ownership (%) | Fair value | Footnote |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares          | - Current financial assets at fair value through other comprehensive income     | -                       | \$ 17,838  | -             | \$ 17,838  | Note 2   |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares          | - Non-current financial assets at fair value through other comprehensive income | -                       | 58,187     | -             | 58,187     | Note 2   |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'.

Note 2: Other marketable securities do not exceed 5% of the account.

CHENG SHIN RUBBER IND. CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2022

Table 4 Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor                         | Marketable securities (Note 1)      | General ledger account                            | Counterparty (Note 2)               | Relationship with the investor (Note 2) | Balance as at January 1, 2022 |              | Addition (Note 3) |            | Disposal (Note 3) |               | Balance as at December 31, 2022 |                         |                  |
|----------------------------------|-------------------------------------|---|-------------------------------------|---|-------------------------------|--------------|-------------------|------------|-------------------|---------------|---------------------------------|-------------------------|------------------|
|                                  |                                     |   |                                     |   | Number of shares              | Amount       | Number of shares  | Amount     | Number of shares  | Selling price | Book value                      | Gain (loss) on disposal | Number of shares |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia   | Investments accounted for using the equity method | PT MAXXIS International Indonesia   | Subsidiary                              | 139,994,750                   | \$ 4,233,389 | 29,998,875        | \$ 943,105 | -                 | \$ -          | -                               | 169,993,625             | \$ 5,176,494     |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited | Investments accounted for using the equity method | Maxxis Rubber India Private Limited | Subsidiary                              | 874,992,906                   | 4,027,544    | 230,998,127       | 860,206    | -                 | -             | -                               | 1,105,991,033           | 4,887,750        |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller                               | Counterparty                                | Relationship with the counterparty | Purchases (sales) | Amount (\$) | Percentage of total purchases (sales) (%) | Credit term                                       | Differences in transaction terms compared to third party transactions (Note 1) |             |              | Footnote (Note 2) |   |
|--|---|------------------------------------|-------------------|-------------|---|---|--|-------------|--------------|-------------------|---|
|  |   |                                    |                   |             |   |   | Unit price   | Credit term | Balance      |                   | Percentage of total notes/accounts receivable (payable) (%) |
| Transaction                                    |   |                                    |                   |             |   | Notes/accounts receivable (payable)               |  |             |              |                   |   |
| Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER USA, INC.                 | Subsidiary                         | (sales)           | 5,037,854   | ( 24.68)                                  | Collect within 120 days after shipment of goods   | Same   | Same        | \$ 1,533,674 | 50.13             | Note 3  |
| Cheng Shin Rubber Ind. Co., Ltd.               | CHENG SHIN RUBBER CANADA, INC.              | Subsidiary                         | (sales)           | 582,895     | ( 2.86)                                   | Collect within 90 days after shipment of goods    | Same   | Same        | 102,615      | 3.35              | Note 3  |
| Cheng Shin Rubber Ind. Co., Ltd.               | Maxxis (Taiwan) Trading Co., LTD.           | Subsidiary                         | (sales)           | 3,447,972   | ( 16.89)                                  | Collect within 30 days                            | Same   | Same        | 318,155      | 10.40             | Note 3  |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent               | (sales)           | 1,197,402   | ( 7.11)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 495,218      | 19.43             | Note 3  |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | 184,095     | ( 1.09)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 33,116       | 1.30              | Note 3  |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | MERIDA INDUSTRY CO., LTD.                   | Associates                         | (sales)           | 129,975     | ( 0.77)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 31,276       | 1.23              |   |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | 795,493     | ( 19.58)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 323,750      | 45.19             | Note 3  |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.   | Same ultimate parent               | (sales)           | 270,425     | ( 6.65)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 44,852       | 6.26              | Note 3  |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | 143,764     | ( 3.54)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 28,491       | 3.98              | Note 3  |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | 1,565,137   | ( 16.32)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 539,668      | 76.03             | Note 3  |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent               | (sales)           | 320,234     | ( 26.17)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 39,774       | 30.38             | Note 3  |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent               | (sales)           | 215,170     | ( 17.58)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 26,527       | 20.26             | Note 3  |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.        | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.   | Same ultimate parent               | (sales)           | 135,575     | ( 11.08)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 23,821       | 18.19             | Note 3  |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.     | Maxxis Europe B.V.                          | Same ultimate parent               | (sales)           | 107,605     | ( 0.66)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 98,785       | 2.53              | Note 3  |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent               | (sales)           | 686,678     | ( 17.72)                                  | Collect within 60-90 days after shipment of goods | Same   | Same        | 70,583       | 8.94              | Note 3  |
| Cheng Shin Rubber (Vietnam) IND Co., Ltd.      | KUNSHAN MAXXIS TIRE CO., LTD                | Same ultimate parent               | (sales)           | 121,823     | ( 3.14)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 22,438       | 2.84              | Note 3  |
| MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent               | (sales)           | 136,782     | ( 1.94)                                   | Collect within 120 days after shipment of goods   | Same   | Same        | 37,365       | 6.89              | Note 3  |
| MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent               | (sales)           | 1,095,256   | ( 10.08)                                  | Collect within 120 days after shipment of goods   | Same   | Same        | 341,958      | 21.80             | Note 3  |
| MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER CANADA, INC.              | Same ultimate parent               | (sales)           | 111,985     | ( 1.03)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 30,920       | 1.97              | Note 3  |
| PT MAXXIS International Indonesia              | Cheng Shin Rubber (Vietnam) IND Co., Ltd.   | Same ultimate parent               | (sales)           | 142,215     | ( 5.61)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 2,195        | 0.65              | Note 3  |
| PT MAXXIS International Indonesia              | Maxxis Rubber India Private Limited         | Same ultimate parent               | (sales)           | 148,480     | ( 5.85)                                   | Collect within 60-90 days after shipment of goods | Same   | Same        | 23,285       | 6.95              | Note 3  |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 6

| Creditor                                    | Counterparty                                | Relationship with the counterparty | Balance as at December 31, 2022 | Turnover rate | Overdue receivables |              | Amount collected subsequent to the balance sheet date (Note 1) | Allowance for doubtful accounts |
|---|---|------------------------------------|---------------------------------|---------------|---------------------|--------------|--|---------------------------------|
|   |   |                                    |                                 |               | Amount              | Action taken |  |                                 |
| Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER USA, INC.                 | Subsidiary (Note 4)                | \$ 1,534,305                    | Note 3        | -                   | \$           | 760,469  | \$ -                            |
| Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER CANADA, INC.              | Subsidiary (Note 4)                | 118,117                         | Note 3        | -                   | -            | 61,510   | -                               |
| Cheng Shin Rubber Ind. Co., Ltd.            | MAXXIS International (Thailand) Co., Ltd.   | Sub-subsiidiary (Note 4)           | 117,132                         | Note 2        | -                   | -            | 12,291   | -                               |
| Cheng Shin Rubber Ind. Co., Ltd.            | Maxxis (Taiwan) Trading Co., LTD.           | Subsidiary (Note 4)                | 320,033                         | Note 3        | -                   | -            | 318,155  | -                               |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | Same ultimate parent (Note 4)      | 495,218                         | 2.84          | -                   | -            | 322,257  | -                               |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent (Note 4)      | 114,753                         | Note 3        | -                   | -            | 34,666   | -                               |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent (Note 4)      | 324,567                         | Note 3        | -                   | -            | 224,252  | -                               |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | Same ultimate parent (Note 4)      | 576,710                         | Note 3        | -                   | -            | 392,656  | -                               |
| MAXXIS International (Thailand) Co., Ltd.   | CHENG SHIN RUBBER USA, INC.                 | Same ultimate parent (Note 4)      | 341,958                         | 4.41          | -                   | -            | 81,549   | -                               |

Note 1: Subsequent collection is the amount collected as of March 7, 2023.

Note 2: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

Note 3: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 7

| Number<br>(Note 1) | Company name                                | Counterparty  | Relationship<br>(Note 2) | Transaction            |                 | Percentage of<br>consolidated total<br>operating revenues or<br>total assets(%) (Note 3) |
|--------------------|---|---|--------------------------|------------------------|-----------------|--|
|                    |   |   |                          | General ledger account | Amount (Note 4) |  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER USA, INC.                                 | 1                        | Sales                  | \$ 5,037,854    | Collect within 120 days after shipment of goods  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER USA, INC.                                 | 1                        | Accounts receivable    | 1,533,674       | Collect within 120 days after shipment of goods  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.            | CHENG SHIN RUBBER CANADA, INC.                              | 1                        | Sales                  | 582,895         | Collect within 90 days after shipment of goods   |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.            | Maxxis (Taiwan) Trading Co., LTD.                           | 1                        | Sales                  | 3,447,972       | The term is 30 days after monthly billing  |
| 0                  | Cheng Shin Rubber Ind. Co., Ltd.            | Maxxis (Taiwan) Trading Co., LTD.                           | 1                        | Accounts receivable    | 318,155         | The term is 30 days after monthly billing  |
| 1                  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                  | 3                        | Sales                  | 1,197,402       | Collect within 60-90 days after shipment of goods  |
| 1                  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.       | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.                  | 3                        | Accounts receivable    | 495,218         | Collect within 60-90 days after shipment of goods  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Sales                  | 795,493         | Collect within 60-90 days after shipment of goods  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.                   | 3                        | Sales                  | 270,425         | Collect within 60-90 days after shipment of goods  |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                 | 3                        | Other receivables      | 2,084,984       | Pay interest quarterly   |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Other receivables      | 837,520         | Pay interest quarterly   |
| 2                  | XIAMEN CHENG SHIN ENTERPRISE CO., LTD.      | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD | 3                        | Other receivables      | 418,760         | Pay interest quarterly   |
| 3                  | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.   | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD | 3                        | Other receivables      | 264,480         | Pay interest quarterly   |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Sales                  | 1,565,137       | Collect within 60-90 days after shipment of goods  |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Accounts receivable    | 296,839         | Collect within 60-90 days after shipment of goods  |
| 4                  | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Notes receivable       | 242,829         | Payment at sight after due date  |
| 5                  | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.     | CHENG SHIN RUBBER (XIAMEN) IND., LTD.                       | 3                        | Sales                  | 320,234         | Collect within 60-90 days after shipment of goods  |
| 5                  | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.     | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                 | 3                        | Sales                  | 215,170         | Collect within 60-90 days after shipment of goods  |
| 6                  | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.  | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.              | 3                        | Other receivables      | 352,640         | Pay interest quarterly   |

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 7

| Number<br>(Note 1) | Company name                                   | Counterparty                               | Relationship<br>(Note 2) | Transaction            |                 |   | Percentage of<br>consolidated total<br>operating revenues or<br>total assets(%) (Note 3) |
|--------------------|--|--|--------------------------|------------------------|-----------------|---|--|
|                    |  |  |                          | General ledger account | Amount (Note 4) | Transaction terms                                 |  |
| 7                  | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3                        | Sales                  | 686,678         | Collect within 60-90 days after shipment of goods | 0.70   |
| 8                  | MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                | 3                        | Sales                  | 1,095,256       | Collect within 120 days after shipment of goods   | 1.11   |
| 8                  | MAXXIS International (Thailand) Co., Ltd.      | CHENG SHIN RUBBER USA, INC.                | 3                        | Accounts receivable    | 341,958         | Collect within 120 days after shipment of goods   | 0.23   |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT\$200 million.

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investees  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

| Investor                         | Investee                                       | Location               | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               | Ownership (%) | Book value   | Net profit (loss) of the investee for the Year ended |                            | Investment income(loss) recognised by the Company for the Year ended December 31, 2022 (Note 1) | Footnote |
|----------------------------------|--|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|---------------|--------------|--|----------------------------|---|----------|
|                                  |  |                        |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | \$            |               |              | December 31, 2022                                    | December 31, 2022 (Note 1) |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International Co., Ltd.                 | Cayman Islands         | Holding company  | \$ 912,218                      | \$ 912,218                      | 35,050,000                          | \$ 42,707,845 | 100.00        | \$ 558,818   | \$ 564,778   | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | CST Trading Ltd.                               | British Virgin Islands | Holding company  | 2,103,073                       | 2,103,073                       | 72,900,000                          | 28,089,136    | 100.00        | 953,503      | 966,274  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS Trading Ltd.                            | British Virgin Islands | Holding company  | 7,669,780                       | 7,669,780                       | 237,811,720                         | 11,496,228    | 100.00        | 1,781,284    | 1,736,332  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC.                    | U.S.A                  | Import and export of tires   | 551,820                         | 551,820                         | 1,800,000                           | 2,995,507     | 100.00        | 369,108      | 369,120  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC.                 | Canada                 | Import and export of tires   | 32,950                          | 32,950                          | 1,000,000                           | 732,910       | 100.00        | 63,590       | 63,590   | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | NEW PACIFIC INDUSTRY COMPANY LIMITED           | Taiwan                 | Processing and sales of various anti-vibration rubber and hardware | 50,001                          | 50,001                          | 5,000,000                           | 199,626       | 50.00         | 52,724       | 26,362   | Note 2                     |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS Tech Center Europe B.V.                 | Netherlands            | Technical centre   | 41,260                          | 41,260                          | 1,000,000                           | 86,141        | 100.00        | 6,013        | 6,013  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia              | Indonesia              | Production and sales of various types of tires                     | 5,176,494                       | 4,233,389                       | 169,993,625                         | -             | 100.00        | ( 1,180,778) | ( 1,180,598)   | Subsidiary Note 3, Note 5  |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited            | India                  | Production and sales of various types of tires                     | 4,887,750                       | 4,027,544                       | 1,105,991,033                       | -             | 100.00        | ( 1,283,781) | ( 1,283,264)   | Subsidiary Note 3, Note 5  |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD.              | Taiwan                 | Wholesale and retail of tires                                      | 100,000                         | 100,000                         | 10,000,000                          | 661,686       | 100.00        | 420,661      | 420,661  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS TRADING INDONESIA                    | Indonesia              | Large-amount trading of vehicles parts and accessories             | 30,235                          | 30,235                          | 9,990                               | 41,066        | 100.00        | ( 12)        | ( 12)  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Europe B.V.                             | Netherlands            | Import and export of tires   | 17,700                          | 17,700                          | 500,000                             | 579           | 100.00        | ( 2,997)     | ( 2,997)   | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS RUBBER JAPAN CO., LTD.                  | Japan                  | Import and export of tires   | 13,820                          | 13,820                          | 5,000                               | 11,688        | 100.00        | 750          | 750  | Subsidiary Note 3          |   |          |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico                 | Import and export of tires   | 593                             | 593                             | -                                   | 842           | 20.00         | 185          | 37   | Note 3, Note 4             |   |          |

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investees  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

| Investor                        | Investee                                       | Location               | Main business activities                           | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               | Book value | Net profit (loss) of the investee for the Year ended December 31, 2022 | Investment income(loss) recognised by the Company for the Year ended December 31, 2022 (Note 1) | Footnote                 |
|---------------------------------|--|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|--------------------------|
|                                 |  |                        |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Ownership (%) |            |  |   |                          |
| MAXXIS International Co., Ltd   | MAXXIS International (HK) Ltd.                 | Hong Kong              | Holding company                                    | -                               | -                               | 226,801,983                         | 100.00        | 35,222,501 | 1,071,236  | 1,071,236   | Sub-subsidiary<br>Note 3 |
| CST Trading Ltd.                | Cheng Shin International (HK) Ltd.             | Hong Kong              | Holding company                                    | -                               | -                               | 246,767,840                         | 100.00        | 27,890,956 | 938,308  | 938,308   | Sub-subsidiary<br>Note 3 |
| MAXXIS Trading Ltd.             | MAXXIS Holdings (BVI) Co., Ltd.                | British Virgin Islands | Holding company                                    | 7,669,780                       | 7,669,780                       | 237,811,720                         | 100.00        | 11,806,526 | 1,780,920  | 1,780,920   | Sub-subsidiary<br>Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | MAXXIS International (Thailand) Co., Ltd.      | Thailand               | Production and sales of truck and automobile tires | 5,724,372                       | 5,724,372                       | 65,000,000                          | 100.00        | 8,190,730  | 963,973  | 920,868   | Sub-subsidiary<br>Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd.      | Vietnam                | Production and sales of various types of tires     | 1,945,408                       | 1,945,408                       | 62,000,000                          | 100.00        | 3,612,867  | 816,701  | 814,853   | Sub-subsidiary<br>Note 3 |
| CHENG SHIN RUBBER USA, INC.     | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico                 | Import and export of tires                         | 2,457                           | 2,214                           | -                                   | 80.00         | 3,367      | 185  | 148   | Note 3, Note 4           |

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Joint ventures are accounted for under the equity method.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

Note 4: The Group collectively holds 100% of share ownership in the investee, of which 20% is indirectly held and 80% is directly held through CHENG SHIN RUBBER USA, INC.

Note 5: The Company continuously provides financial support the investee accounted for using the equity method, and transferred the credit balance to long-term investments to 'other non-current liabilities.' The transaction was eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

| Investee in<br>Mainland China                           | Main business<br>activities  | Paid-in capital<br>(Note 6) | Investment<br>method (Note 1) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China<br>as of January 1,<br>2022 | Amount remitted from Taiwan to<br>Mainland China/ Amount remitted<br>back to Taiwan for the Year ended<br>December 31, 2022 |                            | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China as<br>of December 31,<br>2022 | Net income of<br>investee as of<br>December 31,<br>2022 | Ownership<br>held by the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognised<br>by the Company<br>for the Year ended<br>December 31,<br>2022, (Note 2) | Book value of<br>investments in<br>Mainland China<br>as of December<br>31, 2022 | Accumulated<br>amount of<br>investment income<br>remitted back to<br>Taiwan as of<br>December 31,<br>2022 | Footnote     |
|---|--|-----------------------------|-------------------------------|--|---|----------------------------|--|---|--|--|---|---|--------------|
|   |  |                             |                               |  | Remitted to<br>Mainland China   | Remitted back<br>to Taiwan |  |   |  |  |   |   |              |
| CHENG SHIN<br>RUBBER (XIAMEN)<br>IND., LTD.             | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | \$ 5,374,250                | 2                             | \$ 910,834   | \$ -  | \$ -                       | \$ 910,834   | \$ 383,735  | 100.00   | \$ 384,869   | \$ 24,480,558   | \$ 19,967,518   | (Note 3,5,7) |
| CHENG SHIN TIRE &<br>RUBBER (CHINA)<br>CO., LTD.        | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | 6,909,750                   | 2                             | 2,385,506  | -   | -                          | 2,385,506  | 911,293   | 100.00   | 926,771  | 25,879,104  | 23,942,844  | (Note 4,7)   |
| CHENG SHIN TOYO<br>(KUNSHAN)<br>MACHINERY CO.,<br>LTD.  | Plastic machinery, molds and its<br>accessory products   | 261,035                     | 2                             | 68,602   | -   | -                          | 68,602   | 27,741  | 50.00  | 13,871   | 320,364   | 478,714   | (Note 7)     |
| CHENG SHIN TIRE &<br>RUBBER<br>(CHONGQING) CO.,<br>LTD. | A. Cover and tubes of tires and<br>cover and tubes of bicycle tires<br>B. Reclaimed rubber, adhesive,<br>tape and other rubber products<br>C. Plastic machinery, molds and<br>its accessory products | 3,071,000                   | 2                             | -  | -   | -                          | -  | ( 1,104)  | 100.00   | 7,895  | 5,643,771   | 1,548,045   | (Note 4,7)   |
| KUNSHAN MAXXIS<br>TIRE CO., LTD                         | Retail of accessories for rubber<br>tires  | 22,040                      | 2                             | -  | -   | -                          | -  | 3,203   | 100.00   | 3,203  | 51,669  | -   | (Note 7)     |
| TIANJIN TAFENG<br>RUBBER IND CO.,<br>LTD.               | Warehouse logistics and after-<br>sales service centre   | 552,780                     | 2                             | -  | -   | -                          | -  | ( 62,445)   | 100.00   | ( 62,445)  | 608,172   | 757,407   | (Note 7)     |
| CHENG SHIN<br>PETREL TIRE<br>(XIAMEN) CO., LTD.         | A. Radial tire and other various<br>tire products<br>B. Reclaimed rubber and other<br>rubber products<br>C. Plastic machinery, molds and<br>its accessory products                                   | 3,992,300                   | 2                             | -  | -   | -                          | -  | ( 766,744)  | 100.00   | ( 766,726)   | 11,411,706  | 4,245,663   | (Note 3,7)   |

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

| Investee in Mainland China                                   | Main business activities  | Paid-in capital (Note 6) | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the Year ended December 31, 2022 | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Net income of investee as of December 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the Year ended December 31, 2022, (Note 2) | Book value of investments in Mainland China as of December 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022 | Footnote (Note 7) |
|--|---|--------------------------|----------------------------|--|--|--|--|--|---|---|---|-------------------|
| YIAMIEN CHENG SHIN ENTERPRISE CO., LTD.                      | A. Radial tire and other various tire products<br>B. Reclaimed rubber and other rubber products<br>C. Plastic machinery, molds and its accessory products | \$ 1,381,950             | 2                          | \$ -   | \$ -   | \$ -   | \$ 613,029                                     | 100.00   | \$ 617,838  | \$ 8,962,680  | \$ 6,217,061  | (Note 7)          |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | A. Research, development and testing of tires and automobiles accessory products and display of related products<br>B. Management of racing tracks        | 614,200                  | 2                          | -  | -  | ( 92,392)  | ( 92,392)                                      | 100.00   | ( 92,392)   | -   | -   | (Note 7)          |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.                    | Distribution of rubber and components of tires  | 154,280                  | 2                          | -  | -  | ( 7,142)   | ( 7,142)                                       | 95.00  | ( 6,785)  | 92,565  | -   | (Note 7)          |
| CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.                       | International container transportation business   | 63,528                   | 2                          | -  | -  | -  | 34,074   | 49.00  | 16,696  | 140,881   | -   | (Note 7)          |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | A. Tires and tubes<br>B. Reclaimed rubber, adhesive, tape and other rubber products<br>C. Plastic machinery, molds and its accessory products             | 4,187,600                | 2                          | -  | -  | -  | 667,741  | 100.00   | 667,741   | 7,634,199   | 917,395   | (Note 5, 7)       |
| XIAMEN ESATE CO., LTD.                                       | Construction and trading of employees' housing  | 1,675,040                | 2                          | -  | -  | -  | 20,805   | 100.00   | 20,805  | 2,126,271   | -   | (Note 7)          |

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd., respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD30.71; USD 1 and NTD 4.408; RMB 1 prevailing on December 31, 2022.

Note 7: Investment income (loss) was recognised based on the financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

CHENG SHIN RUBBER IND. CO., LTD.  
 Ceiling on investments in Mainland China  
 Year ended December 31, 2022

Table 9  
 Expressed in thousands of NTD  
 (Except as otherwise indicated)

| Company name                     | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 1) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2) |
|----------------------------------|---|---|--|
| Cheng Shin Rubber Ind. Co., Ltd. | \$ 3,774,259  | \$ 20,664,759   | \$ -   |

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

December 31, 2022

Table 10

| Name of major shareholders | Number of shares held | Shares | Ownership (%) |
|----------------------------|-----------------------|--------|---------------|
| Luo, Ming-Han              | 370,176,378           |        | 11.42         |
| Luo Jye Memory Co Ltd.     | 324,430,630           |        | 10.00         |

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were held by registered and the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 1

| Item                        | Description    |                   |                     | Amount              |
|-----------------------------|----------------|-------------------|---------------------|---------------------|
| Cash on hand and petty cash |                |                   |                     | \$ 1,052            |
| Bank deposits               |                |                   |                     |                     |
| Check deposits              |                |                   |                     | 280                 |
| Demand deposits             |                |                   |                     | 825,321             |
| Foreign currency deposits   | USD            | 26,228 thousand   | Exchange rate 30.71 | 1,339,806           |
|                             | EUR            | 5,239 thousand    | Exchange rate 32.72 |                     |
|                             | JPY            | 502,443 thousand  | Exchange rate 0.232 |                     |
|                             | GBP            | 427 thousand      | Exchange rate 37.09 |                     |
|                             | RMB            | 53,221 thousand   | Exchange rate 4.41  |                     |
| Time deposits               | USD            | 84,000 thousand   | Exchange rate 30.71 | 2,579,640           |
|                             | Period         | 111.12.12~112.2.6 |                     |                     |
|                             | Interest range | 4.03%~4.61%       |                     |                     |
|                             |                |                   |                     | <u>\$ 4,746,099</u> |

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 2

| Name of Customer              | Description | Amount              | Remark   |
|-------------------------------|-------------|---------------------|--|
| Maxxis International GMBH     |             | \$ 117,720          |  |
| T&R Imports PTY LTD           |             | 110,456             |  |
| Polaris Industries, Inc.      |             | 71,477              |  |
|                               |             |                     | None of the balances of<br>each remaining accounts is<br>greater than 5% of this<br>account balance. |
| Others                        |             | <u>715,887</u>      |  |
|                               |             | 1,015,540           |  |
| Less: Allowance for bad debts |             | <u>( 11,718)</u>    |  |
|                               |             | <u>\$ 1,003,822</u> |  |

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 3

| Item                               | Description | Amount              |                      | Remark                                      |
|------------------------------------|-------------|---------------------|----------------------|---|
|                                    |             | Cost                | Net realizable value | Method for determining net realizable value |
| Raw materials                      |             | \$ 988,198          | \$ 980,273           | Note  |
| Work in process                    |             | 549,892             | 536,521              | Note  |
| Finished goods                     |             | <u>812,550</u>      | <u>1,058,098</u>     | Note  |
|                                    |             | 2,350,640           | <u>\$ 2,574,892</u>  |   |
| Less: Allowance for valuation loss |             |                     |                      |   |
|                                    |             | ( <u>13,904</u> )   |                      |   |
|                                    |             | <u>\$ 2,336,736</u> |                      |   |

Note: Inventories are measured at the lower of cost and net realisable value on an item-by-item basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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**CHENG SHIN RUBBER IND. CO., LTD.**  
**MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(Expressed in thousands of New Taiwan dollars)

| Investee  | As of January 1, 2022 |               |               | Addition     |               |                | Deductions    |                 |               | As of December 31, 2022 |               |       | Market price or net in equity |  | Guarantee or pledge as collaterals |
|---|-----------------------|---------------|---------------|--------------|---------------|----------------|---------------|-----------------|---------------|-------------------------|---------------|-------|-------------------------------|--|------------------------------------|
|   | No. of shares         | Amount        | No. of shares | Amount       | No. of shares | Amount         | No. of shares | Amount          | No. of shares | Amount                  | Unit price    | Total |                               |  |                                    |
| MAXXIS International Co., Ltd.                                | 35,050,000            | \$ 42,473,721 | -             | \$ 1,211,901 | -             | (\$ 977,777)   | Note 1        | 35,050,000      | \$ 42,707,845 | \$ 1,218                | \$ 42,707,845 | None  |                               |  |                                    |
| CST Trading Ltd.  | 72,900,000            | 27,697,590    | -             | 1,374,378    | -             | ( 982,832)     | Note 1        | 72,900,000      | 28,089,136    | 385                     | 28,089,136    | None  |                               |  |                                    |
| MAXXIS Trading Ltd.   | 237,811,720           | 9,287,333     | -             | 2,532,650    | -             | ( 323,755)     | Note 1        | 237,811,720     | 11,496,228    | 48                      | 11,496,228    | None  |                               |  |                                    |
| PT MAXXIS International Indonesia Cheng Shin Rubber USA, Inc. | 139,994,750           | 135,796       | 29,998,875    | 943,105      | -             | ( 1,164,712)   | Note 2 (      | 169,993,625 (   | 85,811)       | 1)                      | ( 85,811)     | None  |                               |  |                                    |
| MAXXIS Rubber India Private Limited                           | 1,800,000             | 2,321,753     | -             | 673,754      | -             | -              | -             | 1,800,000       | 2,995,507     | 1,664                   | 2,995,507     | None  |                               |  |                                    |
| PT.MAXXIS TRADING INDONESIA                                   | 874,992,906 (         | 1,358,435)    | 230,998,127   | 860,206      | -             | ( 1,258,658)   | Note 2 (      | 1,105,991,033 ( | 1,756,887)    | 2)                      | ( 1,756,887)  | None  |                               |  |                                    |
| Cheng Shin Rubber Canada, Inc.                                | 9,990                 | 42,593        | -             | -            | -             | ( 1,527)       | -             | 9,990           | 41,066        | 4,111                   | 41,066        | None  |                               |  |                                    |
| NEW PACIFIC INDUSTRY COMPANY LIMITED                          | 1,000,000             | 647,155       | -             | 85,755       | -             | -              | -             | 1,000,000       | 732,910       | 733                     | 732,910       | None  |                               |  |                                    |
| MAXXIS Tech Center Europe B.V.                                | 5,000,000             | 180,417       | -             | 26,362       | -             | ( 7,153)       | Note 1        | 5,000,000       | 199,626       | 40                      | 199,626       | None  |                               |  |                                    |
| Maxxis Europe B.V.  | 1,000,000             | 76,451        | -             | 9,690        | -             | -              | -             | 1,000,000       | 86,141        | 86                      | 86,141        | None  |                               |  |                                    |
| Maxxis (Taiwan) Trading Co., LTD.                             | 500,000               | 2,606         | -             | -            | -             | ( 2,027)       | -             | 500,000         | 579           | 1                       | 579           | None  |                               |  |                                    |
| MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.                | 10,000,000            | 543,185       | -             | 420,685      | -             | ( 302,184)     | Note 1        | 10,000,000      | 661,686       | 66                      | 661,686       | None  |                               |  |                                    |
| MAXXIS RUBBER JAPAN CO., LTD.                                 | -                     | 689           | -             | 153          | -             | -              | -             | -               | 842           | -                       | 842           | None  |                               |  |                                    |
|   | 5,000                 | 11,302        | -             | 386          | -             | -              | -             | 5,000           | 11,688        | 2,338                   | 11,688        | None  |                               |  |                                    |
|   |                       | \$ 82,062,156 |               | \$ 8,139,025 |               | (\$ 5,020,625) |               |                 | \$ 85,180,556 |                         | \$ 85,180,556 |       |                               |  |                                    |

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2022.

Note 2: Credit balance of long-term equity investments, shown as 'other non-current liabilities', is due to the Company continuously providing financial support to investee company accounted for using equity method.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 5

| Type of Borrowings        | Description                                  | Balance as at December 31, 2022 | Contract Period         | Interest Rate | Line of Credit | Pledges or collaterals | Remark |
|---------------------------|--|---------------------------------|-------------------------|---------------|----------------|------------------------|--------|
| Bank Unsecured Borrowings | CHINA BILLS FINANCE CORPORATION              | \$ 500,000                      | 111.11.07~<br>112.02.06 | Note          | \$ 500,000     | None                   |        |
| Bank Unsecured Borrowings | CTBC Bank Co., Ltd.                          | 1,000,000                       | 111.11.07~<br>112.02.13 | Note          | 1,000,000      | None                   |        |
| Bank Unsecured Borrowings | Mega International Commercial Bank Co., Ltd. | 400,000                         | 111.07.25~<br>112.01.11 | Note          | 400,000        | None                   |        |
|                           |  | \$ 1,900,000                    |                         |               |                |                        |        |

Note: For the year ended December 31, 2022, interest rate of borrowing ranged between 1.50%~1.64%.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 6

| Creditor                                       | Amount of<br>borrowings | Contract period           | Interest Rate | Pledges or<br>collaterals | Remark |
|--|-------------------------|---------------------------|---------------|---------------------------|--------|
| FIRST COMMERCIAL BANK<br>CO., LTD.             | \$ 6,300,000            | 2020.09.11~<br>2026.03.23 | Note          | None                      |        |
| HUA NAN COMMERCIAL<br>BANK LTD.                | 1,700,000               | 2022.03.23~<br>2025.03.23 | Note          | None                      |        |
| EXPORT-IMPORT BANK OF<br>THE REPUBLIC OF CHINA | 1,200,000               | 2022.07.21~<br>2027.08.12 | Note          | None                      |        |
| MIZUHO BANK, LTD.                              | 1,000,000               | 2022.11.07~<br>2024.06.16 | Note          | None                      |        |
| BANK OF TAIWAN                                 | 2,500,000               | 2021.11.23~<br>2027.10.24 | Note          | None                      |        |
|  | <u>12,700,000</u>       |                           |               |                           |        |
| Less: maturity at one year                     | ( <u>3,000,000</u> )    |                           |               |                           |        |
|  | <u>\$ 9,700,000</u>     |                           |               |                           |        |

Note: For the year ended December 31, 2022, interest rate of borrowing ranged between 1.41%~1.73%.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF SALES REVENUE, NET  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

| Item                                  | Quantity (in<br>thousands of tires) | Amount               | Remark   |
|---------------------------------------|-------------------------------------|----------------------|--|
| Radial cover tires for passenger cars | 5,270                               | \$ 8,266,960         |  |
| Cover tires for motorcycles           | 4,822                               | 3,919,951            |  |
| Cover tires for bicycles              | 8,711                               | 3,893,857            |  |
| Cover tires for automobiles           | 2,300                               | 2,103,038            |  |
| Radial ply truck tyres                | 171                                 | 1,067,926            |  |
| Cover tires for industrial use        | 753                                 | 586,066              |  |
| Tubes for bicycles                    | 4,322                               | 278,697              |  |
| Others                                | -                                   | 332,126              | None of the balances<br>of each remaining<br>accounts is greater<br>than NT\$100<br>million. |
|                                       |                                     | 20,448,621           |  |
| Less: Sales returns and discounts     |                                     | ( 39,327)            |  |
|                                       |                                     | <u>\$ 20,409,294</u> |  |

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF COST OF GOODS SOLD  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Table 8

| Item  | Amount        |
|---|---------------|
| Direct material   |               |
| Opening balance of materials                            | \$ 1,328,125  |
| Add: Purchases in the period                            | 8,309,769     |
| Less: Materials sold                                    | ( 72,784)     |
| Transfer to expenses                                    | ( 153,017)    |
| Scrapping of raw material                               | ( 990)        |
| Loss on physical inventory for raw materials            | ( 1,794)      |
| Ending balance of raw materials                         | ( 988,198)    |
| Materials used during the period                        | 8,421,111     |
| Direct labour   | 1,328,943     |
| Manufacturing overhead                                  | 4,408,397     |
| Manufacturing costs                                     | 14,158,451    |
| Add: Opening balance of work in process                 | 447,047       |
| Work in process purchased                               | 141,344       |
| Gain on physical inventory for work in process          | 48            |
| Less: Work in process sold                              | ( 3,579)      |
| Transferred to expenses                                 | ( 144,180)    |
| Scrapping of inventory                                  | ( 1,329)      |
| Amortisation of difference                              | ( 3,535)      |
| Ending balance of work in progress                      | ( 549,892)    |
| Cost of finished goods                                  | 14,044,375    |
| Add: Opening balance of finished goods                  | 1,021,817     |
| Finished goods purchased                                | 317,436       |
| Less: Transferred to expenses                           | ( 186,932)    |
| Amortisation of difference                              | ( 2,921)      |
| Scrapping of finished goods                             | ( 3,585)      |
| Loss on physical inventory for finished goods           | ( 77)         |
| Ending balance of finished goods                        | ( 812,550)    |
| Cost of manufacturing and sales of goods for the period | 14,377,563    |
| Cost of materials sold                                  | 72,784        |
| Cost of work in process sold                            | 3,579         |
| Cost of production and sales of goods                   | 14,453,927    |
| Add: Scrapping of inventory                             | 5,904         |
| Loss on physical inventory                              | 1,823         |
| Less: Revenue from sale of scraps                       | ( 25,138)     |
| Total cost of sales                                     | \$ 14,436,516 |

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF MANUFACTURING OVERHEAD  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 9

| Item               | Description | Amount              | Note  |
|--------------------|-------------|---------------------|---|
| Wages and salaries |             | \$ 1,181,879        |   |
| Depreciation       |             | 1,353,751           |   |
| Utilities expense  |             | 502,082             |   |
| Fuel expense       |             | 229,315             |   |
| Other expenses     |             | <u>1,141,370</u>    | None of the balances of each remaining accounts is greater than 5% of this account balance. |
|                    |             | <u>\$ 4,408,397</u> |   |

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF OPERATING EXPENSES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 10

| Item                            | Description | Selling expenses    | General and administrative expenses | Research expenses | Remark  |
|---------------------------------|-------------|---------------------|-------------------------------------|-------------------|---|
| Taxes                           |             | \$ 382,669          | \$ -                                | \$ -              |   |
| Advertisement expense           |             | 294,213             | -                                   | -                 |   |
| Wages and salaries              |             | 289,284             | 697,173                             | 387,947           |   |
| Freight                         |             | 100,052             | -                                   | -                 |   |
| Import/export (customs) expense |             | 112,515             | -                                   | -                 |   |
| Depreciation                    |             | -                   | 49,848                              | 48,877            |   |
| Insurance                       |             | -                   | 48,975                              | 38,972            |   |
| Commissioned research           |             | -                   | -                                   | 163,521           |   |
| Other expenses                  |             | <u>326,810</u>      | <u>144,733</u>                      | <u>53,425</u>     | None of the balances of each remaining accounts is greater than 5% of this account balance. |
|                                 |             | <u>\$ 1,505,543</u> | <u>\$ 940,729</u>                   | <u>\$ 692,742</u> |   |

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VI. Facts regarding the Company and its affiliated enterprises that have suffered financial turnover difficulties in recent years and the period as of the Annual Report date: None

# Chapter 7 Review and Analysis of Financial Position and Operating Results and Risk Management

## I. Comparative Analysis of Financial Position

Unit: NT\$ thousand

| Item \ Year                                  | 2022        | 2021        | Difference  |        |
|--|-------------|-------------|-------------|--------|
|  |             |             | Amount      | %      |
| Current assets                               | 57,151,862  | 57,834,168  | (682,306)   | -1.18  |
| Real estate, property, plants, and equipment | 75,517,186  | 81,500,318  | (5,983,132) | -7.34  |
| Intangible assets, net                       | 233,013     | 222,669     | 10,344      | 4.65   |
| Other assets                                 | 12,981,558  | 10,164,842  | 2,816,716   | 27.71  |
| Total assets                                 | 145,883,619 | 149,721,997 | (3,838,378) | -2.56  |
| Current liabilities                          | 28,970,953  | 35,341,395  | (6,370,442) | -18.03 |
| Non-current liabilities                      | 32,525,851  | 32,903,234  | (377,383)   | -1.15  |
| Total liabilities                            | 61,496,804  | 68,244,629  | (6,747,825) | -9.89  |
| Share capital                                | 32,414,155  | 32,414,155  | 0           | 0      |
| Capital surplus                              | 67,757      | 67,770      | (13)        | -0.02  |
| Retained earnings                            | 57,200,264  | 56,024,682  | 1,175,582   | 2.10   |
| Other equity interest                        | (5,870,977) | (7,588,138) | 1,717,161   | 22.63  |
| Treasury Stock                               | -           | -           | -           | -      |
| Non-controlling interest                     | 575,616     | 558,899     | 16,717      | 2.99   |
| Total equity                                 | 84,386,815  | 81,477,368  | 2,909,447   | 3.57   |

Analysis of variations exceed 20% and the amount reaches NT\$10 million:

- (1) Other assets: mainly due to the commitment of more than three months of time deposits in the current period compared with the same period last year.
- (2) Other equity interest: mainly due to the rise in foreign exchange gains resulting from the conversion of financial statements of foreign operating entities in the current period.

## II. Financial Performance Review and Analysis

### (I) Financial performance analysis

Unit: NT\$ thousand

| Item \ Year  | 2022         | 2021         | Amount of increase (decrease) | Ratio (%) of Change |
|--|--------------|--------------|-------------------------------|---------------------|
| Operating income   | 98,622,877   | 101,536,961  | (2,914,084)                   | -2.87               |
| Operating costs  | (77,639,710) | (79,149,642) | (1,509,932)                   | -1.91               |
| Gross operating profit   | 20,983,167   | 22,387,319   | (1,404,152)                   | -6.27               |
| Operating Expenses   | (13,608,989) | (14,733,508) | (1,124,519)                   | -7.63               |
| Operating Profit   | 7,374,178    | 7,653,811    | 94,308                        | -18.94              |
| Non-operating income and expenses  | (403,502)    | (497,810)    | (185,235)                     | -2.59               |
| Profit before income tax   | 6,970,676    | 7,156,001    | (302,590)                     | -5.71               |
| Income tax expense   | (1,978,416)  | (1,861,151)  | 117,265                       | 6.30                |
| Profit for the year  | 4,992,260    | 5,294,850    | (302,590)                     | -5.71               |
| Other comprehensive income (loss) after tax  | 1,829,452    | (917,567)    | 2,747,019                     | 299.38              |
| Total comprehensive income   | 6,821,712    | 4,377,283    | 2,444,429                     | 55.84               |
| Analysis if variations exceed 20% and amount reaches NT\$10 million:   |              |              |                               |                     |
| (1) The increase in other comprehensive profits and losses in the current period: mainly due to the increase in the conversion difference of foreign operations.                                   |              |              |                               |                     |
| (2) Increase in total comprehensive income for the current period: mainly due to the increase in exchange difference profit converted from the financial statements of foreign operating agencies. |              |              |                               |                     |

(II) Analysis of changes in operating gross profit: The change in operating gross profit decreased by 6.27% compared with last year, mainly due to the increase in the unit price of raw materials affected by the overall economic environment this year, and the increase in costs.

(III) The company's revenue in 2022 decreased by 2.87% compared with 2021, mainly due to the severe pandemic situation in mainland China this year and the continued economic downturn. As product prices fluctuate with raw material costs, customers' purchasing intentions were impacted, resulting in a decline in revenue performance.

Future coping plan: in 2023, with the full lifting of pandemic restrictions in China, economic activities are returning to normal operation, logistics costs are stabilizing, automotive chip supply is gradually normalizing, and the automotive market is expected to grow, thereby driving demand for tires.

We are leveraging our competitive advantages of being both 'flexible and agile' and 'swift and nimble' to effectively plan and execute strategic objectives, actively participate in racing and team activities, enhancing the added value of products, taking into account both revenue and profit growth.

### III. Cash flow review and analysis

#### (I) Liquidity analysis for the most recent two years

| Item \ Year  | 2022   | 2021  | Percentage of increase (decrease) |
|--|--------|-------|-----------------------------------|
| Cash Flow Ratio (%)  | 50.14  | 43.30 | 15.80                             |
| Cash Flow Adequacy Ratio (%)   | 137.54 | 93.56 | 47.01                             |
| Cash Reinvestment Ratio (%)  | 4.24   | 4.78  | -11.30                            |
| Description of increase or decrease in ratios: (Analysis of change if fluctuation exceeds 20% or more):                                    |        |       |                                   |
| (1) Increase in cash-flow adequacy ratio: mainly due to the declining trend of capital expenditure and dividends issuance in recent years. |        |       |                                   |

#### (II) Cash flow analysis for the coming year

| Cash balance amount at the beginning of the year (1)  | Net cash provided by operating activities (2) | Projected annual cash outflow (3) | Projected cash balance (1)+(2)-(3) | Measures for managing cash deficit |                |
|---|---|-----------------------------------|------------------------------------|------------------------------------|----------------|
|   |   |                                   |                                    | Investment plan                    | Financing plan |
| \$21,735,562  | \$15,084,495                                  | \$13,385,006                      | \$23,435,051                       | -                                  | -              |
| <p>1. Change in projected cash flow for the next year:</p> <p>Operating activities: It is mainly estimated that the Company's revenue will increase and the profit will be stable.</p> <p>Investment activities: The Company's machinery and equipment replacement and expansion of capacity.</p> <p>Financing: Primarily payment of cash dividends and repaying loans and corporate bonds.</p> <p>2. Measures for managing cash deficit and liquidity analysis: N/A.</p> |   |                                   |                                    |                                    |                |

### IV. Impact of major capital expenditure on financial operations in recent years

#### (I) Status of major capital expenditure and source of funds

Unit: NT\$ thousand

| Plan Item                | Actual or projected source of funds | Actual or projected completion date | Funds Required | Actual or projected capital expenditure status |             |
|--------------------------|-------------------------------------|-------------------------------------|----------------|--|-------------|
|                          |                                     |                                     |                | 2021   | 2022        |
| Add and update equipment | Bank loans and company fund         | 2022                                | \$3,260,840    | \$3,260,840                                    | -           |
| Add and update equipment | Bank loans and company fund         | 2023                                | \$2,450,052    | -  | \$2,450,052 |

(II) Projected benefits:

1. Primarily a potential expansion of daily production capacity for tires.
2. Analysis of other projected benefits:

Continue to expand production capacity, upgrade equipment automation and increase market share in the global tire industry.

V. Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:

(I) The Company's reinvestment policy considers long-term investment as its priority, and various investment plans are prudently assessed based on the Company's long-term development plans. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks.

(II) Investment plan for the next year: The Company's investments will be focused on its core businesses; besides improving the efficiency of existing production capacity and making full use of existing capacity, we will also invest in additional plant capacity and machinery equipment depending on business expansion.

VI. Risk Analysis and Evaluation:

(I) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability and future response measures:

1. Changes in interest rates

By the end of 2021, the US Federal Reserve underestimated the severity of inflation, and the war conflict between Russia and Ukraine at the beginning of 2022 pushed up energy prices, further exacerbating inflation. The Consumer Price Index (CPI) in the United Kingdom and the Eurozone broke into double digits, prompting central banks worldwide to continuously raise interest rates in an attempt to suppress rising prices. In 2022, the U.S. Federal Reserve raised interest rates seven times, resulting in a total increase of 425 basis points, bringing the federal funds rate to the range of 4.25% to 4.5%. The market estimated that the pace of rate hikes would slow down in 2023 but high-interest rates will be maintained for a period of time.

The Company stays on its toes and keeps close attention to the policies of central banks and the latest market conditions, and the allocation of funds within the group is adjusted to reduce exposure to external liabilities.

## 2. Changes in exchange rates

In the first three quarters of 2022, affected by the continuous interest rate hikes in the United States, the U.S. dollar index strengthened while non-U.S. currencies were relatively weak. The exchange rate of the New Taiwan Dollar depreciated by more than 10%. However, the US dollar index fell rapidly in the fourth quarter of 2022, and market expectations suggested that it would be difficult for the US dollar to maintain its strong position in 2023 as inflation in the United States cools.

As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in a fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.

The Group's sales and purchases are mainly denominated in RMB, USD, NTD, and THB, which has offset the risk of exchange rate fluctuations due to their similar proportions. The exchange rate risks arising from overseas investment mainly come from RMB, USD, THB, VND, INR, and IDR. The Company continuously monitors foreign exchange market trends, records and adjusts the currency as appropriate based on capital conditions to minimize the exchange rate losses or reduce the risks to a tolerable level.

## 3. Inflation

In light of the uncertainty in the global economic forecast, the Company is not in a position to predict inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company's sales. Nonetheless, no material adverse impact is expected for the overall operation.

### (II) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements, and Guarantees, Transactions in Financial Derivatives, and Main Reasons for Profit (Loss):

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal", pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

(III) Budget for future R&D plan and projected investment in R&D:

1. R&D plans

| No | Recent R&D plans   | Projected date for completion and commercial production |
|----|--|---|
| 1  | Development of PCR Tread Block Offset Optimized and Impact Noise Reduction Technology                      | 2023Q2  |
| 2  | Development of PCR Noise Reduced Channels  | 2023Q4  |
| 3  | Development of PCR Low Rolling Resistance Technology   | 2024Q1  |
| 4  | Racing Tire Test Correspondence Research   | 2023Q4  |
| 5  | Enhance the development of new ATV-UT's regulated high-speed performance and increased mileage durability. | 2023Q4  |
| 6  | Upgrade of BC MTB Double Down structure Technology   | 2023Q4  |
| 7  | Development of BC Road TLR Low Rolling Resistance Technology   | 2023Q4  |
| 8  | Creating FEA analysis model of TBR rolling resistance  | 2023Q4  |
| 9  | Development of MC YAMAHA water splash FEA model building   | 2023Q4  |
| 10 | Development of MC wear FEA model building  | 2023Q4  |
| 11 | Development of MC rolling resistance model building  | 2023Q4  |

2. Expected research and development expenses

The R&D investment in 2023 is projected to be about 4-5% of the annual revenue to maintain the Company's R&D competitiveness.

3. Intellectual property (IP) information disclosure

(1) Intellectual property management and system strategies: We have viewed research and development as the basis of our technology since the establishment of the Company. Technology is a type of intangible property and the Company highly values the idea that the intellectual property right of technology should be protected. To strengthen the Company's R&D ability, we have been promoting short-term, medium-term, and long-term strategic planning since 2015. We focus on improving the patent quality and invest in technological development to make sure the quality and quantity of the Company's patents are both upgraded. Under the protection of intellectual property rights, the value of our technology and patents could be created and the ultimate goal would be gaining profit by the commodification of the patents.

In August 2020, the company integrated the control of "patents", "trademarks" and "business secrets" by the intellectual property group to realize systematic management of the group's intellectual property; In the future, besides patents, trademarks and business secrets can make the company's internal intellectual property management strategy more perfect.

- (2) Intellectual property management system: established an intellectual property rights management system to ensure compliance with laws and regulations when executing IP-related tasks. In 2022, the company completed the intellectual property management manuals and procedures, covering a total of 11 items including patents, trademarks, and trade secret rights. The details of each item are as follows:
- A. Patent rights: In accordance with the internal regulations of the development process, it is necessary to obtain patent rights protection before new products are marketed to ensure that the Company's production, sales, import and export, and use are safe so that consumers can be protected by the Company's products; 8 invention and 31 design patents were obtained in the year, and 8 invention awards were granted in accordance with the company's internal regulations.
  - B. Trademark rights: implemented global counterfeit monitoring to maintain the company's trademark rights and reputation, and prevent the circulation of counterfeit products in the market.
  - C. Trade Secrets: Structure the Company's trade secret management to protect the Company's technical and commercial trade secrets.
- ※ The company obtained TIPS A-level certification in 2022.
- (3) Potential intellectual property risks and countermeasures: The Company's products are sold to more than 180 countries globally. Therefore, it is quite difficult to investigate the violations. The preventive measures are as follows:
- A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies products. If there is any similarity that raises concerns or potential violation of the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation exists.
  - B. Preventing IP violations by the Company: Before the release of the Company's product, an R&D engineer is required to perform a global patent search featuring this product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents.

- ※ In case of patent infringement, activate our internal management regulations, conduct patent comparison analysis, etc. to confirm the status of patent infringement, and upon confirmation, pursue legal channels to ensure the protection of our patent rights.
- ※ The trademark right will be registered in the required region after the integration of the company's products. The trademark right shall be applied for registration after the global name verification and risk assessment before the products are sold, so as to ensure that the products can be sold all over the world.; counterfeit monitoring, regularly tracking whether other manufacturers are infringing or counterfeiting our trademarks, and proactively filing applications for revocation or warning letters for relevant cases, ensuring the safe use of our company's trademarks.
- ※ Complete the Company's internal trade secrets-related management rules, regularly promote the company's protection and importance of confidential levels, coordinate with the Information Security Department to control information security issues and reduce the risk of data leakage.

4. Intellectual property list/result (the Company's total patent cases as of December 31, 2022)

| Number of patents |                |            |
|-------------------|----------------|------------|
|                   | Parent company | Subsidiary |
| Invention         | 43             | 93         |
| Utility           | 2              | 302        |
| design            | 314            | 939        |
| Total             | 1,693          |            |

| Number of trademarks |                |            |
|----------------------|----------------|------------|
|                      | Parent company | Subsidiary |
| Domestic             | 144            | 0          |
| Overseas             | 597            | 1,347      |
| Total                | 2,088          |            |

5. The Company's intellectual property management plan and execution details above were reported to the Board on March 14, 2023.

(IV) Impact of changes in domestic and foreign policy and laws on the Company's financial operations and response measures:

The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.

(V) Impact of technological changes (including information and security risks) and industry changes on the Company's financial operations and response measures:

1. Over the latest year and as of the date of the Annual Report, there is no change in technology and industry environment that had an impact on the Company's financial operations.
2. The Company formulates an information security policy in the spirit of an information security management system (ISO27001), specifies the implementation of various security measures, and strengthens audit management. Enhance information security management to ensure the availability, integrity and confidentiality of information systems against intentional or accidental internal or external threats.

(VI) Impact of changes to the corporate image on corporate crisis management and response measures:

The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as of the date of the Annual Report.

(VII) Projected benefits and potential risks associated with mergers and acquisitions activities: None.

(VIII) Projected benefits and potential risks associated with facility expansion: None.

(IX) Risks associated with the concentration of supply and sales concentration: None.

(X) Impact of transfer of a significant number of shares by directors, supervisors, and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and response measures: None.

(XI) Impact of change in ownership, risks associated and response measures: None.

(XII) Disclosure of issues in dispute, the monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the Annual Report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other significant 3risks:

Based on the materiality principle of ESG, the Company conducts the relevant risk evaluation of the important issues and stipulates the relevant risk management policies and measures according to the evaluated risks as follows:

| ESG   | Risk Type      | Potential Risk     | Management Strategies and Practices  | Management Unit    |
|---|----------------|--------------------|--|--------------------|
| Corporate governance and operation management | Financial Risk | Exchange Rate Risk | <ul style="list-style-type: none"> <li>◆ In the first three quarters of 2022, affected by the continuous interest rate hikes in the United States, the U.S. dollar index strengthened while non-U.S. currencies were relatively weak. The exchange rate of the New Taiwan Dollar depreciated by more than 10%. However, the US dollar index fell rapidly in the fourth quarter of 2022, and market expectations suggested that it would be difficult for the US dollar to maintain its strong position in 2023 as inflation in the United States cools.</li> <li>◆ As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in a fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.</li> <li>◆ The Group's sales and purchases are mainly denominated in RMB, USD, NTD, and THB, which has offset the risk of exchange rate fluctuations due to their similar proportions. The exchange rate risks arising from overseas investment mainly come from RMB, USD, THB, VND, INR, and IDR. The Company continuously monitors foreign exchange market trends, records and adjusts the currency as appropriate based on capital conditions to minimize the exchange rate losses or reduce the risks to a tolerable level.</li> </ul> | Finance Department |
|   |                | Interest rate risk | <ul style="list-style-type: none"> <li>◆ By the end of 2021, the US Federal Reserve underestimated the severity of inflation, and the war conflict between Russia and Ukraine at the beginning of 2022 pushed up energy prices, further exacerbating inflation. The Consumer Price Index (CPI) in the United Kingdom and the Eurozone broke into double digits, prompting central banks worldwide to continuously raise interest rates in an attempt to suppress rising prices. In 2022, the U.S. Federal Reserve raised interest rates seven times, resulting in a total increase of 425 basis</li> </ul>   | Finance Department |

| ESG | Risk Type                   | Potential Risk                                  | Management Strategies and Practices  | Management Unit        |
|-----|-----------------------------|---|--|------------------------|
|     |                             |   | <p>points, bringing the federal funds rate to the range of 4.25% to 4.5%. The market estimated that the pace of rate hikes would slow down in 2023 but high-interest rates will be maintained for a period of time.</p> <ul style="list-style-type: none"> <li>◆ The Company stays on its toes and keeps close attention to the policies of central banks and the latest market conditions, and the allocation of funds within the group is adjusted to reduce exposure to external liabilities.</li> </ul>  |                        |
|     |                             | Inflation                                       | <p>In light of the uncertainty in the global economic forecast, the Company is not in a position to predict inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company's sales. Nonetheless, no material adverse impact is expected for the overall operation.</p>  | Finance Department     |
|     | Continuous Operational Risk | Raw Material Price and Raw Material Supply Risk | <ul style="list-style-type: none"> <li>◆ Raw material price alert: Cheng Shin has designated dedicated personnel to observe the international raw material trading prices to timely monitor the raw material market prices online and key in all the information into the system and inform the Company's senior management of the unusual information so as to closely oversee and seize the market trends.</li> </ul>  | General Manager Office |
|     |                             | Product R&D Management                          | <ul style="list-style-type: none"> <li>◆ Regularly review the generation planning and regulations of market products.</li> <li>◆ Integrate the market and products to research and develop new products, which can meet the customer requirements for performance and quality and conform to regulations.</li> </ul>   | R&D Department         |
|     |                             | Transportation Risk                             | <ul style="list-style-type: none"> <li>◆ Cooperate with several large manufacturers for inland and marine transportation, and establish a deep relationship with them through long-term cooperation, so as to avoid the export obstacles caused by the increase of current market demand and fill the temporary shortage gap.</li> <li>◆ Stabilizing the transportation prices: Inland transportation and manufacturers set rolling mechanisms of oil prices and adopt reasonable long-term freight prices; In order to stabilize the transportation cost under the current situation of the sharp rise of market price, the freight rate contract is signed by sea transportation.</li> </ul> | Planning Department    |

| ESG | Risk Type                        | Potential Risk                   | Management Strategies and Practices   | Management Unit              |
|-----|----------------------------------|----------------------------------|---|------------------------------|
|     |                                  | COVID-19 pandemic                | ◆ Regarding the impact of the COVID-19 pandemic, the Company formulates response measures and carries out relevant pandemic prevention measures in accordance with the "Guidelines for Continuous Operation of Enterprises in Response to the Severe Special Infectious Pneumonia (COVID-19) Pandemic" issued by the Ministry of Health and Welfare. including, forming a pandemic prevention team in the factory for publicity and management, effectively controlling the personnel access of the Group's domestic and foreign factories and separate operations, and ensuring the sustainable operation of the Company.  | Safety and Health Department |
|     |                                  | Energy Supply                    | ◆ Implement the management of energy equipment, regular inspection of the first, second and third level equipment and predictive detection of the thermal imager, develop energy management methods, improve energy efficiency, and set annual energy-saving targets of the factory. Reduce energy supply risks through improvements.   | Construction Department      |
|     | Intellectual property management | Intellectual Property Right Risk | ◆ The Company's products are sold to more than 180 countries globally. Therefore, detecting the state of infringements is quite challenging. The preventive measures are as follows:<br>A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies products. If there is any similarity that raises concerns or potential violation of the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation exists.<br>B. Preventing IP violations by the Company: Before the release of the Company's product, an R&D engineer is required to perform a global patent search featuring this product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design | General Manager Office       |

| ESG                         | Risk Type                          | Potential Risk                      | Management Strategies and Practices   | Management Unit              |
|-----------------------------|------------------------------------|-------------------------------------|---|------------------------------|
|                             |                                    |                                     | <p>Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents.</p> <ul style="list-style-type: none"> <li>※ In case of patent infringement, activate our internal management regulations, conduct patent comparison analysis, etc. to confirm the status of patent infringement, and upon confirmation, pursue legal channels to ensure the protection of our patent rights.</li> <li>※ The trademark right will be registered in the required region after the integration of the company's products. The trademark right shall be applied for registration after the global name verification and risk assessment before the products are sold, so as to ensure that the products can be sold all over the world.; counterfeit monitoring, regularly tracking whether other manufacturers are infringing or counterfeiting our trademarks, and proactively filing applications for revocation or warning letters for relevant cases, ensuring the safe use of our company's trademarks.</li> <li>※ Complete the Company's internal trade secrets-related management rules, regularly promote the company's protection and importance of confidential levels, coordinate with the Information Security Department to control information security issues and reduce the risk of data leakage.</li> </ul> |                              |
|                             | Digital Information Security Risks | Confidential Information Protection | <ul style="list-style-type: none"> <li>◆ Formulate an information security policy in the spirit of an information security management system (ISO27001), specify the implementation of various security measures, and strengthen the audit management. Enhance information security management to ensure the availability, integrity and confidentiality of information systems against intentional or accidental internal or external threats.</li> </ul>  | Information Department       |
| Workplace safety and health | Safety risk management             | Material Disaster                   | <ul style="list-style-type: none"> <li>◆ Formulate “disaster and incident management rules” for the plants: Specify emergency response measures, emergency contact systems, and disaster countermeasures.</li> <li>◆ Formulate “comprehensive contingency measures”: In China, we have stipulated the Comprehensive Contingency Measures for accidents such as fire explosion, poisoning,</li> </ul>  | Safety and Health Department |

| ESG | Risk Type        | Potential Risk              | Management Strategies and Practices  | Management Unit              |
|-----|------------------|-----------------------------|--|------------------------------|
|     |                  |                             | <p>machinery harm, vehicle harm, dust explosion, electric shock, and suffocation, detailing the emergency team organization and the major responsibilities of each team, and emergency handling procedures to conform to the National Security Manufacturing Act, the Safety and Health Regulations for Manufacturing Procedures, and the Manufacturing Safety Accident Countermeasure Guidelines for the Manufacturing Department.</p>  |                              |
|     | Environment Risk | Environment Control Ability | <p>◆ Implement an environmental management system (ISO14001) with annual external and internal audits, formulate environmental policies, set objectives, implement, audit, and review to achieve continuous improvement in environmental performance.</p>  | Safety and Health Department |
|     |                  | Greenhouse Gas Emissions    | <p>◆ In response to the energy saving target of the Energy Bureau, energy consumption will be reduced by 2% every year. The energy-saving target for next year and the implementation performance of this year will be listed in detail in the plant, so as to facilitate the discussion on the benefits of energy-saving measures every year.</p> <p>◆ In response to the Greenhouse Gas Reduction and Management Act promoted by the government, we actively carried out the greenhouse gas emission reduction strategy, including fully replacing the heavy fuel oil in the plant with natural gas to effectively significantly reduce its emissions, and completed the registration certification every year through external verification.</p> <p>Engage in the voluntary GHG reductions program from Industrial Development Bureau, MOEA, and submit reduction measure plans and results on an annual basis.</p> | Safety and Health Department |
|     |                  | Environmental Management    | <p>◆ The Company has obtained the ISO14001 environmental management system certification, from the daily management implementation, to continue to maintain the validity of the certificate and ensure the air, water, waste, and other environmental pollution management.</p> <p>◆ Cooperate with the Environmental Protection Bureau to carry out the integration of multiple environmental protection permits into one license. We actively accept the guidance to integrate the certificates, to promote the subsequent regulations and norms.</p>  | Safety and Health Department |

| ESG     | Risk Type                | Potential Risk                                  | Management Strategies and Practices   | Management Unit  |
|---------|--------------------------|---|---|--|
|         |                          |   | <ul style="list-style-type: none"> <li>◆ Each unit implements the General Manager's policy to create a sustainable business environment and reduce waste; reduce energy consumption per ton of tire production.</li> </ul>  |  |
| Society | Human Resources Risk     | Talent Capital                                  | <ul style="list-style-type: none"> <li>◆ To accelerate the development of reserve executive talents, potential mid- and senior manager candidates are developed through systematic training. By shortening the training time of mid-tier and senior managers, we can implement a succession program in practice.</li> <li>◆ Encourage employees and increase the number of available reserve executive talents by providing professional learning and development opportunities, while at the same time, we satisfy employees' learning needs and ensure that they understand key competencies and skills to implement our succession program.</li> </ul>             | Human Resource Department                              |
|         |                          | Manpower Management                             | <ul style="list-style-type: none"> <li>◆ Diversify the talent recruitment channels.</li> <li>◆ Enhance employee care and promote employee retention intention.</li> <li>◆ Encourage employees to develop new skills and obtain diverse professional qualifications and licenses in order to enhance the Company's overall capabilities and flexibility in management.</li> </ul>  | Human Resource Department                              |
|         | Occupational Safety Risk | Safety and health standard operation management | <ul style="list-style-type: none"> <li>◆ To ensure the safety and health level of the working environment, and reduce accident cost and damage, our company implements the ISO45001 and CNS 45001 occupational safety and health management system to ensure the safety and health objectives and performance, consider the organizational risks and opportunities as well as the occupational safety and health risks of the identification group, and try to eliminate the hazards or risks or control them to reduce their impact.</li> </ul>  | Safety and Health Department                           |
|         | Legal Compliance         | Regulation Justice                              | <ul style="list-style-type: none"> <li>◆ In view of the amended laws and regulations announced by the government, we will summarize the latest announcements in the current month, and the responsible unit will judge the compliance of the announcements, so as to ensure that the responsible unit follows up the implementation in accordance with the regulations, and amend the relevant regulations in the factory.</li> <li>◆ Participate actively in the response teams set up by the government to keep abreast of relevant information on draft regulations and related changes if there are regulations on other environmental issues, such as</li> </ul> | General Manager Office<br>Safety and Health Department |

| ESG | Risk Type | Potential Risk | Management Strategies and Practices | Management Unit |
|-----|-----------|----------------|-------------------------------------|-----------------|
|     |           |                | greenhouse gases.                   |                 |

VII. Other Important Issues: None.



2. Basic information of each affiliated enterprises

| Enterprise name                                | Date established | Address   | Paid-in capital (note) | Major business or items produced                          |
|--|------------------|---|------------------------|---|
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.          | 1989.05.26       | No. 15, Xinglin Xibin Rd., Jimei District, Xiamen City  | US\$175,000,000        | Production and sales of various types of automobile tires |
| CHENG SHIN RUBBER USA, INC.                    | 1990.05.11       | 545 OLD PEACHTREE ROAD, SUWANEE, GA30024 USA  | US\$18,000,000         | Import-export trade in tires                              |
| CHENG SHIIN LOGISTIC (XIAMEN) CO., LTD.        | 1993.03.25       | No. 11, Xinshun Rd., Haicang District, Xiamen   | RMB\$14,411,765        | International packaging and shipping business             |
| CST Trading Ltd.                               | 1993.05.19       | P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS   | US\$72,900,000         | A holding company   |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.     | 1993.07.27       | No. 8, Hefeng Rd., Lujia Township, Kunshan City   | US\$225,000,000        | Production and sales of various types of automobile tires |
| TIANJIN TAFENG RUBBER IND CO., LTD.            | 1994.08.15       | No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin                       | US\$18,000,000         | Warehousing logistics and sales service center            |
| CHENG SHIIN TOYO (KUNSHAN) MACHINERY CO., LTD. | 1996.03.20       | Chaoyang East Rd., Kunshan R&D Zone, Jiangsu Province   | US\$8,500,000          | Produces and sells tire molds for cars and trucks         |
| MAXXIS International Co., Ltd.                 | 1997.01.30       | P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.                         | US\$35,050,000         | A holding company   |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.      | 1998.09.23       | No. 26, Jiangang Rd., Legou Business District, Qinzhougang Economic Development Zone, Guangxi | RMB\$45,000,000        | Distribution of rubber and tire parts                     |
| Cheng Shin Rubber Canada, Inc                  | 1999.01.31       | 400 CHRYSLER DRIVE, UNIT C BRAMPTON, ONTARIO, L6S 5Z5 CANADA                                  | CAD\$1,518,700         | Import-export trade in tires                              |
| CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.      | 2001.12.28       | No. 15, Xiyuan Rd., Haicang District, Xiamen  | US\$130,000,000        | Production and sales of various types of automobile tires |
| MAXXIS Trading Ltd.                            | 2002.08.26       | P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS       | US\$237,811,720        | A holding company   |
| MAXXIS Holdings (BVI) Co., Ltd.                | 2002.08.27       | P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS       | US\$237,811,720        | A holding company   |
| MAXXIS International (Thailand) Co., Ltd.      | 2002.11.05       | 300/1 MOO 1, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAYONG PROVINCE 21140, THAILAND                | THB\$6,500,000,000     | Production and sales of various types of automobile tires |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.         | 2004.01.11       | No. 15, Xinshun Rd., Haicang District, Xiamen   | US\$ 45,000,000        | Production and sales of various types of automobile tires |
| MAXXIS Tech Center Europe B.V.                 | 2005.04.01       | Neutronenlaan7,5405NG Uden, The Netherlands   | EUR\$ 1,000,000        | Tire testing  |

| Enterprise name  | Date established | Address  | Paid-in capital (note) | Major business or items produced   |
|--|------------------|--|------------------------|--|
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | 2010.03.22       | No. 15, Qingshi Road, Gangwei Township, Longhai City   | RMB\$950,000,000       | Production and sales of various types of automobile tires                |
| XIAMEN ESATE CO., LTD.                                       | 2013.08.21       | Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen   | RMB\$380,000,000       | Employee dormitory construction and sales                                |
| Cheng Shin Rubber (Vietnam) IND. Co., Ltd.                   | 2005.12.08       | City TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.                    | US\$62,000,000         | Production and sales of various types of automobile tires                |
| MAXXIS International (HK) Ltd.                               | 2007.12.20       | Suite C, 21/F, Lee & Man Commerical Center, 169 Electric Road, North Point, Hong Kong  | US\$226,801,983        | A holding company  |
| Cheng Shin International (HK) Ltd.                           | 2007.12.20       | Suite C, 21/F, Lee & Man Commerical Center, 169 Electric Road, North Point, Hong Kong  | US\$246,767,840        | A holding company  |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | 2009.07.17       | Room 101, No. 58, Shuilishe, Kengnei Vil., Guankou Township, Jimei District, Xiamen  | US\$20,000,000         | Automobile assembly and product R&D, testing and related product display |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | 2010.05.17       | No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City   | US\$100,000,000        | Production and sales of various types of automobile tires                |
| PT MAXXIS International Indonesia                            | 2014.08.27       | Greenland International Industrial Center (GIIC) Blok CG No.01, Kota Deltamas Desa Pasir Ranji, Kec. Cikarang Pusat, Bekasi, Jawa Barat, 17530 | US\$170,000,000        | Production and sales of various types of automobile tires                |
| Maxxis Rubber India Private Limited                          | 2015.03.26       | SM 12 + SM 51/2, Sanand-II Industrial Estate, Ahmedabad, Gujarat – 382110, India   | INR\$11,060,000,000    | Production and sales of various types of automobile tires                |
| KUNSHAN MAXXIS TIRE CO., LTD.                                | 2015.09.28       | No. 8, Hefeng Rd., Lujia Township, Kunshan City  | RMB\$5,000,000         | Rubber tire parts distribution and delivery                              |
| Maxxis (Taiwan) Trading Co., LTD.                            | 2016.01.13       | No. 180, Juguang Rd., Sanyi Vil., Yuanlin City, Changhua County  | NTD\$100,000,000       | Sales of various automobile tires, rubber products, and accessories      |
| PT. MAXXIS TRADING INDONESIA                                 | 2017.05.10       | Greenland International Industrial Center (GIIC) Blok CG No.01, Kota Deltamas Desa Pasir Ranji, Kec. Cikarang Pusat, Bekasi, Jawa Barat, 17530 | US\$1,000,000          | Auto parts trading   |
| Maxxis Europe B.V.   | 2018.05.24       | Neutronenlaan 7, 5405NG Uden, The Netherlands  | EUR\$500,000           | Import-export trade in tires   |
| MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.               | 2019.03.15       | AV. JAVIER BARROS SIERRA 495 P1 4, SANTA FE CENTRO CIUDAD, ALVARO OBREGON, CIUDAD DE MEXICO, C.P. 10376  | US\$100,000            | Import-export trade in tires   |
| MAXXIS RUBBER JAPAN CO., LTD.                                | 2020.02.21       | International Silk Trade and Tourism Center 323, 1 Yamashitacho, Naka Ward, Yokohama, Kanagawa 231-0023 Japan                                  | JPY50,000,000          | Import-export trade in tires   |

Note: The exchange rate on the reporting date of each affiliate is calculated based on the exchange rate at the end of a fiscal year

(US\$1:NT\$30.71;EUR\$1:NT\$32.72;CAD\$1:NT\$22.67;RMB\$1:NT\$4.408;THB\$1:NT\$0.8941;VND\$1:NT\$0.00129;IDR\$1:NT\$0.00198; INR\$1:NT\$0.3712;JPY\$1:NT\$0.2324;MXN\$1:NT\$1.5757).

3. Information on shareholders of controlling and subordinate companies: There is no presumed subordinate.

4. Industries covered by the business of the overall relationship enterprise

(1) Businesses engaged by the Company and its affiliates include

Tires, general trading and investment, international trade, machinery, R&D and testing of automotive accessories, testing and exhibition of related products, human resource dispatch, etc.

(2) The division of labor between the company and its related enterprises is as follows:

| Division Matters                                   | Affiliates  |
|--|---|
| Manufacturing and marketing of tire products       | The Company, CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD., XIAMEN CHENG SHIN ENTERPRISE CO., LTD., MAXXIS International (Thailand) Co., Ltd., Cheng Shin Rubber (Vietnam) IND. Co., Ltd., CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD., CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD., PT MAXXIS International Indonesia, Maxxis Rubber India Private Limited |
| Marketing of Tire Products                         | Cheng Shin Rubber USA, Inc., Cheng Shin Rubber Canada, Inc., KUNSHAN MAXXIS TIRE CO., LTD., Maxxis (Taiwan) Trading Co., LTD, PT. MAXXIS TRADING INDONESIA, Maxxis Europe B. V., MAXXIS RUBBER JAPAN CO., LTD., MAXXIS INTERNATIONAL MEXICO S. de R.L. de C. V.   |
| Production of Molds and Equipment                  | CHENG SHIIN TOYO (KUNSHAN) MACHINERY CO., LTD.  |
| Tire Testing Center                                | MAXXIS Tech Center Europe B. V.   |
| R&D Centers  | The Company, CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd., Cheng Shin Rubber USA, Inc., CHENG SHIN RUBBER (XIAMEN) IND., LTD.   |
| Automotive accessory development and testing, etc. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.  |
| International packaging and shipping business      | CHENG SHIIN LOGISTIC (XIAMEN) CO., LTD. , CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD., TIANJIN TAFENG RUBBER IND CO., LTD.  |

5. Directors, Supervisors and General Managers of affiliated enterprises:

| Enterprise name                           | Position   | Full name or Representative   | Number of Shares Held |                      |
|---|------------|---|-----------------------|----------------------|
|   |            |   | Number of Shares      | Percent holdings (%) |
| MAXXIS International Co., Ltd.            | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Shiu-Hsiung                               | 35,050,000            | 100%                 |
| CST Trading Ltd.                          | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa                                   | 72,900,000            | 100%                 |
| Cheng Shin Rubber USA, Inc                | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa, Lee, Hung-Wen                    | 1,800,000             | 100%                 |
| Cheng Shin Rubber Canada, Inc             | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa, Cheng, Ya-Wei                    | 1,000,000             | 100%                 |
| MAXXIS Tech Center Europe B.V.            | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa, Lin, Chin-Chuan                  | 1,000,000             | 100%                 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.     | Directors  | MAXXIS International (HK) Ltd.<br>Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling   | -                     | 100%                 |
|   | Supervisor | MAXXIS International (HK) Ltd.<br>Representative: Hsu, Chih-Ming                                    | -                     |                      |
| TIANJIN TAFENG RUBBER IND CO., LTD.       | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling | -                     | 100%                 |
|   | Directors  | MAXXIS International (HK) Ltd.<br>Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling   | -                     | 100%                 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.    | Supervisor | MAXXIS International (HK) Ltd.<br>Representative: Chen, Han-Hsin                                    | -                     |                      |
|   | Directors  | MAXXIS International Co., Ltd.<br>Representatives: Chen, Shiu-Hsiung; Lo, Min-Ling                  | -                     | 60%                  |
| CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Supervisor | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Hsu, Chih-Ming                             | -                     | 40%                  |
|   | Directors  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Han-Hsin                             | -                     |                      |

| Enterprise name                               | Position   | Full name or Representative  | Number of Shares Held |                      |
|---|------------|--|-----------------------|----------------------|
|   |            |  | Number of Shares      | Percent holdings (%) |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.    | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung;<br>Lee, Chin-Chang               | -                     | 100%                 |
|   | Supervisor | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Lo, Yong-Li  |                       |                      |
| CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen;<br>Lee, Chin-Chang               | -                     | 50%                  |
|   | Supervisor | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Lo, Yong-Li  |                       |                      |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.     | Directors  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Shiu-Hsiung   | -                     | 95%                  |
| MAXXIS Trading Ltd.                           | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa  | 237,811,720           | 100%                 |
| MAXXIS Holdings (BVI) Co., Ltd.               | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa  | 237,811,720           | 100%                 |
| MAXXIS International (Thailand) Co., Ltd.     | Directors  | MAXXIS Holdings (BVI) Co., Ltd.<br>Representative: Chen, Yun-Hwa, Chen, Shiu-Hsiung                                    | 65,000,000            | 100%                 |
| Cheng Shin Rubber (Vietnam) IND. Co., Ltd.    | Directors  | MAXXIS Holdings (BVI) Co., Ltd.<br>Representative: Chen, Yun-Hwa, Liao, Cheng-Yao,<br>Hu, Ming-Te                      | 62,000,000            | 100%                 |
| MAXXIS International (HK) Ltd.                | Directors  | MAXXIS International Co., Ltd.<br>Representative: Chen, Shiu-Hsiung  | 226,801,983           | 100%                 |
| Cheng Shin International (HK) Ltd.            | Directors  | CST Trading Ltd.<br>Representative: Chen, Yun-Hwa  | 246,767,840           | 100%                 |
| PT MAXXIS International Indonesia             | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Yun-Hwa, Chen, Shiu-Hsiung;<br>Lee, Hung-Ko, Xie Zhengchang | 169,993,625           | 99.99625%            |

| Enterprise name  | Position   | Full name or Representative   | Number of Shares Held |                      |
|--|------------|---|-----------------------|----------------------|
|  |            |   | Number of Shares      | Percent holdings (%) |
| PT. MAXXIS TRADING INDONESIA                                 | Supervisor | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Liao, Zheng-Yao   |                       |                      |
|  | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Yun-Hwa, Lee, Hung-Ko, Xie Zhengchang                    | 9,990                 | 99.9%                |
|  | Supervisor | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Liao, Zheng-Yao   |                       |                      |
| Maxxis Rubber India Private Limited                          | Directors  | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Yun-Hwa, Chen, Shiu-Hsiung; Liao, Cheng-Yao; Zhu Cangzhi | 1,105,991,033         | 99.99919%            |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Directors  | MAXXIS International (HK) Ltd.<br>Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling                   | -                     | 100%                 |
|  | Supervisor | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Han-Hsin   |                       |                      |
| CHENG SHIIN LOGISTIC (XIAMEN) CO., LTD.                      | Directors  | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Shiu-Hsiung  |                       | 49%                  |
|  |            | Xiamen Maxxis Trading Company Limited<br>Representative: Hsu, Chih-Ming   |                       | 25.5%                |
|  | Supervisor | Hong Kong Daxiang Investment Co., Ltd.<br>Representative: Chen, Han-Hsin  | -                     | 25.5%                |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | Supervisor | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Jian-Lin   |                       | 49%                  |
|  | Directors  | CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.<br>Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Lee, Chin-Chang     |                       | 100%                 |
|  | Supervisor | CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.<br>Representative: Lo, Yong-Li   | -                     |                      |
| KUNSHAN MAXXIS TIRE CO., LTD.                                | Directors  | CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.<br>Representative: Lee, Chin-Chang                                       | -                     | 100%                 |

| Enterprise name | Position   | Full name or Representative  | Number of Shares Held |                      |
|-----------------|------------|--|-----------------------|----------------------|
|                 |            |  | Number of Shares      | Percent holdings (%) |
|                 | Supervisor | CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.<br>Representative: Chiang, Chih-Wei |                       |                      |

| Enterprise name                                | Position       | Full name or Representative   | Number of Shares Held |                      |
|--|----------------|---|-----------------------|----------------------|
|  |                |   | Number of Shares      | Percent holdings (%) |
| XIAMEN ESATE CO., LTD.                         | Directors      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Shiu-Hsiung  | -                     | 100%                 |
|  | Supervisor     | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Han-Hsin   |                       |                      |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.    | Directors      | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Shiu-Hsiung<br>MAXXIS International (HK) Ltd.<br>Representative: Chen, Yun-Hwa, Lo, Min-Ling | -                     | 100%                 |
|  | Supervisor     | CHENG SHIN RUBBER (XIAMEN) IND., LTD.<br>Representative: Chen, Han-Hsin   |                       |                      |
| Maxxis (Taiwan) Trading Co., LTD.              | Directors      | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Yun-Hwa; Liao, Cheng-Yao; Chen, Shiu-Hsiung  | 10,000,000            | 100%                 |
|  | Supervisor     | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Han-Chi   |                       |                      |
| Maxxis Europe B.V.                             | Directors      | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Chen, Yun-Hwa, Ting, Tso-Lin  | 500,000               | 100%                 |
|  | Directors      | CHENG SHIN RUBBER IND. CO., LTD.<br>Representatives: Chen, Shiu-Hsiung; Liao, Cheng-Yao; Qiu Shijie   |                       |                      |
| MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Representative | CHENG SHIN RUBBER IND. CO., LTD.<br>Representative: Qiu Zheyi   | -                     | 100%                 |

6. Operations status of all affiliates:

Unit: NT\$ Thousand

| Enterprise name  | Amount of capital (Note 2) | Total value of assets | Total liabilities | Net value  | Operating income | Net Operating Profit (Loss) | Profit or Loss (after Tax) | Earnings per Share (NT\$) (after Tax) |
|--|----------------------------|-----------------------|-------------------|------------|------------------|-----------------------------|----------------------------|---------------------------------------|
| MAXXIS International Co., Ltd.                               | 1,017,852                  | 42,707,929            | 84                | 42,707,845 | -                | -264                        | 558,818                    | 15.94                                 |
| CST Trading Ltd.   | 2,117,016                  | 28,089,220            | 84                | 28,089,136 | -                | -238                        | 953,503                    | 13.08                                 |
| Cheng Shin Rubber USA, Inc                                   | 552,780                    | 5,846,469             | 2,850,962         | 2,995,507  | 10,175,536       | 473,984                     | 369,108                    | 205.06                                |
| Cheng Shin Rubber Canada, Inc                                | 34,429                     | 1,034,790             | 301,880           | 732,910    | 1,085,798        | 70,815                      | 63,590                     | 63.59                                 |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.                    | 198,360                    | 94,398                | 1,833             | 92,565     | 12,843           | -8,276                      | -7,142                     | -                                     |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., Ltd.                   | 7,883,571                  | 28,867,380            | 2,988,276         | 25,879,104 | 16,357,274       | 700,508                     | 911,293                    | -                                     |
| CHENG SHIIN TOYO (KUNSHAN) MACHINERY CO., LTD.               | 299,422                    | 366,827               | 46,463            | 320,364    | 159,115          | -723                        | 27,741                     | -                                     |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD.                        | 5,498,998                  | 29,105,896            | 4,625,338         | 24,480,558 | 16,832,916       | -164,578                    | 383,735                    | -                                     |
| TIANJIN TAFENG RUBBER IND CO., LTD.                          | 651,332                    | 610,275               | 2,103             | 608,172    | 19,045           | -70,373                     | -62,445                    | -                                     |
| CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.                    | 4,254,428                  | 12,373,362            | 961,656           | 11,411,706 | 6,261,458        | -1,065,795                  | -766,744                   | -                                     |
| MAXXIS Trading Ltd.  | 6,906,052                  | 11,496,312            | 84                | 11,496,228 | -                | -153                        | 1,781,284                  | 7.49                                  |
| MAXXIS Holdings (BVI) Co., Ltd.                              | 6,906,052                  | 11,806,526            | -                 | 11,806,526 | -                | -87                         | 1,780,920                  | 7.49                                  |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD.                       | 1,605,750                  | 9,451,612             | 488,932           | 8,962,680  | 4,063,631        | 465,109                     | 613,029                    | -                                     |
| MAXXIS Tech Center Europe B.V.                               | 32,720                     | 99,323                | 13,182            | 86,141     | 99,229           | 6,988                       | 6,013                      | 6.01                                  |
| Cheng Shin Rubber (Vietnam)IND. Co., Ltd.                    | 1,452,902                  | 6,095,689             | 2,482,822         | 3,612,867  | 7,059,987        | 1,205,703                   | 816,701                    | 13.17                                 |
| MAXXIS International (Thailand) Co., Ltd.                    | 5,811,650                  | 10,528,604            | 2,337,874         | 8,190,730  | 10,862,513       | 828,342                     | 963,973                    | 14.83                                 |
| MAXXIS International (HK) Ltd.                               | 6,586,330                  | 35,222,501            | -                 | 35,222,501 | -                | -103                        | 1,071,236                  | 4.72                                  |
| Cheng Shin International (HK) Ltd.                           | 7,166,138                  | 27,890,956            | -                 | 27,890,956 | -                | -96                         | 938,308                    | 3.80                                  |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | 588,016                    | 719,032               | 719,032           | -          | 2,482            | -58,988                     | -92,392                    | -                                     |
| CHENG SHIIN LOGISTIC (XIAMEN) CO., LTD.                      | 63,527                     | 279,336               | 138,455           | 140,881    | 1,223,836        | 29,761                      | 34,074                     | -                                     |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.                  | 4,187,600                  | 11,243,383            | 3,609,184         | 7,634,199  | 9,591,475        | 770,403                     | 667,741                    | -                                     |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.               | 2,874,483                  | 6,502,671             | 858,900           | 5,643,771  | 3,875,838        | -18,016                     | -1,104                     | -                                     |
| XIAMEN ESATE CO., LTD.                                       | 1,675,040                  | 2,508,484             | 382,213           | 2,126,271  | 131,022          | 29,926                      | 20,805                     | -                                     |
| PT MAXXIS International Indonesia                            | 4,386,354                  | 10,119,334            | 10,119,334        | 0          | 2,536,043        | -87,729                     | -1,180,778                 | -7                                    |

|   |           |           |           |           |         |         |          |            |     |
|---|-----------|-----------|-----------|-----------|---------|---------|----------|------------|-----|
| Maxxis Rubber India Private Limited             | 4,105,472 | 6,635,307 | 6,635,307 | 6,635,307 | 0       | 986,333 | -475,795 | -1,283,781 | -1  |
| KUNSHAN MAXXIS TIRE CO., LTD.                   | 22,040    | 95,394    | 43,725    | 198,970   | 51,669  | 2,851   | 3,203    |            | -   |
| Maxxis (Taiwan) Trading Co., LTD.               | 100,000   | 1,223,559 | 561,873   | 4,263,952 | 661,686 | 523,049 | 420,661  |            | 42  |
| PT. MAXXIS TRADING INDONESIA                    | 26,417    | 56,612    | 15,546    | 138,068   | 41,066  | 955     | -12      |            | -1  |
| Maxxis Europe B.V.                              | 16,360    | 100,443   | 99,864    | 151,903   | 579     | -3,585  | -2,997   |            | -6  |
| MAXXIS RUBBER JAPAN Co., LTD.                   | 11,620    | 12,000    | 312       | -         | 11,688  | -4,277  | 750      |            | 150 |
| MAXXIS INTERNATIONAL MEXICO S. de R.L. de C. V. | 3,298     | 4,705     | 496       | 5,966     | 4,209   | 1,212   | 185      |            | -   |

Note 1: The balance sheet account is converted at year-end exchange rates

(US\$:NT\$30.71;EUR\$:NT\$32.72;CAD\$:NT\$22.67;RMB\$:NT\$4.408;THB\$:NT\$0.8941;VND\$:NT\$0.00129;IDR\$:NT\$0.00198;  
INR\$:NT\$0.3712;JPY\$:NT\$0.2324;MXN\$:NT\$1.5757)

P&L accounts are converted at weighted average exchange rates

(US\$:NT\$29.80444;EUR\$:NT\$31.35962;CAD\$:NT\$22.89622;RMB\$:NT\$4.42193;THB\$:NT\$0.85553;VND\$:NT\$0.00125;IDR\$:NT\$0.00201;INR\$:NT\$0.3790  
8; JPY\$:NT\$0.22746;MXN\$:NT\$1.48733)

Note 2: Refers to Paid-in capital.

(II) Consolidated financial statements of affiliates

For 2022 (from January 1, 2022, to December 31, 2022), companies that are required to be included in the consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiaries under International Accounting Standard No. 10. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiaries, no consolidated financial statements of affiliates are separately prepared.

(III) Affiliation Reports: In the absence of any presumed subordinate, no such report is prepared.

- II. The Company's shares held or disposed of by subsidiaries in the most recent years as of the publication date of the Annual Report: None
- III. Subsidiary's holding or disposal of shares in the Company in most recent years and up to the date of publication of the Annual Report: None
- IV. Other Necessary Supplementary Statement: None
- V. Any event that occurred in the most recent years as of the publication date of the report which has a material impact on shareholders' rights and interests or the price of securities against Item 3 of Paragraph 2 under Article 36 of the Securities and Exchange Act: None

CHENG SHIN RUBBER IND. CO., LTD.



Chairman's



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Engineered specifically for  
Electric Vehicles



reddot winner 2023

## VICTRA SPORT EV



Reduced  
Noise



Enhanced  
Efficiency



Sharpened  
Handling



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