



HWA FONG RUBBER

Annual Report 2020

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Hwa Fong Rubber Ind. Co., Ltd.

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

WWW.DURO.COM.TW



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1 . Company Spokesperson :

Name : Wu Pin-Yi

Title : Deputy General Manager

Phone : (04)8520121~6

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

2 . Company Acting Spokesperson :

Name : Lin Wen-Cheng

Title : CLO

Phone : (04) 8520121~6

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

3 . Head Office

Address : No. 300, Sec. 2, Zhongshan Rd., Cun Shang Village Dacun Township, Changhua County

Phone : (04)8520121~6

Dacun Factory

Address : No. 300, Sec. 2, Zhongshan Rd., Cun Shang Village Dacun Township, Changhua County

Phone : (04)8520121~6

Huatan Facotry

Address : No. 20, Sec. 1, Zhongshan Rd., Huatan Township, Changhua County

Phone : (04)7863632 、 7867081

4 . Agency for Transfer of Stock :

Name : Mega Securities Co., Ltd. Stock Affairs Agency Department

Address : 1F., No. 95, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City

Phone : (02)3393-0898

Website : www.emega.com.tw

5 . Certified Accountant for the Most Recent Financial Report :

Name of the Office : PricewaterhouseCoopers Taiwan

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

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

Phone : (04)27049168

Website : www.pwc.tw

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

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

I. Report to Shareholders

1. Operation Overview for the year ended Dec.31,2020

Looking back at 2020, it was a year that Covid-19 ravaged the world, international financial market turmoil, U.S. stocks triggered the second circuit breaker mechanism with the crude oil futures falling to a negative value for the first time. Taiwan stock index hit a new high while its “double-reverse” investigation. With the up and downs of international political and economic turmoil, Taiwan too can't stay out. In addition, due to the poor sales of the overall global automobile market and the tightening of environmental protection policies in Mainland China, the company's very operating capabilities and core competitiveness are challenged by various environmental factors.

2020 Operation Overview:

The company's consolidated net revenue for the year ended Dec.31 2020 is NTD 4,882,864 thousands, which is a decrease of NTD 382,073 thousand compared to the year ended Dec.31,2019 with consolidated net revenue of NTD 5,264,937 thousand; the consolidated net profit after tax is NTD 561,919 thousand, compared with the after consolidated tax of the year ended Dec.31,2019, NTD 148,280 thousand, an increase of NTD 413,639 thousand.

The company's net revenue for the year ended Dec.31,2020 was NTD 2,096,167 thousand, which was a decrease of approximately 3.96% compared to the year ended Dec.31, 2019 net revenue of NTD 2,182,612 thousand. Under strict cost control, operating costs decreased by approximately 11.67% compared to the year ended Dec.31,2019. And net operating gross profit increased by NTD 109,735 thousand, an increase of about 22.88%; operating expenses in the year ended Dec.31,2020 increased slightly by 2.64% over the previous year, and operating net profit was NTD 280,598 thousand, a substantial increase of NTD 101,786 thousand over the previous year. In terms of non-operating income and expenditure, it was mainly derived from other sources of income NTD 75,267 thousand and from the interests of subsidiaries, affiliates and joint ventures recognized by the equity method of NTD 157,939 thousand, resulting in net income of non-operating income and expenditure of NTD 180,535 thousand; the operating result for the whole year was after-tax. The annual Net profit was NTD 371,601 thousand, a substantial increase over the previous year.

The company's production and sales overview and business operation overview report for 2020 are as follows:

(1) Production and Sales Overview :

Unit :
thousands of
tires

Year ended Product	Year ended Dec.31,2020 Production Volume	Year ended Dec.31,2020 Sales Volume	Year ended Dec.31,2019 Sales Volume	Sales Volume Increase (Decrease)	%
Bicycle Tires	1,055	1,077	1,284	-207	-16.12%
Agro-industrial Tires	1,068	1,028	1,055	-27	-2.56%
Motorcycle Tires	2,476	2,509	2,489	20	0.80%
Truck Tires	44	46	70	-24	-34.29%
Radial Tires	342	331	321	10	3.12%
Other Rubber Made Products		380	414	-34	-8.21%

(2) Business Overview :

Unit :
Thousands
of NTD

Financial Indicator \ Year	Year ended Dec.31,2020 Amount	Year ended Dec.31,2019 Amount	Sale sVolume Increase (Decrease)	%
Net Sales Revenue	2,096,167	2,182,612	(86,445)	-3.96%
Operating Cost	1,506,594	1,705,605	(199,011)	-11.67%
Operating Gross Profit-Net Profit	589,390	479,655	109,735	22.88%
Operating Expenses	308,792	300,843	7,949	2.64%
Operating Net Profit	280,598	178,812	101,786	56.92%
Non-Operating Income and Expenditure	180,535	(106,439)	286,974	269.61%
Net Profit (Loss) Before Tax	461,133	72,373	388,760	537.16%
Net Profit (Loss) For the Period	371,601	10,891	360,710	3312.00%

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

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

2. Profitability Analysis

Items	Year ended Dec.31,2020	Year ended Dec.31,2019
Return on assets (%)	7.76	2.76
Return on equity (%)	12.91	3.64
Ratio of pre-tax net profit to paid-in capital (%)	22.44	8.81
Net profit rate (%)	11.51	2.82
Earnings per share (NTD)	1.33	0.03

(4) Research & Development

The company's research and development policies include:

- (1) Increase joint development and cooperation with major international OE manufacturers.
- (2) Cultivate R&D professionals
- (3) Practical implementation of R&D work
- (4) Combining the development experience of industry and academia
- (5) Green energy tire development

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

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

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

Unit : Thousands of NTD

Year ended	R&D expenditure	Percentage of Net Revenue	Outcome
Dec.31, 2020	34,923	1.66%	New product: 1. Development of new LRR electric, energy-saving, environmentally friendly scooter and motorcycle tires. 2. Expanded development of new bicycle tire products. 3. Development of new products for UTV & ATV multi-purpose tires. 4. Mud Terrain (M/T specification expansion). Improvement of material cost: 1. Continuous development of new replacement materials: 10 items completed. 2. Continuous improvement of rubber formula: 10 projects completed. 3. Continuous improvement cases: 9 cases have been completed. Process improvement: 1. Reduce the loss rate of intermediate products, 2. Improve the material loss rate. 3. Continue to reduce energy consumption rate. 4. Improve equipment accuracy and engage in labor-saving improvement.
Dec.31, 2019	38,026	0.72%	New product: 1. Development of new LRR electric, energy-saving, environmentally friendly scooter and motorcycle tires. 2. Expanded development of new bicycle tire products. 3. Development of new products for UTV & ATV multi-purpose tires. 4. Mud Terrain (M/T specification expansion). Material cost improvement: 1. Continuous development of replacement of new raw materials: 7 items completed. 2. Continuous improvement of rubber formula: 8 items completed. 3. Continuous improvement cases: 7 items have been completed. Process improvement: 1. Reduce the loss rate of intermediate products, 2. Improve the material loss rate. 3. Continue to reduce energy consumption rate. 4. Improve equipment accuracy and labor-saving improvement.

2. R&D Plan for the year ended Dec.31,2021

New Product:

1. Development of green tire materials.
2. Development of low rolling resistance and low noise tires.
3. Development of B-grade low-rolling resistance and energy-saving tires.
4. Development of energy-saving scooter and motorcycle tires.

Material Cost Improvement:

1. Continuous improvement of rubber formula.
2. Continuous development of replacement of new raw materials
3. Continuous improvement case.

Process Improvement:

1. Reduce the scrap rate of intermediate products,
2. Improve the material loss rate.
3. Continue to reduce energy consumption rate.
4. Improve equipment accuracy and labor-saving improvement.

2. Summary of the Business Operation Plan for the Year Ended Dec.31,2021

(1) Business Operation Policy

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

(2) Expected Sales Volume and its Basis

Unit : Thousands of Tires

Main products	Estimated sales	Goal setting instructions
Bicycle tires	23,544	Based on the evaluation of the company's internal operation meeting
Motorcycle tires	14,781	
Agro-industrial tires	2,018	
Truck tires	82	
Radial tires	369	
Total	40,794	

(3) Important production and marketing policies

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

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

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

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

1. Due to the double anti-policy trade sanctions (anti-dumping and countervailing duties) imposed by the United States against tires of cars and light trucks in Southeast Asian countries, the company suspends export of such products to the United States. The current situation is not yet clear. Fierce price competition in the global tire market, weak auto market sales, lack of containers in global shipping, and economic conditions have become more severe.
2. China's environmental protection policy has become stricter, and the requirements of various environmental protection laws and regulations of the factory have been improved and the review has been strengthened. In order to meet the standards, enterprises need to improve the process and embark equipment upgrades, which affect the product circulation and lead to increasing the cost.

(5) The overall environment impact to business operation:

Looking forward to this year (2021), although the COVID-19's vaccine is launched, it needs time for production of sufficient vaccine doses for many countries. Otherwise, the COVID-19 will continue to rage around the world. International political and economic circumstances are hard to foresee. Whether it is the US "double counter" investigation, financial market volatility, and weak automobile market sales. The above incidents occurred in 2020, but they are all ongoing incidents that have yet to be resolved by wise political leaders. The turbulence and instability of political and economical environment have a strong impact on economic development, indicating that both high-tech industries and traditional industries will face more difficulties and challenges this year.

In the European market, in addition to promotion of high-margin, high-value-added products, the sales strategy also aims to increase cooperation and orders with bicycle manufacturers. In addition to the above two strategies, new products developed in 2020 will also expand options for customer and elevate our market competitiveness.

In the U.S. market, due to the anti-dumping duties imposed by the U.S. on cars and light truck tires exported from Taiwan, Thailand, South Korea, and Vietnam, the company suspends export of such products to the U.S.. A final judgment is pending on how much the tax rate is, and to determine whether such products will continue to be sold to the United States in the future. The company is actively improving, reducing waste, and avoiding unnecessary cost increases. The research and development unit is also committed to the development of new patterns and specifications of tires, hoping to further enhance the company's overall competitiveness.

Faced with the volatile international political and economic environment, the company continues to invest in equipment, talents, etc. In addition to the original market, it also strives to expand the market in the ASEAN countries. Through the improvement of production capacity, the development of high investment in R&D maintains the company's competitiveness across national borders, and strive to break through the overall economic difficulties in 2021 in order to return the shareholders for their support.

II . Company Profile

(1) Date of establishment: May 27,1959

(2) Head Offices

Address : No. 300, Sec. 2, Zhongshan Rd., Cun Shang Village Dacun Township, Changhua County

Phone : (04)8520121~6

Dacun Factory

Address : No. 300, Sec. 2, Zhongshan Rd., Cun Shang Village Dacun Township, Changhua County

Phone : (04)8520121~6

Huatan Facotry

Address : No. 20, Sec. 1, Zhongshan Rd., Huatan Township, Changhua County

Phone : (04)7863632 、 7867081

(3) Company History

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

1946 : Registered on Jan.1 .

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

The construction of the factory began in October

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

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

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

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

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

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

1974 : The company moved to No. 300, Section 2, Zhongshan Road, Shangcun Village, Dacun town (the company's current address) in April.

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

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

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

1977 : The head office building was completed in February.

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

Purchased Taipei office in February.

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

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

1979 : The company signed a technical cooperation contract with Sumitomo Rubber Industries, Ltd. of Japan, and signed a cooperation contract for the sale of motorcycle inner and outer tires with the world famous brand (DUNLOP) company in January

The capital increased by NTD 16 million, and the capital after the capital increase was

- NT 96 million in April.
- 1980 : The company was rated as an excellent manufacturer of quality control by the Ministry of Economic Affairs in April.
Products such as agricultural inner and outer tires and light-duty truck inner tires were certified by the CNS in August.
Purchased the Huatan factory site with an area of 8,297 tsubo.
- 1981 : Dacun Factory Welfare District Building was completed in September
The capital was increased by NTD 100 million, and the capital after the capital increase was NTD 1.960 billion in November.
- 1982 : Signed the second phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1983 : The company won the Minister of Energy Conservation Award.
The capital increased to NTD 3.92 million and the capital after the capital increase was NTD 199.92 million in July
- 1984 : All inner tubes production was relocated to the Huatan factory in August.
- 1985 : Signed the contract for the third phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1987 : Obtained the approval of the Ministry of Economic Affairs for overseas investment and established HWA FONG Rubber (Thailand) Co., Ltd.
- 1988 : Established Pinghe Factory, which was specialized in manufacturing various special-purpose rubber products.
Chairman Zhang was elected as the chairman of the 19th Taiwan Rubber Industry Association in April.
Signed the fourth phase of technical cooperation with Sumitomo Industries, Ltd. of Japan.
- 1989 : It was certified by Japan's JIS mark in May.
Hwa Fong Rubber (Thailand) officially started its production in June.
The company won the 25th "Quality Control Group Award" of the Quality Control Society of the Republic of China (Taiwan) in July.
The capital was increased to NT\$500 million, and it was publicly issued in October.
- 1991 : Chairman Zhang of the company was re-elected as chairman of the 20th Taiwan Rubber Industry Association in May.
The company signed the fifth phase of technical cooperation contract with Sumitomo Industries, Ltd. of Japan. Established a polymer chemistry analysis lab in May.
The capital was increased to NTD 650 million in October.
Over-employed disabled employees and won the award from the Taiwan Provincial Government.
- 1992 : Approved by the Ministry of Economic Affairs for overseas investment, established Hwa Fong Rubber (USA) Co., Ltd. and Hwa Fong Rubber (Hong Kong) Co., Ltd.
It was awarded the Golden Trade Award for Foreign-owned Brands by the Minister of Economy in June.
The capital was increased to NTD 728 million in October
- 1993 : Won the European E mark certification in January.
The company was approved by the Ministry of Economic Affairs for overseas investment and established Hwa Fong Rubber (China) Co., Ltd in April.
- 1994 : The company was approved and registered by the Bureau of Commodity Inspection and Quarantine of the Ministry of Economic Affairs ISO 9001 in January.
The company won the Jijun Memorial Award of Sanyang System in January.
The capital was increased to NTD 851.76 million in April.
The company was awarded the first-class manufacturer with excellent quality control by the Ministry of Economic Affairs in April.
The company was awarded the Taiwan Excellence Certificate by the Foreign Trade Development Association of the Republic of China in April.
The company signed the sixth phase of technical cooperation contract with Sumitomo Industries, Ltd. of Japan in July.

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

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

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

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

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

(1) Directors and Supervisors

1. Information of Directors and Supervisors

Apr.19,2021

Job title (Note 1)	Nationality or place of registration	Name	gender	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share hold ing ratio(%)	Number of shares	Share hold ing ratio(%)	Number of shares	Share hold ing ratio(%)	Number of shares	Share hold ing ratio(%)			job title	Name	relatio nship	
Chairman	Republic of China	Representati ve of Feng Tsuang Co., Ltd.: Shen Kuo- Jung	-	Jun.21,20 19	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.20 19	3 years	May 14,2014	797,583	0.24	670,392	0.24	-	-	-	-	MBA from Pacific Western University, USA, MBA, University of Sydney, Australia, Honorary Doctorate from IAU University, Honorary Doctorate of Management, Chaoyang University of Science and Technology	Chairman of Hota Industrial Co., Ltd., Chairman of KAO FONG Industrial Co., Ltd. Chairman of Inalways Corporation. Director of KAO FONG Machinery Industry (Kunshan) Company, Director of KAO FONG Machinery Industry (Hual'an) Company, Chairman of H&D Venture Capital Investment Corporation, Chairman of BMB Venture Capital Investment Corporation, Chairman of Rongjian Land Development (Stock) Company, Director of Wuxi Heda Precision Gear, Director of Howin Precision Co., Ltd., Director Of Taichung International Entertainment Corporation Co., Ltd.	-	-	-	
Vice Chairman	Republic of China	Representati ve of Feng Tsuang Co., Ltd.: Chiu Shih- Chien	-	Jun.21.20 19	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.20 19	3 years	Dec.22,2017 (Jan.19,2018 to Apr.26,2018 (suspend)	-	-	-	-	-	-	-	-	Master of Statistics, National Cheng Kung University	Vice Chairman of Mukang Biotechnology and Pharmaceutical Co., Ltd. Consultant, Jian Sin Industrial Co., Ltd.	-	-	-	
Director	Republic of China	Representati ve of Feng Tsuang Co., Ltd.: Lin Wen- Cheng	-	Jun.21.20 19	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.20 19	3 years	Apr.27,2018	-	-	-	-	-	-	-	-	Private Soochow University Law Department Judge of Taichung District Court, Taiwan Prosecutor of the Procuratorate of Fujian Kinmen District Court Lawyer	Chief Legal Officer of Hwa Fong Rubber Industry Co., Ltd.	-	-	-	
Director	Republic of China	Representati ve of Feng Tsuang Co., Ltd.: Wu Pin-Yi	-	Jun.21.20 19	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Female	Jun.21.20 19	3 years	Dec.22,2017	-	-	-	-	-	-	-	-	Department of Law, National Chung Hsing University	Deputy General Manager of Huwa Fong Rubber Industry Co., Ltd. Director of Hwa Fong Rubber (Thailand) Public Co., Ltd. Director of Jian Sin Industrial Co., Ltd. Director of Inalways Corporation.	-	-	-	

job title (Note 1)	Nationality or place of registration	Name	gender	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)			Job title	name	relationship	
Director	Republic of China	Representative of Feng Tsuan Co., Ltd.: Liao Chen Hsuan-Yu	-	Jun.21.2019	3 years	May 14,2014	9,553,781	2.87	8,884,210	3.18	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.2019	3 years	Jan.4,2018 (Jun.17,2016 - Jan.3,2018 suspend)	-	-	121,876	0.04	-	-	-	-	Master of Information Management, National Taiwan University Bachelor of Economics, University of British Columbia,	VeeTIME Corp. Chairman of Tokugawa International Development Co., Ltd. Chairman of Alibaba International Ltd Company	-	-	-	
Director	Japan	Representative of Sumitomo Rubber Industry Co., Ltd.: Sakashita Shingo	-	Jun.21.2019	3 years	Jun.21,2019	33,822,234	10.18	28,428,574	10.18	-	-	-	-	-	-	-	-	-	
			Male	Jan.1,2020 (Jan.1,2020 Reappointment)	3 years	Jan.1,2020	-	-	-	-	-	-	-	-	B.A in International Retarations, Ritsumeikan University Master of Business Administration, UNIVERSITY OF WESTMINSTER	General Manager (Business Administration), International Business Development & Administration Department, Sumitomo Rubber Industries, Ltd.	-	-	-	
Director	Republic of China	Representative of Sheng Ta Investment Co., Ltd.: Yan Ming-Shan	-	Jun.21.2019	3 years	Sep.14,2011	604,100	0.18	507,764	0.18	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.2019	3 years	May 2,2018	5,105,100	1.54	4,290,985	1.54	2,187,871	0.78	-	-	EMBA , National Changhua University of Education	Director of Hwa Fong Rubber Industry Co., Ltd. Director of Hwa Fong Rubber (Thailand) Public Co., Ltd.	-	-	-	
Director	Republic of China	Representative of Teng Feng Investment Development Co., Ltd.: Yan, Ruei-Sian	-	Jun.21.2019	3 years	Jun.16,2009 (Sep.14,2011- Jun.16,2016 suspend)	4,016,483	1.21	3,460,024	1.24	-	-	-	-	-	-	-	-	-	
			Male	Jun.21.2019	3 years	Aug.12,2014 (May.27,2015- Jun.16,2016 suspend - Mar.26,2018- Apr.3,2018 suspend)	1,875,689	0.56	1,576,571	0.56	-	-	-	-	Department of Business Administration, Da-Yeh University National Changhua University of Education International Business Management Master (IMBA)	General Manager of SHING TAI HARDWARE CO., LTD. Director of ZU LON INDUSTRIAL CO., LTD.	-	-	-	
Independent director	Republic of China	Tsai Hong-Wen	Male	Jun.21.2019	3 years	Jun.17,2016	-	-	-	-	-	-	-	-	PhD, Department of Chemical Engineering, National Taiwan University Master of Law Interdisciplinary Integration, National Chengchi University	Associate Professor, Patent Institute, National Taiwan University of Science and Technology	-	-	-	

job title (Note 1)	Nationality or place of registration	Name	gender	Elect (in) Date	term of office	Date of first appointment (Note 2)	Holding shares at the time of appointment		Number of shares currently held		Spouse and minor children numbers of held shares		Holding shares in the name of another person		Major experience (Education) (Note 3)	Currently in positions in this company and other companies	With supervisors, directors, or managers who is spouse or close relatives within second degree of kinship			Remarks (Note 4)
							Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)	Number of shares	Share holding ratio(%)			Job title	Name	Relationship	
Independent director	Republic of China	Yang Wen-Kuang	Male	Jun.21.2019	3 years	-	-	-	-	-	-	-	-	-	PhD, National Yunlin University of Science and Technology/Business Management Department Vice President Chaoyang University of Technology-	Independent Director of KUNG LONG BATTERIES INDUSTRIAL CO., LTD. Director of TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION	-	-	-	
Independent director	Republic of China	Huang Chu-Chia	Male	Jun.21.2019	3 years	Jun.21,2019	-	-	96,661	0.03	-	-	-	-	Takming University of Science and Technology BaiYang CPA Firm Accountant Director of the Chinese Association of Auditing Finance and Taxation Professionals Director of Taipei City Tax Agents Association	BaiYang CPA Firm Accountant Director of Juilli Enterprise Co., Ltd. Head of BaiYang ToolCo., Ltd.	-	-	-	

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

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

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

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

2. Table 1: Major shareholders of legal person shareholders

Apr.19,2021

Legal person shareholder name	The main shareholder of the legal person shareholder	
Feng Tsuan Co., Ltd.	1. He Tsuan Co., Ltd. 97.83%	
	2. Su Ming-Fen 2.17%	
Sheng Ta Investment Co., Ltd.	1. Yan Xie Xin-Mei 70%	
	2. Yan Jun-Ling 10%	
	3. Yan Sheng-Feng 10%	
	4. Yan Da-Jun 10%	
Sumitomo Rubber Industry Co., Ltd.	1. Sumitomo Electric Industries, Ltd. 28.85%	
	2. The Master Trust Bank of Japan, Ltd.(Trust account) 5.65%	
	3. Custody Bank of Japan, Ltd.(Trust account) 3.22%	
	4. National Mutual Insurance Federation of Agricultural Cooperatives 2.79%	
	5. Sumitomo Mitsui Banking Corporation 1.98%	
	6. Sumitomo Corporation 1.83%	
	7. STATE STREET BANK AND TRUST COMPANY 505103 1.69%	
	8. SMBC Nikko Securities Inc. 1.55%	
	9. JPMBL RE BARCLAYS CAPITAL SECURITIES LIMITED COLL EQUITY 1.28%	
	10. JP MORGAN CHASE BANK 385635 1.12%	
Teng Feng Investment Development Co., Ltd.	1. Yan Ruei-Sian 41.67%	
	2. Yan Jun-Kai 41.67%	
	3. Yan Lin Xiu-Xia 16.66%	

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

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

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

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

Apr.19,2021

The name of the legal person shareholder	The main shareholder of the legal person shareholder	
He Tsuan Co., Ltd.	1. Jiann Fong Capital Co., Ltd.	70.00%
	2. Qian Tsuan Co., Ltd.	30.00%
Sumitomo Electric Industries, Ltd.	1. The Master Trust Bank Japan, Ltd.(Trust Account)	9.05%
	2. Japan Trustee Services Bank, Ltd.(Trust Account)	7.24%
	3. Nippon Life Insurance Company	3.17%
	4. JP MORGAN CHASE BANK 385151	2.08%
	5. NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2.17%
	6. SUMITOMO LIFE INSURANCE COMPANY	1.99%
	7. Japan Trustee Services Bank, Ltd.(Trust Account 5)	1.93%
	8. Japan Trustee Services Bank, Ltd.(Trust Account 7)	1.62%
	9. The Master Trust Bank of Japan, Ltd. (Trust Account J)	1.61%
	10.Japan Trustee Services Bank, Ltd. (Trust Account 4)	1.57%
Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Financial Group 100%	
SMBC Nikko Securities Inc.	Sumitomo Mitsui Financial Group 100%	
Sumitomo Corporation	1. The Master Trust Bank of Japan,Ltd.(trust account)	9.58%
	2. BNYM AS AGT/CLTS NON TREATY JASDEC	5.39%
	3. Custody Bank of Japan, Ltd. (trust account)	4.96%
	4. Sumitomo Life Insurance Company	2.47%
	5. Custody Bank of Japan, Ltd. (trust account 5)	2.07%
	6. JP MORGAN CHASE BANK 385781	1.47%
	7. Mitsui Sumitomo Insurance Company, Limited	1.44%
	8. STATE STREET BANK WEST CLIENT - TREATY 505234	1.33%
	9. JP MORGAN CHASE BANK 385632	1.20%
	10.Nippon Life Insurance Company	1.19%

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

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

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

4. Information on Directors and Supervisors

April 19, 2021

Name	qualifications	<u>Have more than five years of work experience</u> <u>And the following professional qualifications</u>			Meet the independence standard(Note 1)												Number of independent directors concurrently serving as other public offering companies
		Lecturer or above in public and private colleges and universities in relevant disciplines required for business, legal affairs, finance, accounting or corporate business	Judge, prosecutor, lawyer, accountant or other professional and technical personnel who have passed the national examination required for business with the company and have certificates	Work experience required for business, legal affairs, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10	11	12	
Feng Tsuan Co., Ltd. Representative of the Chairman: Shen Kuo-Jung			V					V	V	V	V	V	V	V	V		None
Feng Tsuan Co., Ltd. Representative Director: Chiu Shih-Chien			V		V			V	V	V	V	V	V	V	V		None
Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng		V	V		V	V	V	V	V	V	V	V	V	V	V		None
Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan -Yu			V		V	V	V	V	V	V	V	V	V	V	V		None
Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi		V	V		V			V	V	V	V	V	V	V	V		None
Sumitomo Rubber Industry Co., Ltd. Representative Director: Shingo Sakashita			V		V	V	V			V	V	V	V	V	V		None
Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan			V		V	V			V	V	V	V	V	V	V		None
Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian			V		V	V	V		V	V	V	V	V	V	V		None

Independent Director: Tsai Hong-Wen	V			V	V	V	V	V	V	V	V	V	V	V	V	None
Independent Director: Yang Wen-Kuang	V			V	V	V	V	V	V	V	V	V	V	V	V	None
Independent Director: Huang Chu-Chia		V	V	V	V	V	V	V	V	V	V	V	V	V	V	None

Note 1: All directors and supervisors who meet the following conditions two years before their appointment and during their tenure, please type "✓" in the space below each condition code.

(1) Those who are not employees of the company or its affiliates.

(2) Those who are not Directors and supervisors of companies the company or its affiliates (except if the company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations to concurrently serve each other.).

(3) Those who are not the spouse, relatives within the second degree of kinship of or the lineal relative by blood within the third degree of kinship of the executives listed in (1) or the persons listed in (2) and (3) .

(4) Those who are not the spouse, relatives within the second degree of kinship of or the lineal relative by blood within the third degree of kinship of persons listed in the previous three paragraphs.

(5) Directors of corporate shareholders, supervisor or employee who do not directly hold more than 5% of the total issued shares of the company, hold the top five number of shares, or appoint a representative as the company's directors or supervisors in accordance with Article 27, Item 1 or Item 2 of the Company Law (except if the company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors established in accordance with this law or local laws and regulations).

(6) Not directors, supervisors or employees of other companies controlled by the same person by more the half of voting shares or board seats (except if they are the company or its parent company, subsidiary, or the same parent company Independent directors established by subsidiary in accordance with this law or local laws and regulations concurrently serve each other).

(7) Not Professionals, sole proprietors, partnerships, business owners, partners, directors (councils), supervisors, managers and their spouses etc. who are providing business, legal, financial, accounting and other services or consulting for the company or its affiliated companies,. However, this does not apply to the members of the salary and remuneration committee who perform their functions in accordance with the establishment of the salaryand remuneration committee of a company that is traded in the business premises of a securities firm and the exercise of its powers.

(8) Not Directors (councils), supervisors ,managers, or shareholders holding more than 5% of shares of a specific company or organization that are in financial or business dealings with the company (exceptif the specific company or organization holds the company's issued shares and the total number is more than 20%, but not more than 50%, and the independent directors set up by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations concurrently serve each other).

(9) Not Professionals, sole proprietors, partnerships, companies or institutions who provide audits for companies or affiliated companies or who have received remuneration in the past two years and the cumulative amount of remuneration does not exceed NTD 500,000 for business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, this does not apply to members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the Securities Exchange Act or the relevant laws and regulations of the Corporate Mergers and Acquisitions Act.

(10) There is no relative relationship within the second degree of kinship with or is the spouse of other directors.

(11) There is no matter concerning any of the items in Article 30 of the Company Law.

(12) No government, legal person or its representative who are regulated by Article 27 of the Company Law is elected.

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

Apr.19,2021

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

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

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

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

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

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

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

1. Remuneration of general directors and independent directors:

												Dec.31,2020				Unit : Thousands of NTD						
Job title	Name	Directors' remuneration								The proportion of the four items A, B, C and D in the net profit after tax (Note 11)	Related remuneration received by Part-time employees								A, B, C, D, E, F, and G as a percentage of the total net profit after tax (Note 10)	Receiving remuneration from a subsidiary company or parent company (Note 11)		
		Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Business execution expenses (D) (Note 4)			Salaries, bonuses and special expenses, etc. (E) (Note 5)		Retirement pension		Employee compensation (G) (Note 6)							
		In this Company	All companies in the financial report (Note 7) company	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)		In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In this Company	All companies in the financial report (Note 7)	In This Company				All companies in the financial report (Note 7)	
										Cash amount							Stock amount	Cash amount	Stock amount			
Chairman	Feng Tsuan Co., Ltd. Representative Director: Shen Kuo-Jung	599	601	-	-	-	-	70	163	138	175	-	-	-	-	-	-	-	-	138	175	Nre
Vice Chairman	Feng Tsuan Co., Ltd. Representative Director: Chiu Shih-Chien	505	504	-	-	-	-	70	163	147	138	-	-	-	-	-	-	-	-	147	138	Nre
director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	-	-	-	-	-	-	30	30	001	001	-	-	-	-	-	-	-	-	001	001	Nre
director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	-	29	-	-	-	-	60	153	002	002	242	242	95	95	-	-	-	-	07	08	Nre
director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan-Yu	-	-	-	-	-	-	60	60	002	002	-	-	-	-	-	-	-	-	002	002	Nre
director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	-	29	-	-	-	-	70	163	001	003	138	138	99	99	-	-	-	-	053	053	Nre
director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	-	-	-	-	-	-	100	100	003	003	-	-	-	-	-	-	-	-	003	003	Nre
director	Sumitomo Rubber Industry Co., Ltd. Director representative : Sakashita Shingo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Nre
Independent director	Tsai Hong-Wen	-	-	-	-	-	-	60	60	003	003	-	-	-	-	-	-	-	-	003	003	Nre
Independent director	Yang Wen-Kuang	-	-	-	-	-	-	55	55	004	004	-	-	-	-	-	-	-	-	004	004	Nre
Independent director	Huang Chu-Chia	-	-	-	-	-	-	55	55	004	004	-	-	-	-	-	-	-	-	004	004	Nre
director	Feng Tsuan Co., Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Nre
director	Sheng Ta Investment Co., Ltd.																					
director	Teng Feng Investment																					
director	Sumitomo Rubber Industry Co., Ltd.																					
1.Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: The remuneration of the independent directors of the company is determined in accordance with their participation in the company's operations and their contribution to the company's operations and the usual level of the industry. The monthly fixed remuneration and the transportation allowance for attending meetings are paid to them. No other remuneration is paid, and they are not allowed to participate in the distribution of the remuneration of the directors of the company. 2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: no such matter.																						

1. Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors:
The remuneration of the independent directors of the company is determined in accordance with their participation in the company's operations and their contribution to the company's operations and the usual level of the industry. The monthly fixed remuneration and the transportation allowance for attending meetings are paid to them. No other remuneration is paid, and they are not allowed to participate in the distribution of the remuneration of the directors of the company.

2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: no such matter.

Remuneration Scale

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

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

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

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

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

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

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

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

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

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

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

Note 11: a. This column should clearly indicate the amount of relevant remuneration received by the directors of the company from the subsidiary company or the parent company (if none, please fill in none).

- b. If the directors of the company receive relevant remuneration from the out-of-subsidary reinvestment business or the parent company, the remuneration received by the company's directors from the out-of-subsidary reinvestment business or the parent company shall be incorporated into column J of the Remuneration Scale table ,and change the column name to "parent company and all reinvested businesses".
- c. Remuneration refers to the remuneration, remuneration (including remuneration of employees, directors and supervisors) and business execution expenses received by the directors of the company as directors, supervisors or managers of non-subsidary investment enterprises or parent company remuneration.
- * The content of the remuneration disclosed in this table is different from the concept of "income" of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

2. Remuneration of the general manager and deputy general managers

Dec.31,2020

Unit : Thousands of NTD

job title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses, and so on (C) (Note 3)		Employee compensation amount (D) (Note 4)				The proportion of the four items A, B, C and D in the net profit after tax (%) (Note 8)		Remuneration received from a subsidiary company or parent company (Note 9)
		In The Company	All the companies in the financial report (Note 5)	In The Company	All the companies in the financial report (Note 5)	In The Company	All the companies in the financial report (Note 5)	The Company		All the companies in the financial report (Note 5)		The Company	All the companies in the financial report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General manager	Wang Jiaw-Chyi	6,765	6,765	334	334	2,557	2,649	-	-	-	-	2.6	2.62	None
Deputy General manager	Jiang Ting-Ji													
Deputy General manager	Wu Pin-Yi													
Deputy General manager	Luo Pei-Yuan													

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

Remuneration Scale

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

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

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

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

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

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

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

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

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

Note 9: a. This column should clearly indicate the amount of remuneration received by the general manager and deputy general managers of the company from the reinvested business outside of its subsidiaries or the parent company (if none, fill in none).

b. If the general manager and deputy general managers of the company receive relevant remuneration from the the reinvested business outside of its subsidiaries or the parent company, remuneration of the general manager and deputy general managers of the company received from the subsidiary company or the parent company Should be incorporated into column E of the remuneration scale, and change the name of the column to "parent company and all reinvested businesses".

c. Remuneration refers to the reward, remuneration (including the remuneration of employees, directors and supervisors) and business execution expenses received by the general manager and deputy general managers of the company as directors, supervisors or managers of reinvested businesses outside of subsidiaries and other related remuneration.

* The content of the remuneration disclosed in this table is different from the concept of “income” of the income tax law, so the purpose of this table is for information disclosure and is not used for taxation.

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

Dec.31,2020														Unit : Thousands of NTD	
job title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and Special expenses, etc. (C) (Note 3)		Employee remuneration amount (D) (Note 4)				The proportion of the four items A, B, C and D in the net profit after tax (%) (Note 6)		remuneration received from the reinvested business or parent company other than the subsidiary (Note 7)	
		In The company	All the compani es in the financial report (Note 5)	In The company	All the compani es in the financial report (Note 5)	In The company	All the companies in the financial report (Note 5)	In The company		All the companies in the financial report (Note 5)		In The company	All the companies in the financial report (Note 5)		
								Cash amount	Stock amount	Cash amount	Stock amount				
Cahirman	Shen Kuo-Jung	5,799	6,301	-	-	70	163	-	-	-	-	1.58	1.74	none	
Vice Chairman	Chiu Shih-Chien	5,405	5,684	-	-	70	163	-	-	-	-	1.47	1.57	none	
General manager	Wang Jiaw-Chyi	2,975	2,975	108	108	1,217	1,217	-	-	-	-	1.16	1.16	none	
Deputy General Manager	Wu Pin-Yi	1,607	1,607	96	96	825	918	-	-	-	-	0.68	0.71	none	
Deputy General Manager	Jiang Ting-Ji	1,155	1,155	71	71	317	317	-	-	-	-	0.41	0.41	none	

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

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

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

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

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

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

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

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

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

Dec.31,2020 Unit : Thousands of NTD

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

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

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

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

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

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

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

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

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

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

Unit: Thousands of NTD

Year Ended	This company		All the companies in the consolidated financial report	
	The total remuneration paid to the directors, supervisors, general managers and deputy general managers of the company	Percentage of after-tax net profit of individual or individual financial report	The total remuneration paid to the directors, supervisors, general managers and deputy general managers of the company	Percentage of after-tax net profit of individual or individual financial report
Year ended Dec.31,2019	17,614	161.69%	29,554	271.31%
Year ended Dec.31,2020	17,696	6.33%	29,539	10.57%

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

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

4. Corporate governance operation

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

(1) The board of directors has met 7 times in the most recent year (A), and the attendance of directors and supervisors is as follows:

Job title	Name (Note 1)	Actual number of attendance B	Number of delegates attended	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Feng Tsuan Co., Ltd. Representative of the Chairman: Shen Kuo-Jung	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting elected
Vice Chairman	Feng Tsuan Co., Ltd. Deputy Director Representative: Chiu Shih-Chien	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Director	Feng Tsuan Co., Ltd. Representative Director: Lin Wen-Cheng	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting elected
Director	Feng Tsuan Co., Ltd. Representative Director: Wu Pin-Yi	6	1	86%	Reelected at Jun. 21, 2019 shareholders meeting - elected
Director	Feng Tsuan Co., Ltd. Representative Director: Liao Chen Hsuan-Yu	6	1	86%	Reelected at Jun. 21, 2019 shareholders meeting elected
Director	Sumitomo Rubber Industry Co., Ltd. Representative Director: Shingo Sakashita	7	0	100%	inaugurated at Jun. 21, 2019 shareholders meeting elected
Director	Sheng Ta Investment Co., Ltd. Representative Director: Yan Ming-Shan	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting elected
Director	Teng Feng Investment Development Co., Ltd. Representative Director: Yan Ruei-Sian	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting elected
Independent director	Tsai Hong-Wen	7	0	100%	Reelected at Jun. 21, 2019 shareholders meeting
Independent director	Yang Wen-Kuang	7	0	100%	inaugurated at Jun. 21, 2019 shareholders meeting
Independent director	Huang Chu-Chia	7	0	100%	inaugurated at Jun. 21, 2019 shareholders meeting

Other matters to be recorded:

- I. If the operation of the board of directors is in any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the company's handling of independent directors' opinions shall be stated:
 - (I). Items listed in Article 14-3 of the Securities Exchange Act:
 1. On May 13, 2020, the 8th meeting of the 25th session of the board of directors discussed the "Revision of the Company's Fund Loan and Endorsement Guarantee Processing Procedures". The proposal was approved by the chairman in consultation with all directors present without objection, and independent directors were without opinions.
 2. On Aug. 13, 2020, the 9th meeting of the 25th session of the Board of Directors discussed the "Proposed Capital Loan to the Company's Subsidiary". The proposal was approved after the chairman consulted all the directors present without objection, and the independent directors were without opinions.
 3. On Aug. 13, 2020, the 9th meeting of the 25th session of the board of directors discussed the "Proposed Proposal for Endorsement of Subsidiaries". The proposal was approved by the chairman in consultation with all the directors present. Independent directors were without opinions.
 4. On October 22, 2020, the 11th meeting of the 25th session of the board of directors discussed "The company intends to reduce capital to make up for losses." The proposal was passed without objection after the chairman consulted all the directors present, and independent directors were without opinions.
 5. On November 11, 2020, the 12th meeting of the 25th session of the Board of Directors discussed the "Replacement of Certified Public Accountants Proposal". The proposal was approved by the chairman in consultation with all the directors present and the independent directors were without opinions.
 6. On November 11, 2020, the 12th meeting of the 25th session of the Board of Directors discussed the "Proposed Fund Loan to the Company's Subsidiary". The proposal was approved after the chairman consulted all the directors present without objection, and the independent directors were without opinions.
 7. On Nov.11, 2020, the 12th meeting of the 25th session of the Board of Directors discussed the "Revision of the Company's Internal Control System". The proposal was approved by the chairman in consultation with all the directors present, and independent directors were without opinions.
 - (II). In addition to the previous matters, if there were other decisions of board meeting that have been opposed or reserved by independent directors and have records or written statements: none.
- II. If there exists any of the director's withdrawal on the proposal out of interest the name of the director, the content of the proposal, the reason for the avoidance of interests and the voting results shall be stated.: none
- III. The objective to strengthening the functions of the board of directors in the current year and the most recent year (such as setting up an audit committee, engaging in information transparency, etc.) and evaluation of the implementation:
 - (1) The company has established independent directors, audit committees and remuneration committees in accordance with regulations.
 - (2) Information is disclosed, online reporting exists and corporate governance information is disclosed.

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

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

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

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

Evaluation cycle		At least once a year
Evaluation Duration		Jan.1 To Dec.31,2020
Evaluation scope		The scope of the company's board of directors evaluation includes the performance evaluation of the overall board of directors, individual directors and functional committees.
Evaluation method		Internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, appointment of external professional institutions, experts or other appropriate methods for performance evaluation.
Evaluation content	Measurement items for board performance evaluation	1. The degree of participation in the company's operations. 2. Improve the quality of board decision-making. 3. The composition and structure of the board of directors. 4. The selection and continuing education of directors. 5. Internal control.
	Self-evaluation of the performance evaluation of directors	1. Master the company's goals and tasks. 2. Awareness of directors' responsibilities. 3. The degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal control.
	Functional committee performance evaluation measurement items	1. The degree of participation in the company's operations. 2. Recognition of functional committee responsibilities. 3. Improve the decision-making quality of functional committees. 4. The composition of the functional committee and the selection of its members. 5. Internal control.

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

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

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

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

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

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

(2) The operation of the audit committee:

- (a) There are 3 members of the audit committee of the company.
- (b) The term of office of the current members is: Jun.21,2019 to Jun.20,2022
- (c) The audit committee met 5 times in the most recent year (A). The attendance of independent directors is as follows:

job title	Name	Actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent director (convener)	Tsai Hong-Wen	5	0	100%	Jun. 21, 2019 inaugurated
Independent director	Yang Wen-Kuang	5	0	100%	Jun. 21, 2019 inaugurated
Independent director	Huang Chu-Chia	5	0	100%	Jun. 21, 2019 inaugurated

Other matters to be recorded:

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

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

Date of Board Meeting	Content of proposal	The handling of audit committee	The Company's handling of the opinions of the Audit Committee
March .20, 2020 (7th meeting, 25th Session)	(1) The Company's Business Operation Report of the year ended Dec. 31st 2019, Individual Financial Report and Consolidated Financial Report (2) Internal control declaration and case of internal control system effectiveness of the year ended Dec. 31st 2019 .	All members present agreed to pass.	Approved by all the directors present on the date of March 20, 2020.
May 13th, 2020 (8th meeting, 25th Session)	Amend the company's procedures for handling funds loans and endorsement guarantees.	All members present agreed to pass.	Approved by all the directors present on the date of May 13, 2020.
August 13th, 2020 (9th meeting, 25th Session)	(1) The case of the Company's Season Two Consolidated Financial Report of the year ended Dec. 31st 2020. (2) Loan of the proposed funds to the Company's subsidiaries. (3) The case of proposed endorsement guaranty for the subsidiary.	All members present agreed to pass.	Approved by all the directors present on the date of August 13, 2020.
November 11th, 2020 (12th meeting, 25th Session)	(1) The Company's replacement of certification accountant. (2) Loan of the proposed funds to the Company's subsidiaries. (3) Revise the company's internal control system.	All members present agreed to pass.	Approved by all the directors present on the date of November 13, 2020.

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

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

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

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

Note:

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

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

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

Evaluation items	Practical Operation			Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	Explanation	
1. Has the company formulated and disclosed its corporate governance best practice in accordance with the Corporate Governance Best Practice Principles for Listed Companies?	V		The company has been in August 7, 2019 set up its corporate governance best-practice principles, relevant information is available on the company website (https://www.duro.com.tw/tw/investor/corporate-governance/).	—
2. Company's Equity Structure and Shareholders' Equity (1) Does the company have internal procedures in place to deal with shareholder-related suggestions, doubts, disputes and litigation and follow the procedures? (2) Does the company keep a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders? (3) Has the company established and implemented the risk control and firewall mechanism with related enterprises? (4) Does the company have in place internal regulations to prohibit its insiders from trading securities using information undisclosed in the market?	V V V V		(1) As for the proposals of the shareholders' meeting, the participating shareholders have the appropriate time to speak and discuss. The company will accept and improve the feasible proposals, but the controversial proposals will be decided by voting in accordance with the rules of procedure. At present, all the proposals are in good operation. (2) The Company may keep a list of the major shareholders of the Company and their ultimate controllers, and disclose in accordance with the law. (3) The assets and financial accounting of the affiliated enterprises are operated independently. The Company shall regularly monitor the subsidiaries and affiliated enterprises in accordance with the subsidiary supervision system, so as to avoid the risks caused by the defects of the affiliated enterprises. (4) The company has set up internal regulations for prohibiting its insiders from trading securities using information undisclosed in the market.	—
3. Composition and duties of the board of directors (1) Whether the board of directors propose diversity in its membership (2) In addition to the remuneration committee and audit committee, does the company voluntarily set up other kinds of functional committees? (3) Has the company formulated performance evaluation system and evaluation methods of the board of directors, conducted performance evaluation annually and regularly, and reported the results of performance evaluation to the board of directors for reference in the salary and remuneration of individual directors and nomination for renewal of board members? (4) Does the company regularly evaluate the independence of the certification accountant?	V V V	V	(1) The directors of the Company have expertise in different fields, which will be helpful to the development and operation of the Company. (2) The Company has no other functional committees except the Remuneration Committee and Audit Committee set up in accordance with the law. (3) The Company has set up the performance evaluation system and evaluation methods of the Board of Directors on August 7, 2019, and regularly evaluates and reports to the Board of Directors in accordance with the provisions. Relevant information is available on the company website (https://www.duro.com.tw/tw/investor/corporate-governance/). (4) The Company regularly inspects the competence of the certification accountant and evaluates the independence of the certification accountant.	(2) Additional functional committees shall be established as necessary, on the basis of the future operation status and the scale of the company.

Evaluation items	Practical Operation			Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	Explanation	
4. Whether the listed company assign the appropriate number of personnel, and specify the head of corporate governance who is responsible for corporate governance related business (including but not limited to providing the required information for directors and supervisors, in assisting them to follow the law, to carry out business which is related to the meeting of the board of directors and shareholders, and record the proceedings the meetings board of directors and the shareholders...etc.)?	V		The company has dedicated personnel responsible for corporate governance related matters, including providing information required for directors and supervisors to carry out their business, handling matters related to meetings of the board of directors and shareholders in accordance with the law, handling company registration and change registration, and making minutes of meetings of the board of directors and shareholders, etc.	The company already has a person responsible for corporate governance related matters, and the company is planning the set-up of the position of corporate governance director.
5. Has the company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special stakeholder section on the company website, and properly respond to important CSR issues of concern to stakeholders?	V		The company provides sufficient information to the current financial institutions, creditors. For the staff, the company also has smooth communication channels with, and in accordance with the provisions, disclosing information of relevant assets acquisition, disposal, endorsement guarantee...etc. on the Taiwan Stock Exchange website. So that interested parties have sufficient information to make a judgment in order to safeguard their interests. Stakeholder section has been also been set up on the company website to properly respond to stakeholders' concerns on important CSR issues.	—
6. Does the company appoint a professional stock affair agency to handle its Board of Shareholders?	V		The company appoints a professional stock affair agency to handle the shareholders' affairs.	—
7. Information Disclosure (1) Whether the company has set up a website to disclose information on its financial business and corporate governance? (2) Whether the company has adopted other ways of information disclosure (such as setting up an English website, designating special personnel to be responsible for the collection and disclosure of company information, implementing the spokesman system, showing the company website during the legal person meeting, etc.)? (3) Does the company announce and report its annual financial report within two months after the end of the fiscal year, announce and report the financial report of the first, second and third quarters and the business operation of each month in advance of the period in accordance with the provisions?	V V V		(1) The Company reports financial business and corporate governance information to the Market Observation Post System in accordance with the law. And synchronize the information on the company's website. (2) the company has designated a special person to be responsible for the collection and disclosure of company information, and implement the spokesman system. (3) The Company's financial reports from the first quarter to the third quarter of each year and the operating of each month are announced and declared in advance of the time limit in accordance with the provision.	—

Evaluation items	Practical Operation			Situation and reasons for differences from the Corporate Governance Best Practice Principles for listed companies
	YES	NO	Explanation	
8, Does the company have provided other ways for understanding the company's business operation and corporate governance (including but not limited to, employees' rights and interests, concern for employees, relations between the company and its investors and suppliers, the rights of interested parties, information regarding the advanced studies for directors and supervisors, risk management policy and the execution standard of risk measure, the execution of customer policy, liability insurance the company has provided for its directors and supervisors...etc.)?	V		(1) The board of directors of the Company holds at least two meetings every quarter, and the attendance of directors and supervisors is good (high attendance to attendance ratio). The company's internal control system, risk management and management regulations are approved by the board of directors. (2) The directors and supervisors of the Company will participate in advanced studies from times, depending on the operational needs of the Company. (3) The company has purchased liability insurance for its directors and supervisors.	—
9. Please state the improvement outcome for the latest annual corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange, and prioritize those issues which have not yet been improved and provides measures for improvement. (no need to list if the company is not included in the evaluation): The company will improve and optimize the corporate governance policy according to the improvement items proposed in the results of the corporate governance evaluation.				

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

1. The members of the Remuneration Committee

Title (Note 1)	Qualification Name	Does this person have more than 5 years working experience			Compliance with independence (Note 2)										The number of companies that are also served by the members of the remuneration committee of other public offering companies	Remarks
		Lecturer or above in the field of business, law, finance, accounting or corporate business in private or public college or universities.	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations and obtained the certificates required for conducting business with the company	Experience in business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10		
independent Director	Tasi Hung-Wen	V			V	V	V	V	V	V	V	V	V	V	0	2019.6.21reelcted
independent Director	Yang Wen-Kuang	V			V	V	V	V	V	V	V	V	V	V	0	2019.6.21reelcted
independent Director	Huang Chu-Chia		V	V	V	V	V	V	V	V	V	V	V	V	0	2019.6.21reelcted

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

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

- (1) A person who is not employed by the Company or its affiliated enterprise.
- (2) Directors or supervisors who are not directors or supervisors of the Company or its affiliated enterprises (except for those who are independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or the laws of the respective countries).
- (3) Natural person shareholders who hold more than 1% of the total issued shares of the Company or hold the top 10 highest shares in the name of others other than themselves, their spouse, minor children or others.
- (4) Not the manager listed in (1) or The spouse, the relative within second degree of kinship or lineal relative by blood within the third degree of kinship of the person listed in (2) or (3).
- (5) Not directly holding more than 5% of the total shares issued, holding the top five highest, or is the director of legal person shareholders, supervisor or a person hired by the company who appoints representative as the directors or supervisors in accordance with item 1 or 2 of article 27 of the Corporate Law (Except if the independent directors serving concurrently in the company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (6) Not a director, supervisor or a employee of other companies who holds more than half of the directors' seats or voting shares in this company (Except if as the independent directors serving concurrently in the company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (7) Not as the director, supervisor or a employee of other companies or organizations, concurrently serving as or as the spouse of directors, general manager or equivalent position (Except if as the independent directors serving concurrently in the company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (8) Not as a director, supervisor, manager or shareholder holding more than 5% of the total issued shares of other companies which engages in financial and business dealing with the Company (except if of a specific company or institution holding more than 20% but not more than 50% of the total issued shares of the Company or except as the independent directors serving concurrently in the company and its parent company, subsidiary or subsidiaries of the same parent company in accordance with this law or the law of the country).
- (9) Not as professionals, proprietors, partners, directors, supervisors, managers and spouses of individual proprietors, partnerships, companies or organizations who provide audit services for the company or affiliated enterprises or provide business, legal, finance, accounting or other related services for which the aggregate amount of compensation in the last two years is not more than NT \$500,000. (Members of the Remuneration Committee, Public Takeovers Review Committee, or Mergers and Acquisitions Special Committee exercising authority in accordance with the Securities and Exchange Act or the Mergers and Acquisitions Act shall not be subject to this provision.)
- (10) Not concerning any of the provisions of section 30 of the Corporate law.

2.Duty

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

3. The operation of the Remuneration Committee:

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

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

Note :

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

(5) The status of social responsibility fulfillment and its difference from the Corporate Social Responsibility Best Practice Principles for Listed Companies and the reasons:

Evaluation Items	Operation			Difference from the Corporate Social Responsibility Best Practice Principles for Listed Companies and the reasons:
	Yes	No	Explanation	
1. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of significance and formulate relevant risk management policies or strategies? (Note3)		V	The company has established its Corporate Social Responsibility Best Practice Principles to continue to practice corporate social responsibility.	—
2. Does the company set up a full time (part-time) unit to promote corporate social responsibility, and the board of directors authorizes senior management to handle it, and reports the handling to the board of directors?		V	The company is still planning to set up a professional (or part-time) unit to promote corporate social responsibility.	—
3. Environmental Issues (1) Does the company set up an appropriate environmental management system based on the characteristics of its industry? (2) Whether the company is committed to improving the utilization of resources and using recycled materials with low impact on the environment? (3) Does the company assess the current and future potential risks and opportunities in the regard of climate change and take measures to address climate-related issues? (4) Has the company recorded its greenhouse gas emissions, water consumption and total waste weight for the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	V V V V		(1) The company has established the environmental management manual and environmental management system. (2) The Company is committed to reducing water resource consumption by setting up a cooling water recovery system to recycle the non-contact cooling water in for cooling and then reuse, and committed to evaluate and improve the water consumption in the process; Set up waste water treatment personnel to reduce the discharge of water pollution. (3) The company has set up an "energy conservation promotion committee" to continuously promote energy conservation measures and tree-planting. (4) The company has been keeping record and control of its water consumption, and implement energy conservation policies.	—
4. Social Issues (1) Does the company establish management policies and procedures in accordance with relevant laws and	V		(1) The company allocates pension funds in accordance with the provisions of the labor law and regulations, and sets up the Labor Retirement Reserve Supervision Committee to ensure the rights and interests of employees. The company also has set up the staff welfare	—

Evaluation Items	Operation			Difference from the Corporate Social Responsibility Best Practice Principles for Listed Companies and the reasons:
	Yes	No	Explanation	
regulations and International Bill of Human Rights conventions? (2) Does the company establish and implement reasonable employee welfare policies (including remuneration, leave and other benefits) and properly reflect business performance or results in employee remuneration? (3) Does the company provide a safe and healthy working environment and provide regular safety and health education to employees? (4) Does the company have an effective career development training program for employees? (5) Does the company comply with relevant regulations and international standards, as well as consumer protection policies and complaint procedures regarding customer health and safety, customer privacy, marketing and labeling of products and services? (6) Does the company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental issues, occupational safety and health or labor rights, and the situation of its implementation?	V V V V V		committee , which is established to handle all welfare matters through the operation of the staff welfare committee elected by the staff; The company also holds regular labor coordination meetings to safeguard the rights and interests of employees. (2) the company has set up reasonable salary and leave system in accordance with the labor law according to the position of employees, and stipulate that the company will give the employee performance bonus when the target of the company's business operation is achieved. (3)The Company places great importance on the safety and health of the employees, regularly conducts safety and health education for the employees, conducts fire drills, operational environmental hazard control assessment, and provides appropriate and sufficient tools of protectiveness to employees. (4) The company provides effective career development training programs for employees. (5)The company's products and services are marketed and marked in accordance with relevant regulations and international standards. (6) All suppliers of the Company shall comply with the honesty policy of the Company. If there is any violation and significant impact on the environment and society, the contract may be terminated or rescinded at any time.	
5. Does the company refer to the international standards or guidelines for the preparation of reports, and compile corporate social responsibility (CSR) reports and other reports that disclose non-financial information of the company? Has the above-mentioned report been confirmed or guaranteed by the third party verification agency?		V	The company has prepared its own CSR report in 2019, and now has a plan to prepare a CSR report for the new year, and is preparing relevant information and details.	—
6. If a company has its own CSR code in accordance with the Code of Practice on Corporate Social Responsibility Best Practice Principles for Listed Companies, please state the difference between its operation and the code: The company has established its Corporate Social Responsibility Best Practice, and actively promote and implement corporate social responsibility and other related policies and guidelines.				

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

1. The environmental protection

(1) Greenhouse gas emission and reduction

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

(2) Air pollution prevention and control

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

(3) Water pollution control

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

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

(4) Waste management and resource recycling

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

2. Community involvement

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

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

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

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

3. Safety and health

(1) Safety and health management

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

(2) General safety management, training and audit

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

(3)Promotion of the health of employees

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

4.Social Repesonibility :

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

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

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons: :
	Yes	No	Explanation	
1. Formulate the policy and scheme of ethical operation	V		(1)The Company has set up its Ethical Corporate Management Best Practice Principles dated 07 August, 2019. The Company has always operated in accordance with the law and the principle of integrity, and adhered to the business philosophy of sustainable operation and customer first.	It will be handled according to actual needs and in accordance with relevant laws and regulations as appropriate.
(1) Has the company formulated a policy of ethical operation approved by the board of directors, and clearly stated the policy and practice of ethical operation in the rules and regulations in external documents, with the the board of directors and senior management committing to actively implement the policy?	V		(2) The Company has a "work rule" which regulates the ethical and ethical principles to be observed by its staff, and which clearly and specifically prohibits dishonest conduct and the receiving improper benefits.	
(2) Has the company established a risk assessment mechanism for dishonest conduct, regularly analyzed and evaluated the activities within the scope of business with a higher risk of dishonest conduct, on the basis of which, formulated a plan to prevent dishonest conduct, which shall at least cover the preventive measures for the conduct in paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for Listed Companies?	V		(3) The company has "work rules", and it conducts regular training for new employees, and delivers information of business ethics at the company monthly meeting from time to time.	
(3) Does the company have a set of procedures, guidelines, and disciplinary and complaint systems in the Dishonesty Prevention Plan, and is it implemented and regularly reviewed?				

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons:
	Yes	No	Explanation	
2. Implementation of ethical business operation (1) Has the company assessed the integrity record of parties it deals with and has included in the contracts with its dealing parties principles on integrity conduct? (2) Does the company set up a special unit under the board of directors to promote ethical operation, and regularly (at least once a year) report to the board of directors with its policy of ethical operation and the plan to prevent dishonest behavior and supervise the implementation of it? (3) Has the company formulated a policy to prevent the conflict of interests, and provided appropriate channels for feedbacks, and implemented it? (4) Has the company established an effective accounting system and internal control system for the implementation of ethical operation, and the internal audit unit set up relevant audit plans based on the assessment results of the risks of dishonest conduct, and check the compliance of the plan to prevent dishonest conduct, or entrust an accountant to carry out the audit? (5) Does the company regularly conduct internal and external training on ethical management?	V V V V V	V V V V V	(1) The company has a "Credit Management Policy" to prevent dishonest transactions. (2) The Company authorizes the Chairman of the Board to appoint an audit office member or personnel from relevant units to form a special unit to supervise and implement the operation procedure according to the business and management needs. (3) The company has set open communication channels in the company, encourage employees to participate in company affairs, and respond to the supervisors at all levels. (4) The Company has established an effective accounting system and internal control system, and has internal auditors regularly check compliance with the above-mentioned systems, and prepare audit reports to be submitted to the Board of Directors. (5) The Company has set up the Ethical Corporate Management Best Practice Principles on 07 August 2019. The Company attaches great importance to ethical operation. In order to implement the basic principles of ethical management, all employees are required to comply with the relevant government laws and regulations and codes of ethical conduct when carrying out the business of the Company.	—

Evaluation items	Operation			The difference from the Ethical Corporate Management Best Practice Principles for Listed Companies and the reasons:
	Yes	No	Explanation	
3. The operation of the company's reporting system (1) Has the company established a specific reporting and reward system, established a convenient reporting channel, and designated an appropriate person in charge of handling the report? (2) Has the company set the standard operating procedures for the investigation of reporting, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism? (3) Has the company taken measures to protect the informant from improper treatment toward a person due to his/her reporting?	V	V	Maintain open communication channels within the company, encourage employees to participate in company affairs, and respond to all levels of supervisors.	—
4. Enforcing information disclosure (1) Has the company disclosed on its website and on Market Observation Post System the content and effectiveness of its ethical practices?	V		The company's website presents information about its integrity practice.	—
5. If the company has its own code of ethical conduct in accordance with Ethical Corporate Management Best Practice Principles for Listed Companies, please state the differences between its operation and the code: The company has established a code of conduct for ethical operation on August 7, 2019. In the future, we will revise the relevant measures in accordance with the current situation and cooperation laws and regulations, and strengthen the implementation of the concept of ethical operation.				
6. Other important information that will be of help to understand the company's ethical operation (such as the company's review and revision of its ethical operation code) : The code of conduct for corporate integrity established by the company will be amended in accordance with the current situation, laws and regulations, and implement measures such as enhancing the transparency of information and strengthening the functions of the board of directors will be taken to continue the operation of corporate governance.				

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

(9) the implementation of internal control system

1. Statement of internal control system

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

Date : March, 18, 2021

As for the year ended on Dec 31,2020, based on the results of our self-assessment of our internal control system, we hereby declare as follows:

1. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has established such a system . The objective of such a system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
2. Internal control system has its Inherent limitations, no matter how comprehensive and perfect the design, effective internal control system can only guarantee the achievement of the above-mentioned three objectives; Moreover, due to the change of the environment, the effectiveness of the internal control system may change . However, the company's internal control system has a self-monitoring mechanism, and the company will take corrective action if any deficiencies of the system are identified.
3. The Company judges whether the design and implementation of the internal control system is effective or not according to the items on the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations").The items of the internal control system adopted in the "The Regulations" is a process of management control. The internal control system is thus divided into five components:1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision. (Each component includes a number of items. For the detailed information, consult "The Regulations")
4. The Company has used the above internal control system items in evaluating the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the above-mentioned evaluation ,the Company considers that the internal control system (including supervision and management of subsidiaries) of the Company established in Note 2 as of December 31, 2020, Including understanding the effectiveness of operations and the extent of efficiency objectives achieved, reporting is reliable, timely, transparent and in accordance with relevant regulations and relevant laws and regulations in compliance with the relevant internal control system design and the implementation is also effective, which can reasonably ensure that the above objectives are achieved.
6. This Statement will be the main content of the Company's annual report and the disclosed statement and will be made public. Any false or concealment of the above information will be subject to the legal liability of articles 20, 32, 171 and 174 of the Securities and Exchange law.
7. This statement has been approved by the board of directors of the company on March 18, 2021, and the 11 directors present unanimously agree on the contents of this statement and the company hereby so declare.

Hwa Fong Rubber Ind. Co., Ltd

Chairman of the Board :



The General Manager :



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

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

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

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

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

(1) Important resolutions of the shareholders' meeting:

The date of the meeting	Decisions made	The resolution results	execution
June.12.2020	1. Amendments to the Rules of Procedure of the Shareholders' Meeting	This case was approved by voting	Revised
Dec.12.2020	1. The Company handles capital reduction to make up for losses	This case was approved by voting	completed

(2) Important resolutions of the board of directors:

The meeting name	The meeting date	Important decisions
The board of directors	Jan.10, 2020	1. The Company's application for financing credits from financial institutions 2. Purchase of real estate in Taichung office for the company 3. The Company assists the Subsidiaries in obtaining loan from financial institutions by means of endorsement guarantee 4. The Company's annual employee compensation and director compensation allocation 5. The Company's annual bonus for managers in 2019
The board of directors	March 20 .2020	1. The Company's application for financing credits from financial institutions 2. The case of Business Operation Report, Individual Financial Report and Consolidated Financial Report of the Company for the year of 2019 3. The Company's Loss make-up proposal for the Year of 2019 4. The company's internal control statement and internal control system effectiveness case in 2019. 5. The amendment of the "Rules of Procedure of the Shareholders' Meeting" of the Company 6. The amendment of the "Rules of Procedure of the Board of Directors" of the Company 7. The amendment of the organizational rules of the audit committee of the company 8. The amendment of the organizational rules of the remuneration committee of the company 9. Amendment of the Code of Practice on Corporate Governance of the Company 10. Amend the "Operation Procedures and Guidelines for Ethical Operation" of the Company 11. To prepare for convening the annual meeting of shareholders of the Company in 2020
The board of directors	May.13, 2020	1. The Company's application for financing credits from financial institutions 2. Amendment of the Company's fund loan and endorsement guarantee processing procedures 3. Authorization of the Company to open an account with O-Bank, Hong Kong Branch
The board of directors	August.13, 2020	1. The Company's application for financing credits from financial institutions 2. The proposed funds loan to subsidiaries of the Company 3. The proposed endorsement guarantee for the subsidiary 4. The case of not repatriated Earnings of overseas subsidiaries of the Company 5. To plan and dispose the unused land of the subsidiary
The board of directors	August .26, 2020	1. The Company's application for financing credits from financial institutions 2. To case of handling the unused land of the subsidiary
The board of directors	Oct.22	1. The company plans to apply for capital reduction to cover its loss 2. To plan to convene the first interim meeting of shareholders of the Company in 2020

The meeting name	The meeting date	Important decisions
The board of directors	Nov.11, 2020	1. The case of changing the certification accountant 2. The plan to cancel the fund loan and quota of the unallocated funds of the subsidiary 3. The proposed funds loan to subsidiaries from the Company 4. The case of company's application to financial institutions for financing credits 5. To prepare the operating budget of the company for the year 2020 6. Revision of the internal control system of the company 7. The company's annual internal audit schedule of 2021
The board of directors	Jan.18, 2021	1. The debt-to-equity swap of Hwa Fong (Hong Kong) Ltd., a subsidiary of the Company, to Hwa Fong (Singapore) Ltd. 2. The Company applies to financial institutions for financing credits 3. The amendment of the "Performance Evaluation Method of the Board of Directors" of the Company 4. Discussing Annual bonus for managers of the company in 2020 5. The case of Board of Directors of the Company setting the base date of capital reduction, the base date of capital reduction for share exchange and the operational plan of capital reduction for share exchange and other relevant matters
The board of directors	March.18, 2021	1. Business Operation Report, Individual Financial Report and Consolidated Financial Report of the Company in 2020 2. The Company's Loss make-up proposal in 2020 3. The company's internal control statement and internal control system effectiveness case in 2020 4. The Company applies to financial institutions for financing credits 5. The Company Guarantee Endorsement Limit for the Subsidiaries in 2001 6. Revise the internal control system of the company 7. Amending the Articles of Association of the Company 8. A case of amending the "Rules of Procedure of the Shareholders' Meeting" of the Company 9. The amendment of the "Rules of Procedure of the Board of Directors" of the Company 10. The amendment of the "Rules of Organization of Audit Committee" of the Company 11. The amendment of the organizational rules of the remuneration committee of the company 12. To plan to convene the annual meeting of shareholders of the Company in 2021

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

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

5. Information on public expenses on accountants

(1) Information of public expense

Office name	Certified public accountants The name	Inspection period	note
PwC Taiwan	Yang Ming-Jing/Xu Jian-Ye	Financial Statements for the First Quarter to Second Quarter in 2020	
PwC Taiwan	Xu Jian-Ye/Wu Song-Yuan	Financial Statements for the third quarter to the end of year 2020	For internal rotation of the accounting firm

Note: if there is any change of accountant or accounting firm in this year, please list the audit period separately, and explain the reason for change in the remarks column.

Unit of Amount: thousands of \$NTD

Public expense items The levels		The audit fee	Non-audit fees	Combined
1	Less than 2,000		V	
2	2,000 (inclusive) ~ 4,000	V		V
3	4,000 (inclusive) ~ 6,000			
4	6,000 (inclusive) ~ 8,000			
5	8,000 (inclusive) ~ 10,000			
6	Over 10,000 (inclusive)			

1. If the non-audit fees paid to the certification accountant, the firm to which the certification accountant belongs and the related enterprises are more than one fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: the content of non-audit services: ① the transportation expenses related to audit. Travel expenses, printing of financial statements and other expenses: \$93, 000.
 2. If a change of accounting firm is made and the amount of audit fees paid in the year of the change is less than that in the year before the change, the amount of audit fees and the reason before and after the change shall be disclosed: no such case.
 3. If the audit fee has been reduced by more than 10 percent compared with the previous year, the amount, proportion and reason of the reduction of the audit fee shall be disclosed: no such case.
6. Change of accountant information: none.
7. The chairman of the board of directors, general manager, or manager in charge of financial or accounting affairs of the company, who has worked in the firm of the certification accountant or its affiliated enterprises within the last one year: no such case.

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

(1) Changes in Shareholding

The title	The name	Year 2020		The year up to the date of publication (Note1)	
		Holding shares Increased (decreased) number	The pledged shares Increased (decreased) number	Hold a number of shares Increase (decrease) the number	The pledged shares Increase (decrease) the number
Chairman of the board of directors Vice chairman of the board of directors director	Feng Tsuan Co., Ltd	-	-	(1,685,571)	(670,265)
	Representative of the chairman: Shen Kuo-Jung	-	-	(127,191)	-
	Deputy Chairman	-	-	-	-
	Representative of the director: Lin Wen-Cheng	-	-	-	-
	Representative of the director: Wu Pin-Yi	-	-	-	-
	Director representative: Liao Chen Hsuan-Yu	-	-	(23,124)	-
Director	Sumitomo Rubber Industries Co. Ltd	-	-	(5,393,660)	-
	Representative of the director: Shingo Sakashita	-	-	-	-
Director	Sheng Ta Investment Co., Ltd	-	-	(96,336)	-
	Representative of the director: Yan Ming-Shan	-	-	(814,115)	-
Director	Teng Feng Investment and Development Co. Ltd	100,000	-	(656,459)	-
	Representative of the director: Yan Ruei-Sian	-	-	(299,118)	-
The independent director	Tsai Hong-Wen	-	-	-	-
The independent director	Yang Wen-Kuang	-	-	-	-
The independent director	Huang Chu-Chia	72,000	-	(18,339)	-
Major shareholder	Sumitomo Rubber Industries Co. Ltd	-	-	(5,393,660)	-
The general manager	Wang Jiaw-Chyi.	-	-	-	-
Deputy general manager	Wu Pin-Yi	-	-	-	-
Deputy general manager	Jiang Ting-Ji	-	-	-	-
Deputy general manager	Luo Pei-Yuan	(4,200)	-	(4,000)	-

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

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

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

Apr. 19, 2021

Name (Note 1)	Holding shares		Held shares of spouse and minor children		Holding shares in the name of others		The names or names of the top ten shareholders who are related to each other in accordance with the International Accounting Standards no. 6, or who are spouse or relatives within the second degree of kinship.(Note 3)		note
	Number of shares	holding ratio	Number of shares	holding ratio	Number of shares	Shareholding ratio	The name of the (or name)	Relationship	
Sumitomo Rubber Industries Co. Ltd Representative: Satoru Yamamoto	28,428,574	10.18%	-	-	-	-	-	-	-
Dong Hua Enterprise Co., Ltd Representative: Guo Zhi-Fen	10,055,890	3.60%	-	-	-	-	-	-	-
Feng Zuan Co., Ltd Representative: Shen Kuo-Jung	8,884,210	3.18%	-	-	-	-	-	-	-
Guo Zhi-Fen	7,694,825	2.75%	271,431	0.10%	-	-	-	-	-
Jin Her Enterprise Co., Ltd Person in charge: Tsai Yong-Yu	6,703,928	2.40%	-	-	-	-	-	-	-
Yan Lin Xiu-Xia	6,512,944	2.33%	-	-	-	-	-	-	-
Yu Guo Enterprise Co., Ltd Representative: Zhang Shu-Man	6,001,378	2.15%	-	-	-	-	-	-	-
Yan Sheng-Feng	5,954,575	2.13%	-	-	-	-	-	-	-
Yan Da-Jun	5,861,166	2.10%	-	-	-	-	-	-	-
Han Yuan Xin Ran Enterprise Co., Ltd Representative: Wu Pin-Yi	5,738,627	2.05%	-	-	-	-	-	-	-

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

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

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

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

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

IV. Fundraising Status

A. capital and share formation

I. capital stock

1. Source of capital stock

unit: NT \$; stocks

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

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

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

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

Note (3) Taiwan Caizhen (1) No. 01735 was approved on July 22, 1992.

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

Note (5) Approval No. 54065 of Taiwan Finance (1) on January 11, 1995.

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

Note (7) Approval No. 40318 of Taiwan Finance (1) on June 28, 1996.

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

Note (9) Approval No. 52428 of Taiwan Finance (1) on July 02, 1998.

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

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

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

Note (13) Approval No. 144198 of Taiwan Finance (1) on July 11, 2001.

Note (14) Approval No. 0910138404 of Taiwan Finance (1) on July 11, 2002.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Types of shares

Unit: Share

Stock Types	Checked and ratified equity			note
	Listed outstanding shares (Note 1)	Unissued shares	Total (shares)	
Common stock	279,349,134	170,650,866	450,000,000	Listed company stock

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

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

(2) Shareholder structure

April 19th, 2021

Shareholder structure	Government agencies	Financial institutions	Other legal persons	Personal	Foreign institutions and foreigners	Combined
The number						
The number of	0	2	160	13,896	38	14,096
Held number of shares	0	6,998	69,593,337	168,427,886	41,320,913	279,349,134
Holding ratio	0.00%	0.00%	24.91%	60.29%	14.79%	100.00%

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

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

April 19th, 2021

Ownership levels	The number of shareholders	Held number of shares	Holding ratio
1-999	9,570	1,246,110	0.45%
1000 ~ 5000	2,623	6,257,903	2.24%
5001 ~ 10000	736	5,576,527	2.00%
10001 ~ 15000	260	3,213,683	1.15%
15001 ~ 20000	167	2,965,867	1.06%
20001 ~ 30000	179	4,466,390	1.60%
30001 ~ 40000	85	2,951,501	1.06%
40001 ~ 50000	77	3,431,204	1.23%
50001 ~ 100000	151	10,343,266	3.70%
100001 ~ 200000	89	12,572,911	4.50%
200001 ~ 400000	59	16,440,797	5.89%
400001 ~ 600000	24	11,525,197	4.13%
600001 ~ 800000	12	8,363,031	2.99%
800001 ~ 1000000	14	11,970,855	4.29%
1000001 ~ 999999999999	50	178,023,892	63.71%
Combined	14,096	279,349,134	100.00%

(4)List of Major Shareholders

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

April 19th, 2021

Major Shareholder Name	Number of shares held	Holding ratio
Sumitomo Rubber Industries Co. Ltd	28,428,574	10.18%
Dong Hua Enterprise Co., Ltd	10,055,890	3.60%
Feng Tsuan Co., Ltd	8,884,210	3.18%
Guo Zhi-Fen	7,694,825	2.75%
Jin Her Enterprise Co., Ltd	6,703,928	2.40%
Yan Lin Xiu-Xia	6,512,944	2.33%

Yu Guo Enterprises Co., Ltd	6,001,378	2.15%
Yan Da-Jun	5,954,575	2.13%
Yan Sheng-Feng	5,861,166	2.10%
Han Yuan Xin Ran Enterprise Co., Ltd	5,738,627	2.05%
Total number of shares :279,349,134	91,836,117	32.88%

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

Year			2019	2020	March 31st, 2021
Items					
Share price (note 1)	The Highest		14.00	15.90	13.55
	The lowest		9.51	9.81	9.81
	Average		11.74	13.05	14.21
Net worth per share (note 2)	Before the distribution		8.23	9.07	10.79
	After the distribution		-	-	-
EPS	Weighted average number of shares		332,349,134	332,349,134	279,349,134
	Earnings per share (Note 3)	Before the adjustment	0.04	1.33	-
		After the adjustment	-	-	-
A share Dividends.	Cash dividends.		-	-	-
	Stocks with no compensation	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends (note 4)		-	-	-
Return on investment analysis	PE ratio (Note 5)		292.75	9.38	-
	Ratio of dividend/price to dividend ratio (note 6)		-	-	-
	Cash dividend yield (note 7)		-	-	-

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

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

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

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

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

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

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

(6) The company's dividend policies and implementation

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

The company is in a changing industrial environment, the company is at the stage of stable growth, considering the company's future capital needs and long-term financial planning, if there is a surplus in the annual final account, the tax should be paid first to make up for the past losses, then another 10% is the statutory surplus reserve, but not including the case when the statutory surplus reserve that has reached the paid-up capital of the company. In addition, special surplus reserve shall be set aside according to the operation needs of the company and the provisions of laws. If there is still surplus and the surplus has not been distributed at the beginning of the same period, the board of directors shall decide to allocate 20% to 90% of the surplus according to the distribution standard and the shareholders' meeting shall decide to distribute it. The cash dividend of shareholders' dividends shall not be less than 10% of the

- total amount of dividends. The above dividend policy was approved by the shareholders' meeting on June 21, 2019.
- b. Dividend distribution situation proposed at this shareholders' meeting: the company plans to pay no dividend in 2020.
- (7) the impact of the proposed issuance of bonus shares at the shareholders' meeting on the company's operating performance and earnings per share:
The company has no public financial forecast for the year 2020 and thus not applicable.
- (8) Remuneration of employees, directors and supervisors
1. Percentage or scope of remuneration for employees, directors and supervisors as set out in the Articles of Association:
Article 21 of the Articles of Association stipulates:
The Company shall allocate no less than 2% of the remuneration of its employees and no more than 5% of the remuneration of its directors and supervisors based on the current year's profit situation. However, if the company still has accumulated loss, it shall make up for it.
Employees may be remunerated in stock or cash, and the recipients of stock or cash may include the employees of the affiliated company who meet certain conditions.
The profit situation of the current year as mentioned in paragraph 1 refers to the pre-tax profit of the current year before deducting the remuneration paid to employees and directors and supervisors.
The remuneration of employees and the allocation of remuneration to directors and supervisors shall be decided by the board of directors with the attendance of more than two-thirds of the directors and the consent of more than half of the directors present and shall be reported to the shareholders' meeting.
 2. Rewards approved by the Board of Directors:
 - (1) Date of board resolution: March 18, 2021
 - (2) Types and amount of payment
 - A. Remuneration of \$0, 000 for employees and \$0, 000 for directors and supervisors.
 - B. There is no difference between the above resolutions and the amount of costs recognized in the year 2020.
 3. Distribution of remuneration to employees and remuneration to directors and supervisors in 2020
 - A. Remuneration of \$0, 000 for employees and \$0, 000 for directors and supervisors.
 - B. There is no difference between the above resolutions and the amount of costs recognized in the year 2020.
- (9) The company buys back the company's shares: no such case.

II. Handling of corporate bonds

- (1) Handling of corporate bonds: none.
- (2) Information on conversion of corporate bonds: none.
- (3) Exchange of corporate bonds: none.
- (4) General reporting methods for raising and issuing ordinary corporate bonds: none.
- (5) Corporate bonds with warrants: none.

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

IV. Implementation of Plan For Fund Use: None.

V. Operation Overview

I. Business Operation Content

(1) Business scope

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

Unit: Thousands Of NTD\$

Product project	Year 2010	
	Operating income	Operating Ratio (%)
Bicycle	1,071,210	21.94%
The locomotive	2,347,014	48.07%
Agricultural and industrial	800,203	16.39%
Truck	121,510	2.49%
Radiation layer tire	510,313	10.45%
other	32,614	0.67%
A combined	4,882,864	100%

- (1) Current products and services of the Company: The company sells products mainly cover tire, which accounts for about 99% of revenue, and for the locomotive tire with the tire sales, accounts for about 70.1% revenue, radiated layer tire products accounts for 9.59%, because of the trade war between the US and China and the double counter measures, coupled with Suzhou plant shutdown, the company adjust the production combination, which leads to the elevated proportion slightly.
- (2) To meet the needs of human life and social progress, the company has diversified and complete rubber tire products, including many functions of bicycle tires, high-speed locomotive tires, car tires and truck tires, etc. Recently, the company has launched energy-saving and environmental protection radiated tire, MT cross-country tire, E-bike electric tire, foldable bicycle tire, inner-tube-free bicycle tire, hot melt tire of locomotive, beach bicycle tire, small racing bicycle tire and so on. Our products are constantly innovating and changing to obtain the maximum benefits of the company.

(3) Main production sites:

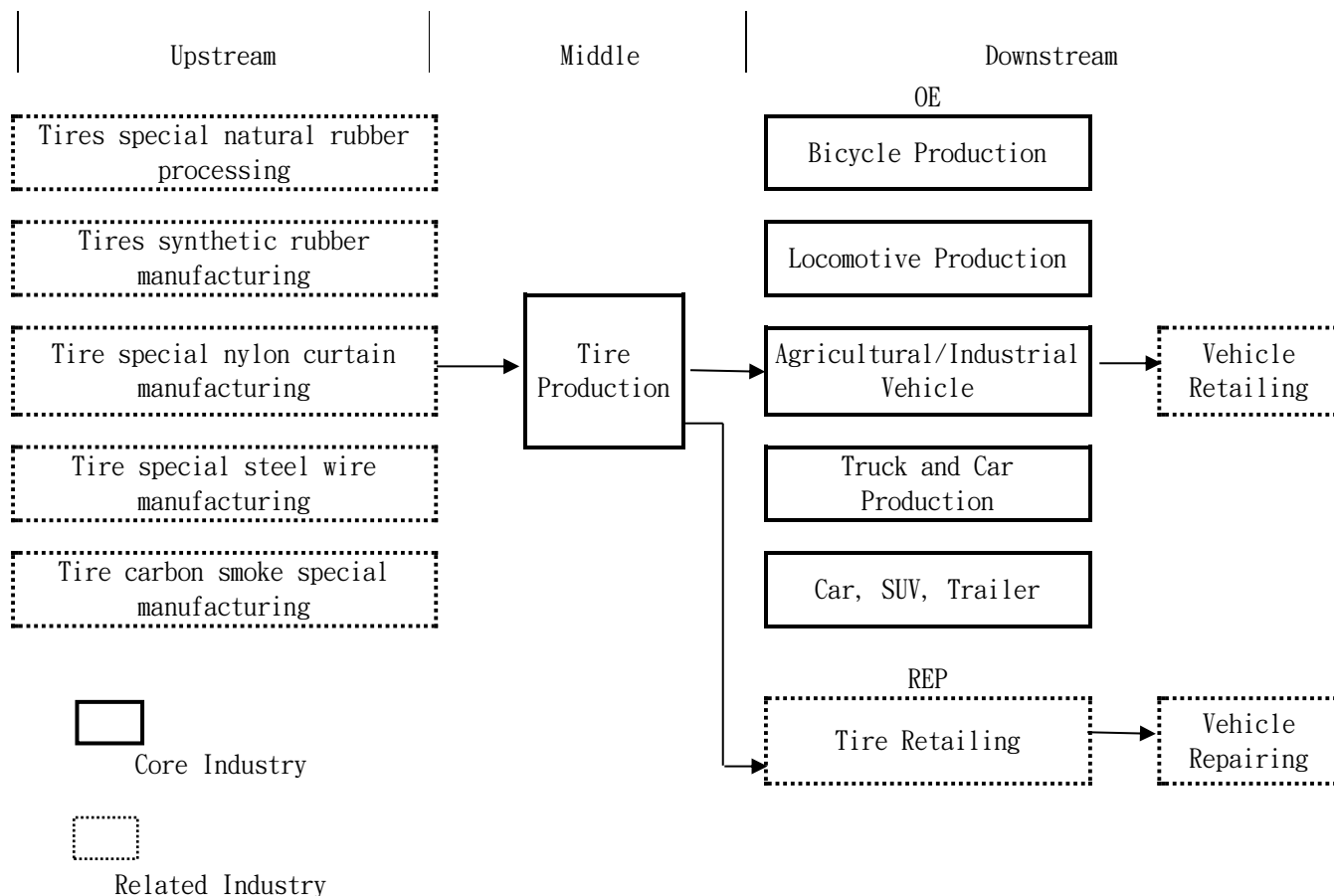
Factory	Set up Date	Products
Taiwan factory	In 1945,	Dacun factory: locomotive tire, radiating layer tire, bicycle tire, agricultural and industrial tire, truck tire. Huatan factory: glue (semi - finished products).
Hwa Fong (Thailand) Factory	In 1987,	Locomotive inner and cover tire, bicycle inner and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

(2) Industry overview

1. The current situation and development of the industry

In nearly a hundred years of development, the tire industry has now entered the mature period. In addition to 2009 by the impact of the global financial crisis and thus experienced a significant decline, over the years the amount of tires only increased, and has become the core of the rubber industry. The current market demand for more than 1.8 billion tires, and the global repair market accounts for the largest share of the demand. Mainland China is regarded as the world's largest automobile market, and should be the region with the most booming tire industry. However, the trade war between the US and China and stricter testing regulations of light vehicles, as well as the worldwide COVID-19 epidemic in 2020, has led to the decline of tire market by more than 15%, automobile sales also declined by nearly 28%, and even production may even be stopped. Export-oriented Taiwan tire industry also experienced significant impact. However, as the epidemic slightly lessened in the third quarter of 2020, tire demand gradually picked up. Governments of many countries were to stimulate the car market and offered. As a result, the tire demand thus increased, the future is still promising.

2. Connectivity of upstream, middle and downstream industries



3. Product development trends and competition

Rubber tires can be generally divided into bicycle tires, locomotive tires, agricultural and industrial tires, truck tires and radial layer tires. Among them, the world's largest producer of bicycle tires, electric bicycle tires, folding car tires and motorcycle tires is mainland China, followed by India, Japan, Taiwan, Thailand and other Asian countries. In terms of demand, the demand for bicycles in mainland China accounts for more than 50% of the global demand. Affected by the global epidemic, in order to avoid contact with metro transportation, consumers' demand for bicycles has increased significantly. In Europe and the United States, the shutdown policy has been lifted, and there has also been a rush of competition for middle class vehicles, and the demand for bicycle tires has increased. Under the influence of the epidemic, the sales volume of the global locomotive industry has also decreased by about 7 million. The capacity of some OECs has also decreased in the general economic recession, and the consumption of the locomotive market has shrunk. However, driven by the wave of electrification, the global electric locomotive industry still maintains a growth rate of more than 20%. In terms of car tires (radiation layer), although benefits from Vietnam, India and other emerging countries, the rise of the auto market output recovered in 2019, but in 2020 the epidemic let all countries and the car market is not immune. However, Taiwan's car market rose against the trend, and even hit a 15-year high. In last year Taiwan's car sales reached 457,435, growth 4%; The international four-wheel market continues to decline, Taiwan's accession to the WTO and the impact of the trade war between China and the United States, export-oriented Taiwan tire market competition is more intense, and the United States anti-dumping and countervailing duties are relatively weak, under the influence of the domestic tire industry in order to open up market space, need to develop more high value-added products; In terms of price, tire related raw material prices continue to rise and under huge freight costs pressure, in the post-epidemic era, the global climate is still uncertain, tire manufacturers are bound to raise its price.

(3) Technology and research and development overview

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

manufacturers to develop new products and applications in order to maintain the international competitiveness of Taiwan's rubber industry.

(1) Short, medium and long term development plan

Short-term plans

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

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

1. Marketing strategy

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

2. Management strategy

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

3. Financial strategy

Cultivate and recruit transnational financial management talents.

4. Production strategy

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

II. Overview of market, production and marketing

(1) Market analysis

Unit: Thousands of \$NTD

1. Sales regions of major products

Year/Region	The year in 2020		The year in 2019	
	The sales amount	Percentage (%)	The sales amount	Percentage (%)
Taiwan	763,410	15.63%	747,654	14.20%
Chinese mainland	104,128	2.13%	107,558	2.05%
The United States	800,971	16.40%	858,324	16.30%
Thailand	760,149	15.57%	806,701	15.32%
Other Regions	2,454,206	50.26%	2,744,700	52.13%
Combined	4,882,864	100%	5,264,937	100%

2. Market share

The main products of the company are of five categories: locomotive tires, radiated tire, bicycle tires, agricultural and industrial tires and truck tires. The turnover of the company ranks 4th in Taiwan market, 3rd in Thailand market and 68th in the global market.

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

- (1) Locomotive tires: Asia Pacific is the world's largest locomotive sales region, accounting for about 42% of the global market, while Africa is the world's smallest sales region. In response to the changes in the post-epidemic era, the company will shift its main operation to the two-wheel segment, which accounts for the largest demand. In recent years, due to the impact of the boom of the car factory and the increase of the raising utilization rate of the mass transportation system, it is estimated that the domestic demand for locomotives will decrease slightly. In addition, the repair market is also due to the government subsidies for the replacement of old locomotives policy in recent years, resulting in a decline in the demand of after-sale service for tires. Overall, the demand will moderate; On the supply end, due to the large demand for new cars, high requirements for quality and new development technology, there are limited manufacturers capable of supply. In the future, the company will develop large-size tires to improve revenue growth. And the Thai subsidiary has gradually achieved results because of its immersion in the market and has gained popularity of the ASEAN market. It is estimated that the sales volume of the two rounds of products will continue to grow with the vast emerging ASEAN market. On the other hand, the Chinese mainland market is affected by the shutdown of Hwa Fong (China).
- (2) Agricultural and industrial tyres: due to the small proportion of domestic sales, it is estimated that the supply and demand in the domestic market will be flat. In the exporting aspect, as competitors have spared no effort to tap the same higher price product markets, to create new markets new demand. On the supply end, depending on the supply capacity of the factory, but compared to foreign competitors, our products are of relatively low cost, will be more easily accepted by the market, on the whole there are room for growth.
- (3) Bicycle tires: in the domestic market supply and demand, due to the rise of environmental protection, lightweight and comfortable consciousness, the use of bicycles and emphasize green electric bicycle contemporary transportation tools, so that the market demand continues to grow, only the low-end market was hurt by the popularity of U-Bike and hurt. In 2021, the focus of the company's domestic sales will be to strengthen the cooperation with its own brand manufacturers, and strive for electric bikes orders, so as to enhance the future market competitiveness, and the revenue is expected to show a gradual growth. Export aspect, the outbreak era international demand, and toward the high price of Taiwan bicycle products development, won the European and American customers, therefore, the company in Taiwan, our factory will expand to increase the high price of bicycle tire sales proportion. As for the Thai subsidiary, there is room for growing up, continue to actively cooperate with world famous brand OEM, Give full play to our skilled production technology and attract OEM opportunities from other brands to increase sales.
- (4) Truck tires, radiated layers of car/light truck tires: due to the government's subsidy measures for replacement of old trucks, stimulate the domestic new truck sales to rise; In tire after-sale repair market, because the truck shall be replacing tires every 2 ~ 3 years and of domestic traffic rules, after-sales repair market more grows. The United States will soon place restrictions on tire of Taiwan and other Asian countries, implementing countervailing and anti-dumping duties of trade -related sanctions, the company has adjusted the market sales plan, and will suspend sales of tires to the US, To ease the damage caused by the US tariff measures on imported tires from Taiwan, and to strengthen the global sales strategy in regions other than the United States, so as to achieve a balanced development.

4. Competitive Niches:

- (1) Deep cultivation of technical quality:
The company has 75 years of professional experience in tires, has been under the technical guidance of Sumitomo of Japan for 37 years, coupled with business, OEM cooperation, continuous innovation and development of high value added products, the production process from bicycle tires, motorcycle tires, to radiation layer car tires and large MT cross-country tires field.
- (2) Solid customer base:
The company's product design is jointly developed with customers (including Japanese, Taiwan, American and European), the scope of cooperation includes drawing design, in-factory testing, real vehicle testing, etc., so we have established a rich and good relationship with customers.
- (3) Product quality is excellent, well received by customers:
For 75 years, the company has been engaged in the production and sales of rubber and tire products with practical innovation and good faith management. The company adheres to the Hwa Fong spirit of continuous reform, strengthened execution, pursuit of benefits and steady management. Actively invest in research and development, constantly bring forth the new, develop high-performance products to market; Therefore, for decades, the company's products of good quality, with its own best-selling brand "Duro", "Quick" in countries in the world, won the praise of customers at home and abroad.

(4) ASEAN Market:

The development of ASEAN tire market has become another focus of overseas market development of the tire industry. The company has established a factory in Thailand for more than 33 years, which has been deeply engaged in the ASEAN market and has been highly praised for its quality. At present, it is more active to expand its production capacity, which is conducive to occupying the deep potential of ASEAN tire market.

5. Assessment of favorable and unfavorable factors for future development and countermeasures:

(1) Favorable factors:

1)The company investment in Thailand in 1987, and has set up Hwa Fong Rubber (Thailand) co., LTD., and the subsidiary was listed in the local stock market, with operation successful. Second factory is complete in 2005, and coordinate the ASEAN market demand in the current amplification is the production line of motorcycle tires and bicycle tires; In terms of the mainland market, Hwa Fong Rubber (China) Co., Ltd. was established in 1985, and Hwa Fong Rubber (Suzhou) Co., Ltd. was established in 2003, which could give full play to the international division of labor. At the end of 2013, Hwa Fong (China) co., LTD. 's factory land was requisited by Changshu city government, Hwa Fong (China) company had moved to Hwa Fong (suzhou) site. The production capacity had first been affected due to shutdown of a disaster, but after the resumption of work, the two subsidiaries combined management can save administrative costs and improve efficiency.

2)The company has invested in the purchase of the most modern polymer chemical analysis equipment in China, and cooperated with the institute of industrial research and development to complete the 3D computer design technology, in order to enhance the research and development capacity and product diversification, which is conducive to the development of new products of the company, and will bring a lot of market expansion opportunities for the future.

3)Cooperate with international famous brands such as WTB, Decathlon, Yamaha, Honda, Kawasaki, Suzuki, SYM, KYMCO and so on to develop new products of high added-value tires, so as to seize market opportunities, replenish product lines and provide revenue.

4)The company's product range covers all kinds of tires, a wide product line, less susceptible to the impact of a single industry trend.

(2) Disadvantageous factors and countermeasures:

1)The operation of rubber products relies heavily on labor. Due to the environmental dust pollution characteristics of rubber industry, there is basically insufficient labor at the base level and high mobility of personnel. The production capacity is not fully utilized, and the manufacturing cost is relatively unfavorable.

2)The global tire market concentration is not high, the product price is determined by the market, Europe, the United States, Japan's three tire market in the saturation of demand, the target transfer to developing countries and emerging markets, will set off the wave of market redistribution.

3)The tire industry has technical and capital thresholds and benefits from the development trend of " The big ones get bigger ".

(3) Countermeasures:

1)To enhance brand awareness and build the image of the company, and to enhance customer confidence in the brand with quality.

2)With the help of sophisticated high-tech instruments, it is applied to find raw material substitution, process improvement and operating environment improvement, so as to improve product yield and per capita capacity, and effectively reduce production costs.

3)From the beginning of the product development stage, strict quality control is adopted, and strict quality control measures are implemented at each stage of the production process to reduce customer complaints and improve the competitiveness of the company's products.

4)Low-cost tire imports use low-cost raw materials.

5)Flexible purchase volume, group unified purchase, looking for new suppliers to increase bargaining room, thus reducing raw material cost.

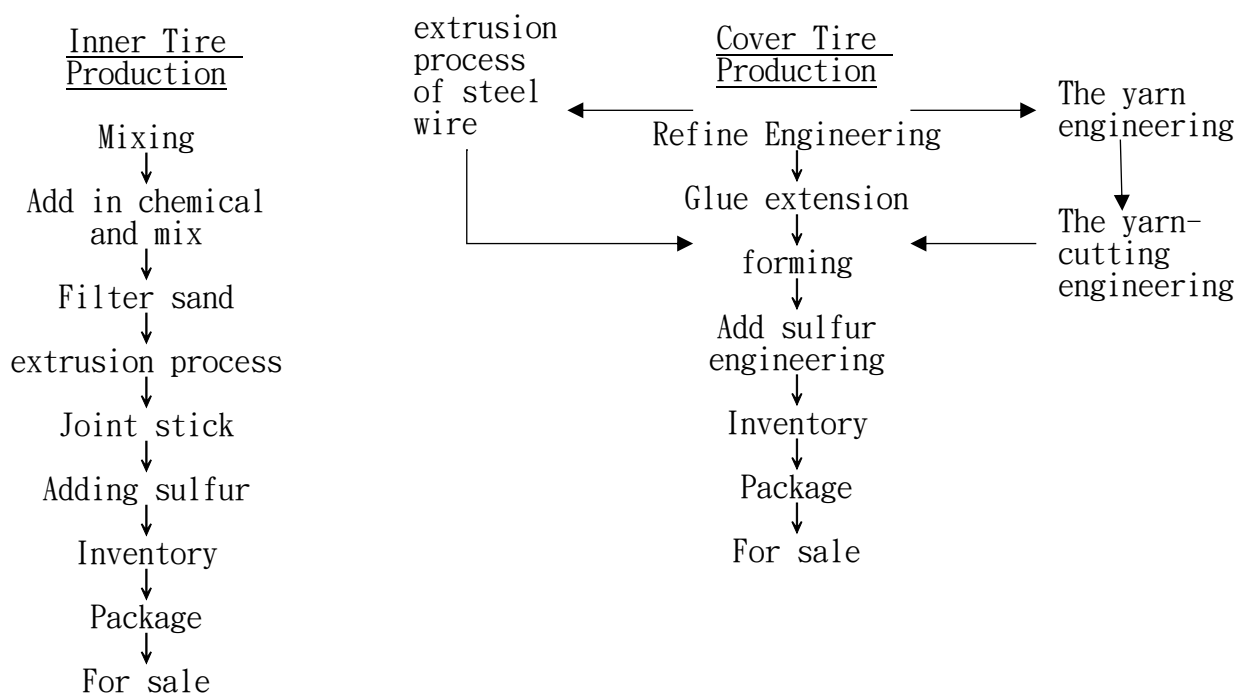
6)Actively seek cooperation and investment partners to expand the scale and operation territory, and improve their own technology to actively carry out research and development, combined with the industry, government and science and technology development policies and experience, to cultivate research and development and management talents.

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

1. Significant uses of major products

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

2. Production process of main products



(3) The supply of major raw materials

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

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

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

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

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

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

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

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

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

Unit: Thousands of NTD\$

	In 2020				In 2019				Year 2021 up to previous quarter (Note 2)			
project	The name of the	The amount of	Ratio of annual net purchases [%]	The relationship with the issuer	The name of the	The amount of	Ratio of annual net purchases [%]	The relationship with the issuer	The name of the	The amount of	Ratio of net purchases of current year to previous quarter [%]	The relationship with the issuer
1	There is no	-	-	-	There is no	-	-	-	There is no	-	-	-
	Net purchase	849,923	100		Net purchase	944,286	100		Net purchase	216,754	100	

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

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

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

Unit: NT \$1,000

Item	In 2020				In 2019				Year 2021 up to previous quarter (Note 2)			
	The name of the	The amount of	As a percentage of annual net sales [%]	The relationship with the issuer	The name of the	The amount of	As a percentage of annual net sales [%]	The relationship with the issuer	The name of the	The amount of	Ratio of net stopped sales of current year to previous quarter [%]	The relationship with the issuer
1	There is no	-	-	-	There is no	-	-	-	There is no	-	-	-
	Net sales	4,882,864	100		Net sales	5,264,937	100		Net sales	1,311,002	100	

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

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

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

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

The year Production Quantity \ Main Commodities	The year 2020			The year 2019		
	Output	Production volume	Production value	Output	Production volume	Production value
Bicycle tire	41,760	22,916	823,753	41,760	23,531	910,214
The locomotive tire	27,795	12,202	1,529,304		14,205	1,883,023
Agricultural and industrial tires		1,720	494,478	27,722	1,912	568,464
Truck tires		44	59,811		74	116,065
Radial layer outer tire	600	342	337,613	600	326	362,105
Combined	70,155	37,224	3,244,959	70,082	40,048	3,839,861

(6) Sales volume of the most recent two years

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

The year	The year 2020		The year 2019	
Sales quantity	The amount	value	The amount	value
The main products				
Bicycle tire	23,045	1,071,210	23,887	1,169,745
The locomotive tire	13,708	2,347,014	13,979	2,520,938
Agricultural and industrial tires	1,823	800,203	1,945	834,019
Truck tires	56	121,510	70	186,361
Radiation layer outer tire	331	510,313	321	504,700
other	6,432	32,614	7,674	49,174
Combined	45,395	4,882,864	47,876	5,264,937

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

April 30th, 2021

The annual		The year 2019	The year 2020	As of publication date
The number Of employees	staff	693	662	657
	Indirect labor	1306	930	953
	Direct labor	1657	1850	1958
	Commibined	3330	3112	3232
The average age		42.09		38.81
Average years of service		8.62		8.6
Record of formal schooling ratio	Doctorate	0.06%	0.06%	0.06%
	Master	0.91%	0.77%	0.68%
	College and University	11.10%	10.28%	13.06%
	High School	25.18%	17.58%	17.08%
	Other	62.76%	71.30%	70.30%

IV. Environmental expenditure information

(1) The environmental protection work of the company is subordinate to the general affairs department, and a dedicated person is responsible for this business.

The company's environmental protection personnel include air pollution prevention and control personnel, wastewater treatment personnel and waste disposal technical personnel according to the regulations.

(2) The license of operation permit for sources of pollution:

No. N2567-00, No. N1075-10, No. N1528-07, No. N1527-06, No. N1628-09 issued by the government.

Waste water discharge permit: no. 04757-01, no. 03666-01.

(3) Losses caused by environmental pollution in the most recent two years and up to the publication date of the annual report: none

(4) Compensation for environmental pollution in the most recent two years and up to the publication date of the annual report: none

(5) Future countermeasures and possible expenditures: none

V. Labor relations

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

1. Employee welfare measures:

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

(1) Year-end bonus.

(2) Scholarship for employees and their children.

(3) Free distribution of uniforms.

(4) Funeral subsidies and mutual aid.

- (5) Festival condolence. (6) Free meals.
 (7) Organize birthday parties every month. (8) Group insurance.
 (9) Staff health inspection.

2. Retirement system:

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

(1) Voluntary Retirement:

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

(2) Compulsory retirement:

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

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

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

3. Labor Relations:

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

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

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

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

VI. Important Contracts

Nature of the contract	The parties concerned	Date of commencement and termination of contract	The main content	restrictions
Technical cooperation contracts and Trademark license contract	Hwa Fong Rubber (Thailand) Public Co., Ltd	June, 2020 (continuous)	Bicycles, industrial cars, locomotives and other inner and cover tires and lining belts.	no
Technical cooperation contracts and Trademark license contract	Hwa Fong Rubber (China) Co., Ltd	2017.01 ~ 2017.12	Bicycles, industrial cars, locomotives and other inner and cover tires and lining belts.	no
Technical cooperation contracts and Trademark license contract	Hwa Fong Rubber (Suzhou) Co., Ltd	2017.01 ~ 2017.12	Radial layer tires.	no
Joint Credit Agreement	Taiwan LandBank and other 7 banks	2019.06 ~ 2024.06 (5-year period)	NTD \$1.8 billion	no

VI. Financial Overview

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

(1) Concise balance sheet and consolidated income statement

1. Concise Balance Sheet - IFRS (Consolidated)

Unit: NTD \$thousands of

Year Items		Financial Information for Last Five Years (Note 1)					Up to the date of March 31st, 2021 Financial Information (Note 3)
		2016	2017	2018	2019	2020	
Current assets		4,173,139	3,835,930	3,055,529	3,328,962	3,574,161	3,796,831
Real Estate, Plant and Equipment (Note 2)		3,578,291	3,102,435	3,333,497	3,387,309	3,538,983	3,447,934
Intangible assets		437	267	498	1,218	1,173	1,086
Other assets (Note 2)		474,967	377,030	730,683	689,920	935,400	911,274
The total assets of		8,226,834	7,315,662	7,120,207	7,407,409	8,049,717	8,157,125
Current liabilities	Before the Distribution	2,017,849	2,967,719	2,410,528	1,649,784	1,947,618	1,933,351
	After the distribution	2,112,239	3,084,262	2,410,528	1,649,784	1,947,618	1,933,351
Non-current liabilities		1,121,675	310,285	746,997	1,577,151	1,577,121	1,637,408
The total amount of liabilities	Before the Distribution	3,139,524	3,278,004	3,157,525	3,226,935	3,524,739	3,570,759
	After the distribution	3,233,914	3,394,547	3,157,525	3,226,935	3,524,739	3,570,759
Equities that belong to the owner of the parent company		3,964,596	2,829,275	2,665,374	2,736,299	3,015,149	3,080,026
Other Equities		3,323,492	3,323,492	3,323,492	3,323,492	3,323,492	2,793,492
Capital reserves		167,372	167,372	167,989	36,954	37,256	37,266
Surplus Reserved	Before the Distribution	363,544	(665,142)	(892,724)	(754,094)	(388,079)	257,950
	After the distribution	297,075	(665,142)	(892,724)	(754,094)	(388,079)	257,950
Other Equities		110,188	3,553	66,617	129,947	42,480	(8,682)
Capital reserves		-	-	-	-	-	-
Uncontrolled equities		1,122,714	1,208,383	1,297,308	1,444,175	1,509,829	1,506,340
The total amount of equities	Before distribution	5,087,310	4,037,658	3,962,682	4,180,474	4,524,978	4,586,366
	After distribution	4,992,920	3,921,115	3,962,682	4,180,474	4,524,978	4,586,366

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

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

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

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

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

Note 4: After the above distribution, please fill the number in according to the resolution of the shareholders' meeting of the next year.

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

2. Concise Income Statement - IFRS (Consolidated)

Unit: NT \$Thousands of

Year Items	Financial Information for Last Five Years (Note 1)					Up to the date of March 31st, 2021 Financial Information (Note 2)
	2016	2017	2018	2019	2020	
Operating income	6,033,791	5,743,303	5,256,328	5,264,937	4,882,864	1,311,002
Operating margin	1,599,524	1,079,451	929,298	975,571	1,159,430	345,222
Operating profit and loss	477,317	89,445	45,599	365,506	605,064	203,951
Non-operating income and expenses	(168,333).	(874,869).	(161,790).	(72,794).	140,782	27,372
Pre-tax profit	308,984	(785,424).	(116,191).	292,712	745,846	231,323
Continuing business unit						178,141
Net profit	197,984	(871,064).	(152,932).	148,280	561,919	
Loss of the closed business unit	-	-	-	-	-	-
Current net profit (loss)	197,984	(871,064).	(152,932).	148,280	561,919	178,141
Other gains and losses for the current period (net profit after tax)	(77,071).	(85,573).	135,432	113,870	(170,131).	(116,764)
Total consolidated profit and loss for the period	120,913	(956,637).	(17,500).	262,150	391,788	61,377
Net profit that is attributable to Owner of parent company	42,894	(976,303).	(253,461).	10,891	371,601	116,029
Net profit that is attributable to non-controlled interest	155,090	105,239	100,529	137,389	190,318	62,112
The total consolidated profit and loss that belongs to the owner of the parent company	(22,524).	(1,070,107).	(164,031).	67,955	280,832	64,867
Total consolidated gains and losses that are attributable to non-controlled interests	143,437	113,470	146,531	194,195	110,956	(3,490)
EPS	0.13	(2.94)	(0.76)	0.04	1.33	0.42

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

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

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

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

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

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

3. Concise Balance Sheet - IFRS (Individual)

Unit: NTD\$ Thousands of

Year Items		Financial Information for Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		1,114,310	1,213,565	1,101,820	1,087,991	1,359,513
Real Estate, Plant and Equipment (Note 2)		1,293,556	1,383,367	1,417,015	1,336,914	1,426,963
Intangible assets		437	267	97	-	-
Other assets (Note 2)		3,794,753	3,105,560	3,162,987	2,912,372	3,366,893
The total assets		6,203,056	5,702,759	5,681,919	5,337,277	6,153,369
Current liabilities	Before the Distribution	847,490	1,847,522	1,496,846	557,196	924,336
	After the distribution	913,959	1,847,522	1,496,846	557,196	924,336
Non-current liabilities		1,390,970	1,025,962	1,519,699	2,043,782	2,213,884
The total amount of liabilities	Before the Distribution	2,238,460	2,873,484	3,016,545	2,600,978	3,138,220
	After the distribution	2,304,929	2,873,484	3,016,545	2,600,978	3,138,220
Equities that is attributable the owner of the parent company		3,964,596	2,829,275	2,665,374	2,736,299	3,015,149
Capital Stock		3,323,492	3,323,492	3,323,492	3,323,492	3,323,492
Capital reserves		167,372	167,372	167,989	36,954	37,256
Surplus Reserved	Before the Distribution	363,544	(665,142)	(892,724)	(754,094)	(388,079)
	After the Distribution	297,075	(665,142)	(892,724)	(754,094)	(388,079)
Other Equities		110,188	3,553	66,617	129,947	42,480
Storage of stocks		-	-	-	-	-
Uncontrolled Equities		-	-	-	-	-
The equities The total amount	Before the Distribution	3,964,596	2,829,275	2,665,374	2,736,299	3,015,149
	After the distribution	3,898,127	2,829,275	2,665,374	2,736,299	3,015,149

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

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

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

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

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

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

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

Unit: NTDS\$ Thousands of

Items \ Year	Financial Information for Latest Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating income	2,382,352	2,189,937	2,110,540	2,182,612	2,096,167
Operating margin	801,118	521,638	452,934	477,007	589,573
Operating profit and loss	329,788	70,814	29,667	178,812	280,598
Non-operating income and expenses	(276,927).	(1,036,476).	(274,651).	(106,439).	180,535
Pre-tax profit	52,861	(965,662).	(244,984).	72,373	461,133
Continuing business unit (Net profit of the period.)	42,894	(976,303).	(253,461).	10,891	371,601
Loss of the closed business unit	-	-	-	-	-
Current net profit (loss)	42,894	(976,303).	(253,461).	10,891	371,601
Other gains and losses for the current period (net after tax)	(65,418).	(93,804).	89,430	57,064	(90,769).
Total consolidated profit and loss for the period	(22,524).	(1,070,107).	(164,031).	67,955	280,832
Net profit is attributable to Owner of parent company	42,894	(976,303).	(253,461).	10,891	371,601
Net profit is attributable to non-controlled equities	-	-	-	-	-
The total consolidated profit and loss belongs to the owner of the parent company	(22,524).	(1,070,107).	(164,031).	67,955	280,832
Total consolidated gains and losses that are attributable to non- controlled equities	-	-	-	-	-
EPS	0.13	(2.94)	(0.76)	0.04	1.33

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

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

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

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

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

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

Year	Name of Accounting Firm	Name of Accountant	Audit opinion
2016	KPMG in Taiwan	Zhang Shuying, Chen Jiaxiu	No reserved opinion or other matters
2017	KPMG in Taiwan	Zhang Shuying, Chen Jiaxiu	No reserved opinion or other matters
2018	KPMG in Taiwan	Zhang Shuying, Chen Jiaxiu	No reserved opinion or other matters
2019	Pwc Taiwan	Yang Mingjing, Xu Jianye	No reserved opinion or other matters
2020	Pwc Taiwan	Jianye Xu, Songyuan Wu	No reserved opinion or other matters

2. Financial analysis of the last five years

1. Financial Analysis - IFRS (Consolidation)

Year (Note 1) Analysis Item (Note 3)		Financial analysis of the last five years					Up to the date of March 31st, 2021 (note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt to assets ratio	38.16	44.81	44.35	43.56	43.79	43.77
	Ratio of long-term funds to real estate, plant and equipment	173.52	140.15	141.28	169.98	172.43	180.51
Solvency %	Current ratio	206.81	129.26	126.76	201.78	183.51	196.39
	Quick ratio	147.15	87.13	82.96	138.16	134.17	136.79
	Interest Coverage Ratio	7.71	(15.40)	(0.96)	(3.5)	16.85	26.6
Management ability	Receivables Turnover Rate (times)	5.61	5.12	4.88	4.8	4.43	5.01
	Average number of cash days	65	71	75	76	82	73
	Inventory turnover rate (times)	3.3	3.59	3.58	4.02	3.75	3.67
	Payable turnover rate (times)	8.63	8.32	8.41	9.4	9	8.99
	Average number of sales days	110	101	102	91	97	99
	Property, plant and equipment turnover (per unit)	1.63	1.67	1.63	1.57	1.41	2.06
	Total assets turnover ratio (times)	0.72	0.74	0.73	0.72	0.63	0.65
profitability	Return on assets (%)	2.83	(10.70)	(1.46)	2.76	7.76	2.29
	Return on equity (%)	3.9	(19.09)	(3.82)	3.64	12.91	3.91
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	9.3	(23.63)	(3.50)	8.81	22.44	8.28
	Net profit ratio (%)	3.28	(15.17)	(2.91)	2.82	11.51	13.59
	Earnings per share (yuan)	0.13	(2.94)	(0.76)	0.03	1.33	0.42
The cash flow	Cash Flow Ratio (%)	29.72	1.43	12.91	25.1	46.11	7.57
	Cash Flow Allowable Ratio (%)	161.05	111.28	75.73	74.86	76.8	70.75
	Cash Reinvestment Ratio (%)	4.43	(0.53)	2.55	3.28	7.37	1.26
Degree of leverage	Operating leverage	1.68	4.28	5.44	1.62	1.35	1.26
	Financial leverage	1.11	2.15	(3.30)	1.22	1.08	1.05

Please explain the reasons for the changes in financial ratios in the last two years. (If the change of increase or decrease is less than 20%, the analysis is exempted)

1. Interest coverage ratio increase: the increase in net profit before tax, so the interest coverage ratio increase accordingly.

2. Increase in return on assets, return on equity, ratio of net profit before tax to paid-up capital, net profit ratio and after-tax earnings per share:

This is mainly due to the fact that the Company's net profit before tax in 2020 was higher than that in 2019. As a result, the above five items were improved

3. Cash flow ratio increase: mainly due to the company's higher net profit before tax in 2020 than in 2019.

4. Increased cash reinvestment ratio: mainly due to higher after-tax net profit of the Company in 2020 than in 2019.

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

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

2. Financial Analysis - IFRS (Individual)

Year (Note 1) Analysis Item (Note 3)		Financial analysis of the last five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio	36.09	50.39	53.09	48.73	51
	Ratio of long-term funds to real estate, plant and equipment	414.02	278.69	295.34	357.55	366.44
Solvency %	Current ratio	131.48	65.69	73.61	195.26	147.08
	Quick ratio	90.74	45.89	52.64	143.53	114.52
	Interest coverage Ratio	3.43	(41.19)	(7.83)	3.7	17.75
Management ability	Receivables Turnover Rate (times)	7.55	6.95	6.94	7.15	6.42
	Average number of cash days	48	52	53	51	55
	Inventory turnover rate (times)	4.11	4.50	4.63	5.51	4.77
	Payable turnover rate (times)	12.47	14.97	17.89	16.19	13.3
	Average number of sales days	88	81	79	66	76
	Property, plant and equipment turnover (per unit)	1.86	1.64	1.51	1.59	1.52
	Total assets turnover ratio (times)	0.37	0.37	0.37	0.4	0.36
profitability	Return on assets (%)	0.96	(16.08)	(4.84)	0.59	6.08
	Return on equity (%)	1.07	(28.74)	(9.23)	0.4	13
	Ratio of net profit before tax to paid-up capital (%) (Note 7)	1.59	(29.06)	(7.37)	2.18	13.87
	Net profit ratio (%)	1.80	(44.58)	(12.01)	0.5	1.12
	EPS (NTD\$)	0.13	(2.94)	(0.76)	0.04	1.33
The cash flow	Cash Flow Ratio (%)	30.29	5.36	8.41	66.07	37.4
	Cash flow adequacy ratio (%)	156.07	118.55	108.47	99.89	134.72
	Cash Reinvestment Ratio (%)	2.98	0.66	2.19	6.14	6.04
Degree of leverage	Operating leverage	1.25	2.14	4.03	1.6	1
	Financial leverage	1.07	1.48	15.48	1.18	1.11

Please explain the reasons for the changes in financial ratios in the last two years. (If the change of increase or decrease is less than 20%, the analysis is exempted)

1. Liquidity ratio and quick ratio decrease:

This is mainly due to the fact that the increase of current liabilities was greater than that of current assets in 2019, and the increase of current liabilities was due to the loan of the company from land bank (the leading bank) and other banks carrying out short-term borrowings and co-loans, part of which accountants classify as restricted assets (current liabilities).

2. Increase of interest coverage ratio: the net profit before tax in 2020 was higher than that in 2019, so the interest coverage ratio was higher.

3. Increase in return on assets, return on equity, ratio of net profit before tax to paid-up capital, net profit ratio and after-tax earnings per share:

This is mainly due to the fact that the Company's net profit before tax in 2020 was higher than that in 2019. As a result, the above five items were improved.

4. Increase in cash flow ratio: mainly due to the increase in short-term borrowing and the listing of restricted assets (current liabilities) by accountants.

5. Net cash flow adequacy ratio: mainly due to the reduction of the sum of cash dividends paid by the Company in the past five years.

6. Decrease of operating leverage:

This is mainly due to the decrease in the purchase price of raw materials, which makes the operating cost lower than that of 2019, so the operating profit is higher than that of 2019, so the operating leverage is better than that of 2019.

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

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

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

1. Financial structure

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

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

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

The Board of Auditors Report of Examination

The board of directors made and sent to the company business operation report of year 2019, financial statements (individual and consolidated financial statements) and surplus allocation proposal and other lists. After the review of audit committee and of other members, that there is no discrepancy, then according to the provisions of the Company Law in article 219, we prepared the report.

Please watch

Yours Faithfully,

Hwa Fong Rubber Ind. Co., Ltd Regular shareholders meeting 2021



Convenor of the Audit Committee:

Hong Wen Tsai

The Republic of China, March 18, 2021

The latest annual individual financial report

Huafeng Rubber Industry Co. Ltd

Individual financial report

December 31, 2020 and December 31, 2019
(with audit report)

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Hwa Fong Rubber Industrial Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Hwa Fong Rubber Industrial Co., Ltd. (the “Company”) as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to ‘Other matter’ section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Only financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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 parent company only financial statements of the current period are stated as follows:

Key audit matter –Evaluation on accounts receivable allowance loss

Description

Please refer to Note 4(9) for accounting policies for the evaluation of accounts receivable, Note 5(2) for the uncertainty of accounting estimates and assumptions related to accounts receivable, and Note 6(4) for details of accounts receivable. On December 31, 2020, the accounts receivable and allowance for uncollectible accounts of the Group, were NT\$193,750 thousand and NT\$2,070 thousand, respectively.

Part of the Group's business is to sell products through distributors in various regions. The financial situation of distributors will affect the recyclability risk of accounts receivable. Since the impact of accounts receivable on the overall financial statements is significant, and the expected credit risk loss measures the allowance loss of accounts receivable during the duration, the measurement process should be appropriate to distinguish the collection from groups and judge the application of relevant assumptions in the analysis and measurement process. The measurement of expected credit loss often involves subjective judgment, analysis, and estimation, and thus the measurement results affect the net amount of accounts receivable. Therefore, we consider the impairment evaluation on accounts receivable allowance loss as a critical audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtain the expected loss rate calculated by the management according to the historical data and forward-looking information of similar credit risk groups to evaluate the rationality of accounts receivable provision.
2. Verify that Hwa Fong Group is used to evaluate the correctness of the accounts receivable age report to confirm that the report information is consistent with its policies.
3. To test the recoverability of accounts receivable by sampling and checking the cash receipts after the due date.
4. For overdue and uncollected accounts, learn about the customer's historical payment status, whether it can provide collateral and other repayments to assess the adequacy of the management's provision for losses.

Key audit matter –Evaluation of the loss of inventory allowance for a falling price

Description

Please refer to Note 4(11) for the accounting policies for inventory evaluation, Note 5(2) for the uncertainty of accounting estimates and assumptions for inventory evaluation, and Note 6(5) for details of the inventory accounting items. On December 31, 2020, the Group had inventories and allowance for impairment losses of NT\$338,849 thousand and NT\$37,961 thousand, respectively.

The inventory of Hwa Fong Group is measured by cost and net realizable value. In addition, provision for depreciation loss shall be made according to the degree of inventory de-aging for inventories over a specific period and individually identified obsolete inventories. Due to the impact of international raw material price fluctuation and market supply and demand, the cost of raw materials and the selling price of products may fluctuate sharply, resulting in a higher risk that the net realizable inventory value is lower than the book value and sluggish. Considering that Hwa Fong Group has a high degree of estimation uncertainty due to the diversification of product models, subjective judgment is often involved in evaluating the net realizable value of obsolete inventory items and their evaluation. Therefore, our accountant believes that evaluating the allowance for depreciation loss of inventory is one of the most important items in this year's audit.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. To understand the operation and industrial characteristics of Hwa Fong Group and evaluate the rationality of the policies adopted to offset inventory evaluation losses.
2. Review the annual inventory plan and participate in the annual inventory to evaluate the effectiveness of management in controlling obsolete and damaged inventory.
3. Verify the correctness of the inventory age report used by Hwa Fong Group to confirm that the report information is consistent with its policy.
4. Obtain the statement of net realized value of each inventory, confirm that the calculation logic is consistent, test the basis of the estimation of net realized value of inventory, including checking the sales price, purchase price and other supporting documents, and recalculate and evaluate the rationality of inventory evaluation.

Key audit matter - Impairment evaluation on property, plant and equipment on equity method

Description

Please refer to Note 4(15) for a detailed description of the accounting policies for impairment of investment in non-financial assets using the equity method. Note 6(6) for details of the accounting items of investment adopting the equity method.

Hwa Fong Rubber (China) Co., Ltd. (after this referred to as "China Hwa Fong") and Hwa Fong Rubber (Suzhou) Co., Ltd. (after this referred to as "Suzhou Hwa Fong "), subsidiaries of Hwa Fong Group, have been highly competitive in their respective industries in recent years. Due to the restrictions of China's environmental protection laws and regulations in 2020, the production has been restricted and the sales have been affected jointly, resulting in losses in the financial statements. Therefore, the property, plant, and equipment of China Hwa Fong and Suzhou Hwa Fong showed signs of impairment. As the book value of the relevant real estate, plant and equipment are significant, the accountant considers that impairment assessment is one of the most critical matters in this year's audit.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. To understand the rationality of the future cash flow estimation process of each CGU on which the management's asset impairment assessment is based on.
2. Discuss with the management about the future operation forecast of Hwa Fong (China) and Hwa Fong (Suzhou) and compare it with the historical results.
3. For the real estate and plant, to obtain the transaction market price of the adjacent areas, and evaluate the rationality of the management's taking the fair value less the cost of sale as the recoverable amount.
4. For the part of machinery and equipment, the evaluation management committee asks the external evaluation company to issue an evaluation report, which includes the following procedures:
 - (1) Experts' qualification, professional ability, independence, and competence in related field.
 - (2) The industry generally adopts the purpose and scope of the review expert opinion and the measurement method used.
 - (3) Check parameters of evaluation model and setting of calculation formula.
 - (4) Evaluate the reasonableness of the major assumptions used in the model.

Other matter - Scope of the audit

We did not audit the financial statements of certain investees accounted for using the equity method included in the only financial statements. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants. On December 31, 2020 and 2019, the Company recognized the investments accounted for using equity method for the investees above amounting to NT\$768,818 thousand and NT\$637,424 thousand, respectively, constituting 12.49% and 11.94% of the entire parent company only assets, respectively. In the same period, recognized comprehensive income (loss) for investees above amounting to NT\$14,176 thousand and NT\$33,115 thousand, constituting 5.05% and 48.73% of the parent company only comprehensive income (loss) for the years then ended, respectively.

Responsibilities of management and those charged with governance for the only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing 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 supervisors, are responsible for overseeing the Company’s financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only 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.

Shiu, Jian-Ye

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 19, 2021

HWA FONG RUBBER INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2020		December 31, 2019			
			Amount	%	Amount	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	354,541	6	\$	261,046	5
1136	Financial assets measured by amortized cost-current	6(3)(8)		147,289	2		3,400	-
1150	Notes receivable, net	6(4)		30,383	1		30,977	1
1170	Accounts receivable, net	6(4)		191,680	3		158,751	3
1180	Accounts receivable - related parties, net	7		104,519	2		101,791	2
1200	Other receivables			5,652	-		3,739	-
1210	Other receivables - related parties	7		210,534	3		196,409	4
1220	Current income tax assets			-	-		28,010	-
130X	Inventories	6(5)		300,888	5		275,838	5
1470	Other current assets	7		14,027	-		28,030	-
11XX	Total current assets			1,359,513	22		1,087,991	20
Non-current assets								
1535	Non-current financial assets at amortized cost	6(3) and 8						
				223,113	4		97,245	2
1550	Investments accounted for using equity method	6(6)		3,017,764	49		2,729,137	51
1600	Property, plant and equipment	6(7) and 8		1,426,963	23		1,336,914	25
1755	Right-of-use asset	6(8)		6,414	-		3,429	-
1840	Deferred income tax assets	6(24)		71,211	1		29,784	1
1900	Other non-current assets	6(26) and 8		48,391	1		52,777	1
15XX	Total non-current assets			4,793,856	78		4,249,286	80
1XXX	Total asset		\$	6,153,369	100	\$	5,337,277	100

(Continued)

HWA FONG RUBBER INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term loans	6(9) and 8	\$ 497,612	8	\$ 233,424	5
2110	Short-term tickets payable	6(10)	49,966	1	-	-
2130	Contract liabilities-current	6(18)	18,499	-	10,928	-
2150	Notes payable		-	-	2,313	-
2170	Accounts payable		101,489	2	117,871	2
2180	Accounts payable - related parties	7	3,566	-	1,374	-
2200	Other payables	6(11)	118,678	2	94,336	2
2220	Other payables-related parties	7	115	-	114	-
2230	Current income tax liabilities		48,155	1	40,006	1
2280	Lease liabilities-current	6(8)	3,055	-	1,736	-
2300	Current income tax liabilities	6(12)(18) and 8	83,201	1	55,094	1
21XX	Total current liabilities		924,336	15	557,196	11
Non-current liabilities						
2540	Long-term loans	6(12) and 8	1,235,073	20	1,228,535	23
2570	Deferred income tax liabilities	6(24)	219,118	3	193,795	3
2580	Lease liabilities-non-current	6(8)	3,421	-	1,797	-
2640	Net defined benefit liability, non-current	6(13)	47,183	1	50,839	1
2650	Investment accounted under the equity method	6(6)	670,184	11	529,529	10
2670	Other non-current liabilities		38,905	1	39,287	1
25XX	Total non-current liabilities		2,213,884	36	2,043,782	38
2XXX	Total Liabilities		3,138,220	51	2,600,978	49
Equity						
Share capital		6(14)				
3110	Common shares		3,323,492	54	3,323,492	62
Capital surplus		6(15)				
3200	Capital surplus		37,256	1	36,954	1
Retained earnings		6(16)				
3350	Unappropriated retained earnings		(388,079)(	6)(	754,094)(	14)
Other equity interest		6(17)				
3400	Other equity interest		42,480	-	129,947	2
3XXX	Total equity interest		3,015,149	49	2,736,299	51
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 6,153,369	100	\$ 5,337,277	100

The accompanying notes are an integral part of these parent company only financial statements.

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY Comprehensive Income
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Notes	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Revenue	6(18) and 7	\$ 2,096,167	100	\$ 2,182,612	100
5000 Operating costs	6(5)(23)	(1,506,594)	(72)	(1,705,605)	(78)
5900 Gross profit		589,573	28	477,007	22
5920 Realized gains (loss) from sale		(183)	-	2,648	-
5950 Gross profit (loss) from operations		589,390	28	479,655	22
Operating expenses	6(23) and 7				
6100 Selling expenses		(125,093)	(6)	(135,245)	(6)
6200 General and administrative expenses		(148,518)	(7)	(126,464)	(6)
6300 Research and development expenses		(34,924)	(2)	(38,026)	(2)
6450 Expected credit impairment loss	12(2)	(257)	-	(1,108)	-
6000 Total operating expenses		(308,792)	(15)	(300,843)	(14)
6900 Operating loss		280,598	13	178,812	8
Non-operating income and expenses					
7100 Interest income	6(19)	6,857	-	8,618	-
7010 Other income	6(20) and 7	75,267	4	19,241	1
7020 Other gains and losses	6(21)	(31,994)	(2)	(15,887)	(1)
7050 Finance costs	6(22)	(27,534)	(1)	(26,814)	(1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	157,939	8	(91,597)	(4)
7000 Total non-operating income and expenses		180,535	9	(106,439)	(5)
7900 Profit before income tax		461,133	22	72,373	3
7950 Income tax expense	6(24)	(89,532)	(4)	(61,482)	(3)
8200 Profit for the year		\$ 371,601	18	\$ 10,891	-
Other comprehensive income (loss), net Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Gains (losses) on remeasurements of defined benefit plans	6(13)	(\$ 4,127)	-	\$ 3,080	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		425	-	(8,682)	-
8349 Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(24)	825	-	(616)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(2,877)	-	(6,218)	-
Components of other comprehensive income that may be reclassified to profit or loss					
8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss		(109,865)	(6)	79,103	4
8399 Income tax relating to components of other comprehensive income (loss) that may be reclassified to profit or loss	6(24)	21,973	1	(15,821)	(1)
8360 Components of other comprehensive loss that may be reclassified to profit or loss		(87,892)	(5)	63,282	3
8300 Other comprehensive loss, net		(\$ 90,769)	(5)	\$ 57,064	3
8500 Total comprehensive income for the year		\$ 280,832	13	\$ 67,955	3
Basic earnings per share	6(25)				
9750 Total basic earnings per share		\$	1.33	\$	0.04
Diluted earnings per share	6(25)				
9850 Total diluted earnings per share		\$	1.33	\$	0.04

The accompanying notes are an integral part of these parent company only financial statements.

HWA FONG RUBBER INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	Retained Earnings				Others		Total Equity
		Common Stock	Capital Reserve	Legal Reserve	Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) on financial assets measured at fair value through	
<u>Year 2019</u>								
Balance at January 1, 2019		\$ 3,323,492	\$ 167,989	\$ 111,668	(\$ 1,004,392)	\$ 101,341	(\$ 34,724)	\$ 2,665,374
Net income for 2019		-	-	-	10,891	-	-	10,891
Other comprehensive income	6(17)	-	-	-	(6,266)	63,282	48	57,064
Total comprehensive income		-	-	-	4,625	63,282	48	67,955
Legal reserve used to offset accumulated deficits	6(16)	-	-	(111,668)	111,668	-	-	-
Capital surplus used to cover accumulated deficits	6(15)(16)	-	(126,250)	-	126,250	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	6(15)	-	(4,785)	-	7,755	-	-	2,970
Balance at December 31, 2019		<u>\$ 3,323,492</u>	<u>\$ 36,954</u>	<u>\$ -</u>	<u>(\$ 754,094)</u>	<u>\$ 164,623</u>	<u>(\$ 34,676)</u>	<u>\$ 2,736,299</u>
<u>Year 2020</u>								
Balance at January 1, 2020		\$ 3,323,492	\$ 36,954	\$ -	(\$ 754,094)	\$ 164,623	(\$ 34,676)	\$ 2,736,299
Net income for 2020		-	-	-	371,601	-	-	371,601
Other comprehensive income	6(17)	-	-	-	(3,302)	(87,892)	425	(90,769)
Total comprehensive income		-	-	-	368,299	(87,892)	425	280,832
Changes in equity of associates and joint ventures accounted for using equity method	6(15)	-	302	-	(2,284)	-	-	(1,982)
Balance at December 31, 2020		<u>\$ 3,323,492</u>	<u>\$ 37,256</u>	<u>\$ -</u>	<u>(\$ 388,079)</u>	<u>\$ 76,731</u>	<u>(\$ 34,251)</u>	<u>\$ 3,015,149</u>

The accompanying notes are an integral part of these parent company only financial statements.

HWA FONG RUBBER INDUSTRIAL CO., LTD.
PARENT ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2020	2019
Cash Flows From Investing Activities			
Profit before tax		\$ 461,133	\$ 72,373
Adjustments			
Depreciation expense	6(7)(8)(23)	103,684	110,061
Amortizations	6(23)	148	245
Expected credit (gain) loss	12(2)	257	1,108
Loss (gain) on disposal of property, plant and equipment	6(21)	(1,033)	58
Share of Profit of Associates Accounted for Using Equity Method)	6(6)	(157,939)	91,597
Interest expense	6(22)	27,534	26,814
Interest income	6(19)	(6,857)	(8,618)
Realized gain (loss) from sale		183	(2,648)
Changes in operating assets and liabilities			
Total changes in operating assets			
Notes receivable, net		594	2,699
Accounts receivable due from related parties	(	35,914)	20,741
Current inventories	(	25,050)	26,649
Other receivables due from related parties	(	16,038)	(3,399)
Income tax refund receivable		28,010	-
Other current assets		15,417	(2,351)
Changes in operating liabilities			
Current contract liabilities		7,571	10,928
Notes payable	(	2,313)	696
Accounts payable to related parties	(	14,190)	31,659
Other payables		18,562	(21,693
Increase (decrease) in net defined benefit liability	(	7,784)	(8,496
Other current liabilities	(	1,420)	644
Cash inflow generated from operations		394,555	349,067
Dividends received		46,427	48,425
Interest received		6,857	8,618
Dividends received	(	27,461)	(27,238)
Income taxes paid	(	74,687)	(10,752)
Net cash flows from (used in) operating activities		345,691	368,120
<u>Cash flows from (used in) investing activities</u>			
Investments accounted for using equity method	(	147,883)	-
Other receivables due from related parties		-	(179,580)
Acquisition of property, plant and equipment	6(26)	(173,226)	(89,437)
Proceeds from disposal of property, plant and		797	3,600
Increase in refundable deposits	(	7,987)	(7,402)
Current financial assets at amortized cost	(	143,889)	(3,400)
Non-current financial assets at amortized cost	(	125,868)	(69,915)
Cash used in investing activities	(	598,056)	(346,134)
<u>Cash flows from (used in) financing activities</u>			
Changes in current borrowings	6(27)	264,188	(275,452)
Proceeds from long-term debt	6(27)	67,900	995,320
Repayments of long-term debt	6(27)	(33,395)	(736,755)
Changes in short-term notes and bills payable	6(27)	49,966	-
Payments of lease liabilities	6(27)	(2,799)	(1,816)
Cash flows from (used in) financing activities		345,860	(18,703)
Net increase in cash and cash equivalents		93,495	3,283
Cash and cash equivalents at beginning of year		261,046	257,763
Cash and cash equivalents at end of year		\$ 354,541	\$ 261,046

The accompanying notes are an integral part of these parent company only financial statements.

HWA FONG RUBBER INDUSTRIAL CO., LTD
Notes To Individual Financial Statements
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. General Information

Hwa Fong Rubber Industrial Co., Ltd. (the “Company”) was incorporated in May 27, 1959 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 rubber, plastic products manufacturing, processing, domestic and foreign sales, and import and export business.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 1 and 8, ‘Disclosure initiative —Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a Business’	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, ‘Interest Rate Benchmark Reform’	January 1, 2020
Amendment to IFRS 16, ‘Leases’ regarding COVID-19- related rent concessions’	June 1, 2020 (Notes)

(Notes: FSC allowed it to be adopted on January 1, 2020.)

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

b. 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 2021 are as follows

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform — Phase 2'	January 1, 2021

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

c. 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 3, 'References to the Conceptual Framework'	January 1, 2022
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 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'The disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'To clarify the definition of accounting estimates'	January 1, 2023
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 IFRSs 2018-2020 cycle	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- i. Except for defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the parent company only financial statements have been prepared under the historical cost convention:
 - (1) Financial assets measured at fair value and measured at fair value through other comprehensive profits and losses.
 - (2) Confirmed welfare liabilities are recognized as the net amount of the present value of the determined welfare obligations after the deduction of retirement fund assets.
- ii. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the only financial statements are disclosed in Note 5.

(3) Foreign Currency Exchange

This company measures using the currency of its primary economic situation (functional currency). This individual financial report is presented in "New Taiwan Dollars", the company's functional currency

1.Foreign Currency Transactions

- (1) Foreign Currency Transactions is exchanged to functional currency by the spot exchange rate of the day of transaction or the day of appraisal, the exchange difference arising from the exchange of these transactions shall be recognized as the current profit and loss.
- (2) Foreign Monetary Assets and Debt Balance, is appraised by the spot exchange rate of the day of the balance sheet, the exchange difference arising from the appraisal shall be recognized as the current profit and loss.
- (3) Foreign Non-Monetary Assets and Debt Balance, those measured through profit and loss at fair value, is appraised and adjusted by the spot exchange rate of the date of balance sheet, the exchange difference arising from the appraisal shall be recognized as the current profit and loss; those measured by other comprehensive profit and loss at fair value, is appraised by the spot exchange rate of the date of balance sheet, the exchange difference arising from the appraisal shall be recognized as other comprehensive profit and loss; those not measured at fair value, is appraised by the historical exchange rate of the initial trading day.
- (4) All exchange difference is reported in the "other profit and loss" section of the income statement.

2.Foreign Operation Exchange

- (1) All subsidiaries, affiliated businesses and joint arrangements with different functional currencies and presentation currencies, their operating result and financial status is exchanged into presentation currencies through the following methods:
 - A. Assets and liabilities presented on every balance sheet shall be exchanged by the closing rate of the date of balance sheet;
 - B. Income and expenses presented on every comprehensive income statement is exchanged by the average exchange rate for the period;
 - C. The exchange difference arising from the appraisal shall be recognized as other comprehensive profit and loss
- (2) When the foreign operation that is part of the disposition or sale is an affiliated business or a joint agreement, the exchange difference under the other comprehensive profit and loss will be reclassified in proportion to the current profit and loss as a part of the profit or loss of the sale. However, even if the company still retains part of its equity in the former affiliated company or the joint agreement, but has lost significant influence on the foreign operation that is an affiliated company or has lost joint control of the foreign operation under the joint agreement, it is to deal with all the rights and interests of the foreign operation
- (3) When the foreign operating organization that is part of the disposal or sale is a subsidiary company, the accumulative exchange difference recognized as other comprehensive profit and loss is re-assigned to the non-controlling rights and interests of the foreign operation on a pro rata basis. However, even if the company still retains part of its equity in the former subsidiary, but has lost control of the foreign operation owned subsidiary, it is to deal with all the rights and interests of foreign operation.

(4) The classification standards of current and non-current asset and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) Those who expect to realize the asset during the normal business cycle, or intend to sell or consume it.
- (2) Holders mainly for trading purposes.
- (3) It is expected to be realized within twelve months after the date of the balance sheet.
- (4) Cash or cash equivalents, except for those that are subject to restrictions on exchange or use to pay off debts at least twelve months after the date of balance sheet.

The company classifies all assets that do not meet the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Those who are expected to be paid off during the normal business cycle.
- (2) Holders mainly for trading purposes.
- (3) Those who are expected to be settled within twelve months from the date of the balance sheet date.
- (4) The repayment period cannot be deferred unconditionally to at least twelve months after the date of the balance sheet. The terms and conditions of the liability may depend on the choice of the counterparty to issue equity instruments that lead to settlement, this does not affect its classification.

The company classifies all liabilities that do not meet the above conditions as non-current.

(5) Cash Equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into fixed cash at any time and the risk of value changes is very small. The fixed-term deposit meets the aforementioned definition and its purpose is to meet the short-term cash promises in the operation, and it is classified into cash equivalents

(6) Financial assets measured at fair value through other comprehensive profit and loss

1. Non-cancellable selection at the time of initial recognition, and the fair value change of the investment of non-holding equity tools for trading is reported to other comprehensive profit and loss; or liability tool investments that meet the following conditions at the same time:

- (1) Holding the financial assets under a business model whose purpose is to collect contractual cash flow and sell.
- (2) The contract terms of the financial asset produce a cash flow of a specific date, which is entirely the interest and interest for the payment of the principal and the flow of the principal amount abroad.

2. The company adopts transaction day accounting for financial assets that are in compliance with trading practices and are measured at fair value through other comprehensive profits and loss.

3. The company initially measured its fair value plus transaction cost at the time of initial recognition, and then continued to measure it at fair value:

- (1) Changes in the fair value of equity instruments are recognized in other comprehensive profit and loss, and at the time of delisting, accumulated profit and loss that were previously recognized in other comprehensive profit and loss shall not be reclassified to profit and loss, instead it is transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to the dividends are likely to flow in, and the amount of dividends can be reliably measured, the company recognizes dividend income in the profit and loss.
- (2) Changes in fair value of debt instruments are recognized in other comprehensive profit and loss, the impairment loss, interest income, and foreign currency exchange profit and loss before the delisting are recognized in the profit and loss, and at the time of the delisting, the accumulated profit or loss previously recognized in other comprehensive profit and loss will be reclassified from equity to profit and loss.

(7) Financial Assets Measured at Amortized Cost

1. Those that meet the following conditions :

- (1) Financial assets held under the business model for the purpose of collecting contractual cash flow.
 - (2) The contract clause of the financial asset generates a cash flow of a specific date, which is entirely the interest on the payment of the principal and the flow of the circulating principal amount.
2. The company adopts transaction day accounting for financial assets measured at amortized cost in accordance with trading practices.
3. The company measures at fair value plus transaction costs at the time of initial recognition, and subsequently uses the effective interest method to recognize interest income during the circulation period according to amortization procedures, and recognize impairment losses, and derecognize them, recognizing its profit or loss in profit and loss.
4. The company holds fixed deposits that are not in compliance with the contractual cash. Due to the short holding period, the impact of the discount is not significant, and it is measured by the amount of investment.

(8) Accounts and Notes Receivable

1. The accounts and notes that have been unconditionally received in exchange for the right to the amount of consideration due to the transfer of goods or services in accordance with the contract.
2. Short-term accounts receivable and notes that are unpaid interest, because the discount has little effect, the company uses the original invoice to measure the amount.

(9) Decrease of Financial Assets

On each date of balance sheet, the company considers all reasonable and provable information (including forward-looking ones) through debt instrument investments measured at fair value through other comprehensive profits and losses, financial assets measured at amortized cost, and accounts receivable that contain significant financial components, if the credit risk has not increased significantly since the initial recognition, the allowance loss is measured based on the amount of the 12-month expected credit loss; if the credit risk has increased significantly since the initial recognition, the allowance loss is measured based on the amount of expected credit loss during the duration; for accounts receivable that does not include a significant financial component, the allowance loss is measured based on the amount of expected credit loss during the duration

(10) Derecognition of Financial Assets

When the company loses effect on the contract right to receive cash flows from financial assets, the financial assets will be derecognized.

(11) Inventory

Inventory is measured by the lower of cost and net realizable value, and cost is determined by weighted average method. The cost of manufactured products and products in process includes raw materials, direct labor, other direct costs, and production-related manufacturing costs (shared according to normal production capacity), but does not include borrowing costs. When the comparison cost and the net realizable value are lower, the item-by-item comparison method is adopted, and the net realizable value refers to the estimated sales price minus the estimated sales price in the normal course of business operations until the completion of the project and the related sales after the estimated sales cost.

(12) Investment Using Equity Method- Subsidiary

1. Subsidiary refers to an entity controlled by the company (including structured entities), when the company is exposed to variable compensation from the participation of the entity or has rights to such variable compensation, and when it has the ability to influence the remuneration of the entity through the power of the entity, the company controls the entity.
2. The unrealized profit and loss arising from transactions between the company and its subsidiaries have been eliminated. The accounting policy of the subsidiary has been adjusted as necessary, which is consistent with the policy adopted by the company
3. The company recognizes the profits and losses of the subsidiary as current profits and losses, and recognizes the other comprehensive profits and losses after it is acquired as other comprehensive profits and losses. If the company's recognized loss of a subsidiary equals or exceeds the subsidiary's equity, the company continues to recognize the loss based on its shareholding ratio.
4. If the change in the shareholding of the subsidiary does not lead to loss of control (transaction with non-controlling rights and interests), it is treated as an equity transaction, that is, as a transaction with the owner. The difference between the adjustment amount of the non-controlling equity and the fair value of the consideration paid or received is directly recognized as equity.
5. When the company loses control of the subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and used as the fair value of the originally recognized financial asset or the cost of the originally recognized investment in an affiliated company or joint venture, the difference in the amount of the fair value and the book value is recognized as the current profit and loss. For all amounts previously recognized in other comprehensive profit and loss related to the subsidiary, the accounting treatment is the same as if the company directly disposes of related assets or liabilities, that is, if the profit or loss previously recognized as other comprehensive profit or loss, when disposing of related assets or liabilities, they will be reclassified as profit or loss. When the control of the subsidiary is lost, the profit or loss will be reclassified from equity as profit or loss.
6. According to the financial report preparation standards of securities issuers, the current profit and loss and other comprehensive profit and loss of the individual financial report shall be the same as the current profit and loss and other comprehensive profit and loss in the financial report prepared on a consolidated basis attributable to the owners of the parent company, the equity of the proprietor of the individual financial report shall be the same as those of the proprietor of the parent company in the financial report prepared on a consolidated basis.

(13) Real Estate, Plants, and Equipment

1. Real estate, plants and equipment are accounted for based on the cost obtained, and the relevant interest during the purchase and construction period is capitalized.
2. Subsequent costs are only included in the asset's book balance or the asset is recognized as a single asset only when the future economic benefits related to the project are likely to flow into the company and the cost of the project can be measured reliably. The book value of the relocated part should be deducted. All other maintenance costs are recognized as current profits and losses when they occur.
3. Real estate, factory buildings, and equipment are subsequently measured in a cost model. Except for land without depreciation, depreciation is calculated on the straight-line method based on the estimated service life. If the components of real estate, factory buildings, and equipment are significant, depreciation will be listed separately.
4. The company reviews the residual value, service life and depreciation method of each asset at the end of each financial year, if the expected value of salvage value and service life is different from the previous estimate, or the expected consumption pattern of future economic benefits contained in the asset has changed significantly, it shall be in accordance with International Accounting Standard No. 8 "Accounting Policy" from the date of the change. , Accounting Estimate Changes and Errors".

The durability of each asset is as follows:

Land improvement: 8-15 years

Houses and buildings: 1-50 years

Machine equipment: 1~20 years

Test equipment: 7~20 years

Transportation equipment: 5 years

Office equipment: 1~10 years

(14) Lessee's lease transaction-right-of-use assets / lease liability

1. Lease assets are recognized as right-of-use assets and lease liabilities on the day they are available for use by the company. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be paid in a straight-line method and recognized as a fee during the lease period.

2. Lease liabilities are recognized as the present value of the lease payments that have not yet been paid at the start date of the lease at the company's incremental borrowing interest rate.

The lease payments include:

(1) Fixed benefits, minus any lease incentives that can be received;

(2) The exercise price of the purchase option, if the lessee can reasonably determine that the option will be exercised.

The subsequent interest method is measured by the post-amortization cost method, and interest expenses are set out during the lease period. When a non-contractual modification or modification causes a change in the lease period or lease payment, the lease liability will be reassessed, and the amount will be re-appraised to adjust the right to use assets.

3. The right-to-use assets are recognized at the cost on the lease start date, and the cost includes:

(1) The original measurement amount of the lease liability;

(2) Any lease payments paid on or before the start date;

(3) Any original direct costs incurred;

Subsequent cost-based measurement is adopted, and depreciation costs are recognized when the useful life of the right-to-use asset expires or the lease period expires, whichever is earlier. When the lease liability is reassessed, the right-of-use asset will adjust any re-measurement of the lease liability.

(15) Decrease in Non-Financial Assets

The company estimates the recoverable amount of assets with signs of impairment on the date of balance sheet. When the recoverable amount is lower than its book value, the impairment loss is recognized. Recoverable amount refers to the fair value of an asset minus the cost of disposal or its use value, whichever is higher. When there is no impairment or reduction in the assets recognized in the previous year, the impairment loss shall be reversed, but the book value of the asset increased by the return of the impairment loss shall not exceed the book amount of depreciation or amortization of the asset if the impairment loss is not recognized.

(16) Loan

1. The long-term and short-term loans borrowed from the bank. The company measures its fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is adopted to recognize interest expenses for profit and loss during the circulation period according to the amortization procedure.

2. The expenses paid when the loan quota is established. When it is very possible to withdraw part or all of the quota, the expenses shall be recognized as the transaction cost of the borrowing, and shall be deferred until the adjustment of the effective interest rate is recognized when the

expenditure occurs; when it is not possible to withdraw part or all of the quota, the fee is recognized as an advance payment and amortized during the period related to the quota.

(17) Accounts and Notes Payable

1. Debts arising from the purchase of raw materials, commodities or labor services on credit and invoices payable due to business and non-business.
2. Short-term accounts payable and invoices that are unpaid interest, because discounting has little effect, the company uses the original invoice amount to measure the amount.

(18) Derecognition of Financial Liabilities

The company will derecognize financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired

(19) Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefits are measured by the amount of expected non-discounted cash payments, and are recognized as expenses when related services are provided

2. Pensions

(1) Determine the allocation plan

For the determination of the allocation plan, the amount of the retirement fund that should be allocated is recognized as the current retirement payment cost on the basis of power and responsibility. The advance payment is recognized as an asset within the scope of refundable cash or reduction of future payments.

(2) Determine the welfare plan

A. The net obligation under the determined benefit plan is calculated by discounting the amount of future benefits earned by the employee in the current period or past services, and the fair value of the planned assets is subtracted from the current value of the welfare obligations determined on the date of balance sheet. The net obligation to determine benefits is calculated by actuaries each year using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds whose balance sheet date is consistent with the currency and period of the determined benefit plan; in countries where there is no deep market for high-quality corporate bonds, the market yield rate of government bonds (on the date of balance sheet) is used.

B. Determine the amount of re-measurement generated by the welfare plan and recognize it in other comprehensive profits and losses in the current period, and express it in the retained earnings.

3. Staff remuneration and directors and supervisors remuneration

Remuneration for employees and directors and supervisors are recognized as expenses and liabilities when they are legally or presumed and the amount can be reasonably estimated. If there is a discrepancy between the actual allotment amount and the estimated amount in subsequent resolutions, it shall be dealt with according to the changes in accounting estimates. In addition, if the employees are paid on the basis of stocks, the basis for calculating the number of shares is the closing price of the day before the day of the board of directors' resolutions.

(20) Income Tax

1. Income taxes include current and deferred income taxes. Except for the income tax related to the items included in other comprehensive profits and losses or directly included in the rights and losses, which are separately included in other comprehensive profits and losses or directly included in the rights and losses, the income tax system is recognized in the profit and loss.
2. The company calculates the current income tax based on the tax rate of the country in which it is taxable on the date of balance sheet that has been enacted or has substantive legislation. The management level assesses the status of the income tax declaration on a regular basis according to the applicable income tax-related laws, and, where applicable, estimates the income tax liability based on the expected tax payment to the tax authority. Undistributed surpluses are subject to additional income tax levied in accordance with the income tax law, and the distribution of actual surpluses will be recognized after the shareholders' meeting has passed the surplus distribution case in the year following the year in which the subsequent surpluses are generated.
3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the taxation basis of assets and liabilities and its book value in the consolidated balance sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction (excluding business combinations), and if it does not affect accounting profits or taxable income (taxable losses) at the time of the transaction, it will not be recognized. If there are temporary differences between the investment subsidiary and associated companies, the company can control the timing of the reversal of the temporary differences, and the temporary differences are likely to be foreseeable and will not be reverted. The deferred income tax shall be applied on the date of balance sheet or substantive legislation, and the relevant deferred income tax assets shall be realized or the deferred income tax shall be paid off as the pre-tax rate applicable at the time.
4. The temporary difference of deferred income tax assets is likely to be used to deduct future taxable income within the scope of recognition, and the unrecognized and deferred tax assets shall be reassessed on each date of balance sheet.
5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or when it is generated by different tax-paying entities but each entity intends to pay off on a net basis or at the same time realize the assets and pay off the debt, the deferred tax assets and liabilities will be offset against each other.
6. The deferred portion of the unused income tax deduction due to equity investment, etc., is within the scope of the possible future tax deduction for the unused income tax deduction, and deferred assets are recognized.

(21) Equity

Common stocks are classified as equity. The net amount directly attributable to the increase in the issuance of new shares or subscription rights after the deduction of taxes is included in the equity as a price reduction.

(22) Dividend Distribution

Dividends distributed to shareholders of the company are recognized in the financial report when the company's general meeting of shareholders resolves the distribution of dividends, cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed, and transferred as ordinary shares on the base date of issuance of new shares.

(23) Income Recognition

1. The company is engaged in the manufacturing and sales of rubber and plastic products. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer, the customer has the discretion to sell the product and the price, and the company has no outstanding performance obligations that may affect customers' acceptance of the product. When the product is shipped to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product in accordance with the sales contract, or there is an objective certificate that proves that all the products have been accepted by the supplier before the delivery has been fully paid.
2. The sales revenue of the company's sales of rubber and plastic products is recognized as the contract price deducting the estimated sales discount and the net price reduction. Sales discounts and price reductions given to customers are usually calculated on the basis of 12-month cumulative sales. The company estimates sales discounts and price reductions based on historical experience, the amount of income recognized is limited to the portion that is likely to be high in the future and will not be subject to a major reversal, and the estimate is updated every date of balance sheet. The estimated sales-related discounts and price reductions payable to customers as of the date of balance sheet are recognized as refund liabilities. The payment terms for sales transactions are usually due 30 to 90 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the payment by the customer has not exceeded one year, the company has not adjusted the transaction price to reflect the time value of the currency.
3. Accounts receivable are recognized when the merchandise is delivered to the customer, because the company has no conditional rights to the contract price from that point onwards, and the consideration can be collected from the customer only after time has passed.

(24) Government Subsidy

The government subsidy can be reasonably assured that the enterprise will comply with the conditions imposed by the government subsidy, and the subsidy will be received at its fair value. If the nature of the government subsidy is to compensate for the expenses incurred by the company, the government subsidy shall be recognized as the current profit and loss on the basis of the system during the occurrence of the relevant expenses.

5. Primary Sources of Major Accounting Judgements, Estimates, and Assumptions

When the company prepared this individual financial report, management has used its judgment to determine the accounting policy adopted, and made accounting estimates and assumptions about reasonable expectations of future events based on the conditions on the date of balance sheet. The major accounting estimates and assumptions made may be different from the actual results, and will be continuously appraised and adjusted taking into account historical experience and other factors. These estimates and assumptions have the risk that the book value of assets and liabilities will be adjusted significantly in the next financial year. Please provide the following detailed explanations on the uncertainty of major accounting judgments, estimates and assumptions:

(1) Important judgments on the adoption of accounting policies

There is no such situation.

(2) Important accounting estimates and assumptions

1. Appraisal of accounts receivable

For the appraisal of accounts receivable, the company uses the default risk and expected loss rate as the basis for assessing the allowance loss of accounts receivable, and considers historical experience to determine the assumptions and selection inputs that need to be used when calculating impairment. Since the valuation of accounts receivable is based on the

credit risk of the counterparty within a specific period in the future, major changes may occur.

On December 31st, 2020, the book value of the company's accounts receivable was NT\$ 191,680 thousand.

2. Appraisal of inventory

Since the inventory must be priced at the lower of the cost or the net realizable value, the company must use judgment and valuation to determine the net realizable value of the inventory on the date of balance sheet. Due to the rapid changes in technology, the company assesses the amount of the inventory due to normal loss, obsolescence, or no-market sales value on the date of balance sheet, and offsets the inventory cost to the net realized value. This inventory appraisal is mainly based on the unit price of the sales order as the basis of the estimate, so major changes may occur.

On December 31st, 2020, the book value of the company's inventory was NT\$ 300,888 thousand.

3. Appraisal of investment impairment loss using equity method:

When there are signs of impairment that an investment using the equity method may have been impaired so that the book value cannot be recovered, the company immediately appraises the impairment of the investment. The company appraises the recoverable amount based on the discounted current value of the expected future cash flow of the invested company and analyzes the rationality of its related assumptions.

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

On December 31st, 2020, the company used the equity method to invest in the book amount of NT\$ 3,017,764 thousand.

6. Description of Major Accounting Items

(1) Cash and Cash Equivalent

1	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Cash on hand and working capital	\$ 112	\$ 129
Check deposit and demand deposit	<u>354,429</u>	<u>260,917</u>
Total	<u>\$ 354,541</u>	<u>\$ 261,046</u>

credit quality of the financial institutions with which the company interacts is of good quality, and the company interacts with multiple financial institutions to disperse credit risks, and the likelihood of default is very low.

2.The company categorizes the fixed deposits whose original maturity date is more than three months into "Financial assets measured at amortized cost-flow", please refer to Note 6 (3) for details.

3.The restricted deposits required by the company for long-term and short-term borrowings and material purchase performance guarantees are listed under "Financial assets measured at amortized cost- non-current", please refer to Note 8 for details

(2) Financial assets measured at fair value through other comprehensive profits and losses

<u>Items</u>	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Current Items:		
Equity instruments		
Unlisted, OTC, Emerging stocks	\$ 440	\$ 440
Appraisal Adjustment	(440)	(440)
Total	<u>\$ -</u>	<u>\$ -</u>

1. The company chooses to classify strategic investment equity investments as financial assets measured at fair value through other comprehensive profits and losses. The fair value of these investments on December 31st, 2020 and 2019 were both zero.
2. Regardless of the collateral held or other credit enhancements, the financial assets that best represents the company measured at fair value through other comprehensive gains and losses: the maximum amount of exposure to credit risk as of December 31st, 2020 and 2019 are both 0.
3. Please refer to Note 12 (2) for the relevant financial asset credit risk information measured at fair value through other comprehensive profits and losses.

(3) Financial assets measured at amortized cost

<u>Items</u>	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Current Items:		
Fixed Deposits (Over Three Months)	\$ 3,400	\$ 3,400
Restricted Fixed Deposits	<u>143,889</u>	<u>-</u>
Total	<u>\$ 147,289</u>	<u>\$ 3,400</u>
Non-Current Items:		
Restricted Fixed Deposits	\$ 12,250	\$ 12,250
Restricted Current Deposits	<u>210,863</u>	<u>84,995</u>
Total	<u>\$ 223,113</u>	<u>\$ 97,245</u>

1. Regardless of the collateral held or other credit enhancements, the most representative of the company's financial assets measured at amortized cost: the maximum credit risk insurance amount was NT\$ 370,402 thousand and NT\$100,645 thousand respectively
2. The company will provide financial assets measured at amortized cost as a form of pledge guarantee. Please refer to Note 8 for details.
3. The interest income recognized by the company's financial assets measured at amortized cost during 2020 and 2019 are NT\$1,034 thousand and NT\$190 thousand, respectively.
4. For information about financial assets and credit risks measured at amortized cost, please refer to Note 12 (2) for details.

(4) Notes and Accounts Receivable

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Notes Receivable	\$ 30,465	\$ 31,059
Minus: Allowance For Loss	(82)	(82)
	<u>\$ 30,383</u>	<u>\$ 30,977</u>
Accounts Receivable	\$ 193,750	\$ 160,564
Minus: Allowance For Loss	(2,070)	(1,813)
	<u>\$ 191,680</u>	<u>\$ 158,751</u>

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

	<u>December 31st, 2020</u>		<u>December 31st, 2019</u>	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Not Overdue	\$ -	\$ 183,259	\$ 150,015	\$ 29,977
Within 90 Days	9,617	49	8,317	1,082
91-120 Days	617	-	1,574	-
121-180 Days	-	-	658	-
181-365 Days	257	-	-	-
Over 1 Year	-	-	-	-
	<u>\$ 193,750</u>	<u>\$ 30,465</u>	<u>\$ 160,564</u>	<u>\$ 31,059</u>

The above is an aging analysis based on the number of overdue days

2. The balance of accounts and notes receivable as of December 31st, 2020 and 2019 are all due to customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1st, 2019 is NT\$18,038 thousand.
3. For part of the accounts receivable, the company uses real estate and CDs provided by customers as collateral. As of December 31st, 2019, the balance of notes and accounts receivable were NT\$45,236 thousand and NT\$46,354 thousand, respectively. When assessing this type of accounts receivable, the company has considered the recoverability of the accounts receivable and the recoverable amount of its collateral, and then set aside allowance for losses.
4. Regardless of the collateral held or other credit enhancements, the most representative of the company's notes and accounts receivable as of December 31st, 2020 and 2019, the maximum credit risk amount is the book value of each type of notes and accounts receivable.
5. For relevant accounts receivable and notes receivable according to credit risk information, please refer to Note 12 (2) for details.

(5) Inventory

	December 31 st , 2020		
	<u>Cost</u>	<u>Allowance For Valuation Loss</u>	<u>Book Amount</u>
Inventory		(\$ 17,639)	\$ 139,576
Work In Progress	28,725	(349)	28,376
Finished Goods	134,885	(15,334)	119,551
Merchandise Inventory	7,288	(4,639)	2,649
Inventory In Transit	<u>10,736</u>	<u>-</u>	<u>10,736</u>
Total	<u>\$ 338,849</u>	<u>(\$ 37,961)</u>	<u>\$ 300,888</u>

	December 31 st , 2019		
	<u>Cost</u>	<u>Allowance For Valuation Loss</u>	<u>Book Amount</u>
Raw Material	\$ 128,140	(\$ 6,841)	\$ 121,299
Work In Progress	24,321	(349)	23,972
Finished Goods	132,250	(5,334)	126,916
Merchandise Inventory	7,026	(4,039)	2,987
Inventory In Transit	<u>664</u>	<u>-</u>	<u>664</u>
Total	<u>\$ 292,401</u>	<u>(\$ 16,563)</u>	<u>\$ 275,838</u>

The cost of inventory recognized by the company as an expense in the current period:

	<u>2020</u>	<u>2019</u>
Cost of inventory sold	\$ 1,460,535	\$ 1,701,114
Loss of inventory falling price (recovery benefit)	21,398	(8,000)
Fixed manufacturing cost less apportioned	25,798	13,737
Inventory loss	137	217
Income from sale	<u>(1,274)</u>	<u>(1,463)</u>
	<u>\$ 1,506,594</u>	<u>\$ 1,705,605</u>

inventory that was lost due to the depreciation part, which caused the net realizable value of the inventory to rise and recognized it as a reduction in the cost of sales.

(Blank Below)

(6) Investment using the equity method

Subsidiary:	December 31st, 2020	December 31st, 2019
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 1,535,571	\$ 1,468,797
HWA FONG RUBBER (U.S.) CO., LTD	650,993	637,424
HWA FONG (VIKING) HOLDINGS CO., LTD.	466,246	415,064
CHINA HWA FONG ENTERPRISE CO., LTD.	199,777	193,595
HWA FONG RUBBER (WEST COAST) CO., LTD	28,533	-
HWA FONG RUBBER (SUZHOU) CO., LTD	18,819	14,257
HWA FONG RUBBER (SINGAPORE) CO., LTD	(439,881)	(440,523)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(77,364)	(38,194)
HWA FONG RUBBER (CHINA) CO., LTD	(59,132)	(29,194)
HWA FONG RUBBER (HONG KONG) CO., LTD	(93,807)	(21,618)
INALWAYS CORPORATION	<u>117,825</u>	<u>-</u>
Add: Long-term equity investment loan balance using equity method	2,347,580	2,199,608
Non-current liabilities	<u>670,184</u>	<u>529,529</u>
	<u>\$ 3,017,764</u>	<u>\$ 2,729,137</u>

1. For information about the company's subsidiary, please refer to Note 4 (3) of the company's 2020 consolidated financial report.
2. In order to improve the financial structure of Hwa Fong Rubber (Suzhou) Co., Ltd., on September 18th, 2017, the board of directors approved the company's debt to Hwa Fong Rubber (Suzhou) Co., Ltd. to \$5,300 thousand, to increase the capital of Hwa Fong Rubber (Suzhou) Co., Ltd. by means of "debt-to-equity swap". The relevant legal procedures have been approved by the Investment Review Committee of the Ministry of Economic Affairs on February 20th, 2018, and have been implemented on December 25th, 2019, and the relevant alteration registration has been completed.
3. The details of the share of investment gains and losses recognized using the equity method are as follows:

<u>Investee Companie</u>	<u>Investment Profits and Losses</u>	
	<u>2020</u>	<u>2019</u>
HWA FONG RUBBER (THAILAND) PUBLIC CO.,LTD	\$ 193,564	\$ 140,037
HWA FONG RUBBER (U.S.) CO., LTD	47,227	49,073
HWA FONG (VIKING) HOLDINGS CO., LTD.	58,868	(58,024)
CHINA HWA FONG ENTERPRISE CO., LTD.	7,740	28,195
HWA FONG RUBBER (WEST COAST) CO., LTD	107	-
HWA FONG RUBBER (SUZHOU) CO., LTD	4,227	168
HWA FONG RUBBER (SINGAPORE) CO., LTD	(19,659)	(59,128)
HWA CHONG (VIKING) HOLDINGS CO., LTD.	(37,679)	(113,406)
HWA FONG RUBBER (CHINA) CO., LTD	(28,800)	(86,681)
HWA FONG RUBBER (HONG KONG) CO., LTD	(68,285)	8,169
INALWAYS CORPORATION	<u>629</u>	<u>-</u>
	<u>\$ 157,939</u>	<u>(\$ 91,597)</u>

The share of the profits and losses of the subsidiary companies recognized in the above-mentioned investment using the equity method is based on the evaluation of the financial statements of each invested company that has been reviewed by the accountant during the same period.

(Blank Below)

(7) Real estate, plants, and equipment

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

January 1 st to December 31 st , 2019					
	<u>Opening Balance</u>	<u>Present Addition</u>	<u>Present Disposition</u>	<u>Transferral</u>	<u>Closing Balance</u>
Cost					
Land	\$ 711,346	\$ -	\$ -	\$ -	\$ 711,346
Land improvement	8,873	-	-	-	8,873
Housing and Construction	444,002	957	(3,260)	3,626	445,325
Mechanical Equipment	1,248,155	28,661	(48,094)	26,437	1,255,159
Test Equipment	110,067	898	(8,341)	1,812	104,436
Transportation Equipment	24,643	2,479	(900)	168	26,390
Office Equipment	27,219	95	(1,415)	-	25,899
Unfinished works and equipment to be inspected	<u>40,188</u>	<u>-</u>	<u>-</u>	<u>(32,125)</u>	<u>8,063</u>
	<u>\$ 2,614,493</u>	<u>\$ 33,090</u>	<u>(\$ 62,010)</u>	<u>(\$ 82)</u>	<u>\$ 2,585,491</u>
Accumulated Depreciation					
Land improvement	(\$ 4,246)	(\$ 557)	\$ -	\$ -	(\$ 4,803)
Housing and	(310,546)	(7,898)	3,260	-	(315,184)
Mechanical	(776,819)	(85,626)	43,126	-	(819,319)
Test Equipment	(75,855)	(7,198)	8,341	-	(74,712)
Transportation Equipment	(11,788)	(4,171)	900	-	(15,059)
Office Equipment	(18,224)	(2,691)	<u>1,415</u>	<u>-</u>	(19,500)
	<u>(\$ 1,197,478)</u>	<u>(\$ 108,141)</u>	<u>\$ 57,042</u>	<u>\$ -</u>	<u>(\$ 1,248,577)</u>
	<u>\$ 1,417,015</u>				<u>\$ 1,336,914</u>

1. Capitalized amount and interest rate interval of real estate, plants, and equipment loan costs
January 1st to December 31st, 2020 January 1st to December 31st, 2019

Capitalized Amount	\$ 213	\$ 233
Capitalized interest rate interval	1.69%	1.91%

2. The company purchased the land in Dacun Township, Chungan and Shangmei, which is adjacent to the factory, to prepare for the expansion of the factory and house. Since it is agricultural land, it is not possible to transfer the ownership to the company, so it is temporarily registered as a private person. The company has signed a contract with it, and can handle the transfer of all rights at any time according to the law and regulations, open the land, and have already set up the mortgage to the company. As of December 31st, 2020, the details of the farmland that has not yet been transferred are as follows:

<u>Land Number</u>	<u>Square Meters</u>
Dacun Township Shangmei 39	270.49
Dacun Township Shangmei 40	2,237.58

Due to the personal lawsuit of the former chairman of the board of directors, the above-mentioned land number 39 and 40 were seized by the Civil Affairs Enforcement Office of the Changhua Local Court. The lawsuit is currently in progress, please refer to note 9(1) for the relevant progress.

3. For information on guarantees provided by real estate, plants and equipment, please refer to Note 8 for details.

(8) Lease transaction- lessee

1. The subject assets leased by the company include land, buildings, company vehicles, multi-function business jets, and the lease contract period usually ranges from 1 to 13 years. A lease contract is a separate negotiation and contains a variety of different terms and conditions. Except that the leased assets cannot be used as guarantees for loans, there are no other restrictions.
2. The lease period of the dormitory and official vehicle leased by the company shall not exceed 12 months, and the leased asset is a multi-function business machine with a low value.
3. The book value of the right to use asset and the recognized depreciation expense information are as follows:

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
	<u>Book Amount</u>	<u>Book Amount</u>
Land	\$ 388	\$ 423
Transportation Equipment (Company Cars)	6,026	3,006
	<u>\$ 6,414</u>	<u>\$ 3,429</u>
	<u>2020</u>	<u>2019</u>
	<u>Depreciation Cost</u>	<u>Depreciation Cost</u>
Land	\$ 35	\$ 35
Transportation Equipment (Company Cars)	2,722	1,885
	<u>\$ 2,757</u>	<u>\$ 1,920</u>

4. The company added NT\$ 5,742 thousand and NT\$ 2,115 thousand in the use rights assets in 2020 and 2019, respectively.

5. Information about the profit and loss items related to the lease contract is as follows:

	<u>2020</u>	<u>2019</u>
<u>Items that affect current profit and loss</u>		
Interest expense on lease liability	\$ 115	\$ 76
Charges for short-term lease contracts	1,465	2,532
Lease of low-value assets	<u>333</u>	<u>346</u>
	<u>\$ 1,913</u>	<u>\$ 2,954</u>

6. The company's total lease cash outflows in 2020 and 2019 were NT\$ 4,712 thousand and NT\$4,770 thousand, respectively.

7. Option to extend lease extension and option to terminate lease

When deciding on the lease period, the company takes into consideration the facts and circumstances that all exercise extension options, or failure to exercise termination options, will produce economic incentives. When a major event occurs in the evaluation of the exercise of the extension of the option or the failure to exercise the termination of the option, the lease period will be re-evaluated.

(9) Short-Term Loan

<u>Loan Type</u>	<u>December 31st, 2020</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Loan			
Secured Loan	\$ 11,640	0.89%~0.91%	Land, plant, and equipment
Credit Loan	430,000	1.05%~1.40%	None
Purchase Loan	<u>55,972</u>	1.05%~1.47%	None
	<u>\$ 497,612</u>		

<u>Loan Type</u>	<u>December 31st, 2020</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Loan			
Secured Loan	\$ 6,151	2.81%	Land, plant, and equipment
Credit Loan	200,000	1.28%~1.45%	None
Purchase Loan	<u>27,273</u>	2.80%~3.09%	None
	<u>\$ 233,424</u>		

- The interest expenses recognized in the profit and loss in 2020 and 2019 were NT\$ 5,255 thousand and NT\$ 7,221 thousand respectively.
- The above mentioned and the bank's guarantee loans provide real estate, plants and equipment as collateral. Please refer to Note 8 for details.

(10) Short-Term Notes Payable

	<u>December 31st, 2020</u>
Commercial Promissory Note	\$ 50,000
Minus: commercial promissory notes payable discount	(34)
Total	<u>\$ 49,966</u>
	<u>1.20%</u>

Issuance Rate

December 31st, 2019: No such situation.

As of December 31st, 2020, the above-mentioned short-term notes payable were issued under the guarantee issued by the China Bills Finance Corporation.

(11) Other Accounts Payable

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Salaries and bonuses payable	\$ 61,964	\$ 53,659
Tax payable	1,437	974
Equipment payment payable	9,982	4,274
Payable for repairs	14,037	7,589
Packing fee payable	4,889	3,436
Interest payable	1,372	1,299
Other payable expenses	<u>24,997</u>	<u>23,105</u>
	<u>\$ 118,678</u>	<u>\$ 94,336</u>

(12) Long-Term Loan

<u>Loan Type</u>	<u>Loan Period and payment</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>	<u>December 31st, 2019</u>
Bank Guaranteed	From July 15th, 2019 to July 15th, 2024	1.80%	Real estate, plants	\$ 1,000,000
Joint Loan Case	monthly interest payment and principal		equipments, and fixed deposits	
Bank Guaranteed	repayment every three months	1.52%	Real estate, plants	232,500
Loan	September 13th, 2018 ~ September 13th, 2023 monthly interest payment		equipment	
Bank Guaranteed	August 15th, 2018 to August 2021	1.53%	Real estate, plants	64,505
Loan	monthly interest payment		equipment	
Minus: Hosting fee				(2,405)
				1,294,600
Minus: Long-term loans due within one year or one business cycle (list other current liabilities)				(59,527)
				<u>\$ 1,235,073</u>

<u>Loan Type</u>	<u>Loan Period and Repayment</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>	<u>December 31st, 2019</u>
Bank Guaranteed Joint Loan Case	From July 15th, 2019 to July 15th, 2024, monthly interest payment and principal repayment every six months	1.80%	Real estate, plants, equipments, and current deposits	\$ 1,000,000
Bank Guaranteed Loan	September 13 th , 2018 ~ September 13 th , 2023, monthly interest payment	1.80%	Real estate, plants, equipments	262,500
Minus: Hosting fee				(3,965)
Minus: Long-term loans due within one year or one business cycle (list other current liabilities)				1,258,535 (30,000)
				<u>\$ 1,228,535</u>

- The company signed an agreement with Land Bank Co., Ltd. as the main bank on June 3rd, 2019, the credit bank is a joint credit bank consortium composed of seven financial companies including the Land Bank Co., Ltd., which has signed a "joint credit agreement" of NT\$ 1,800,000 thousand, it also uses Land Bank Co., Ltd. as the management bank to jointly grant credit to repay existing borrowings and enrich working capital. In addition to other relevant regulations, the above-mentioned joint loan contract also includes the following restrictions:
During the duration of the joint loan, the accountant's annual review and the verification and signing of the financial report shall be submitted, and the financial ratio agreed by both parties shall be maintained. The financial ratio is stipulated as follows:
 - (1) Liquidity ratio (current assets/current liabilities): greater than or equal to 100%.
 - (2) Negative debt-to-interest ratio (total debt/tangible net value): less than or equal to 200%.
 - (3) Tangible net worth (total equity-intangible assets): greater than or equal to NT\$ 3,000,000 thousand.
- On August 2nd, 2017, the company signed a joint credit agreement of NT\$ 1,650,000 thousand with joint credit bank consortium formed with seven financial companies including Taiwan Banking Co., Ltd. as the main bank, and the credit bank is Taiwan Banking Co., Ltd. and other seven financial companies. The Bank of Taiwan serves as the management bank, and the joint credit is used to repay the existing borrowings and to enrich the operating funds. The above-mentioned joint loan contract includes the following restrictions in addition to other relevant regulations:
During the duration of the joint loan, the annual non-consolidation verification and signature financial report for the audit by the accountant shall be submitted, and the financial ratio agreed by both parties shall be maintained. The financial ratio is stipulated as follows:
 - (1) Liquidity ratio (current assets/current liabilities): greater than or equal to 100%.
 - (2) Ratio of debt to equity (total debt/total equity): less than or equal to 200%.
 - (3) Interest guarantee multiple [(net profit after tax + depreciation + interest expense)/interest expense]: greater than or equal to 2.5.
 - (4) Tangible net worth (total equity-intangible assets): greater than or equal to NT\$ 3,400,000 thousand.

In accordance with the provisions of the joint credit, during the contract period, the company must comply with specific financial ratios at the end of the year, such as current ratio, debt-to-equity ratio, and tangible net value, as of December 31st, 2020, the company has not violated the above clauses.
- The above-mentioned syndicated loan and guarantee loan with the bank provide real estate, plants and equipment and current deposits as collateral. Please refer to Note 8 for details.

(13) Pension

1.(1) In accordance with the provisions of the "Labor Standards Law", the company has established a retirement method with defined benefits, which is applicable to the service years of all regular employees before the implementation of the "Labor Pension Regulations" on July 1st, 2005, and employees who choose to continue to apply the "Labor Standards Law" to continue their service years after the implementation of the "Labor Retirement Payment Regulations." For employees who meet the retirement conditions, the pension payment is calculated based on the length of service and the average salary in the 6 months before retirement. Two bases are given for each year of service within 15 years (inclusive), and for each year of service over 15 years, a base is given for one full year, but the cumulative maximum is limited to 45 bases. The company allocates a retirement fund of 2% of the total salary on a monthly basis, and deposits it in a dedicated account in the Bank of Taiwan under the name of the Labor Retirement Preparation Commission. In addition, before the end of each year, the company estimates the balance of the aforementioned labor retirement reserve fund account. If the balance is not enough to pay the pension amount calculated in accordance with the foregoing calculation of the estimated eligible employees in the next year, the company will allocate the difference before the end of March of the following year.

(2) Amount Recognized in the Balance Sheet:

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Defined Benefit Duty Present Value	\$ 94,486	\$ 96,785
Planned Asset Fair Value	(47,303)	(45,946)
Net Defined Benefit Liability	<u>\$ 47,183</u>	<u>\$ 50,839</u>

(3) Change in Net Defined Benefit Liability:

	<u>2020</u>		
	<u>Defined Benefit Duty Present Value</u>	<u>Planned Asset Fair Value</u>	<u>Net Defined Benefit Liability</u>
January 1 st	\$ 96,785	(\$ 45,946)	\$ 50,839
Present Service Cost	1,440	-	1,440
Interest (Cost) Income	<u>968</u>	<u>(513)</u>	<u>455</u>
	<u>99,193</u>	<u>(46,459)</u>	<u>52,734</u>
Remeasured Number :			
Planned Asset Remuneration (Excluding the Amount included in interest	-	(1,489)	(1,489)
Hypothetic Population Change Affected Number	2,479	-	2,479
Experience Adjustment	<u>3,137</u>	<u>-</u>	<u>3,137</u>
	<u>5,616</u>	<u>(1,489)</u>	<u>4,127</u>
Allocated Pension Fund	- (7,075)	(7,075)	(7,075)
Pension Payment	<u>(10,323)</u>	<u>7,720</u>	<u>(2,603)</u>
December 31 st	<u>\$ 94,486</u>	<u>(\$ 47,303)</u>	<u>\$ 47,183</u>

	2019		
	<u>Defined Benefit Duty</u>	<u>Planned Asset Fair</u>	<u>Net Defined Benefit</u>
	<u>Present Value</u>	<u>Value</u>	<u>Liability</u>
January 1 st	\$ 106,198	(\$ 43,784)	\$ 62,414
Present Service Cost	1,872	-	1,872
Interest (Cost) Income	1,115	(656)	459
	<u>109,185</u>	<u>(44,440)</u>	<u>64,745</u>
Remeasured Number :			
Planned Asset Remuneration (Excluding the Amount included in interest income or costs)			
Hypothetic Population Change Affected Number	- (544)	6,453) (-	6,453) 544
Experience Adjustment	<u>2,829</u>	<u>-</u>	<u>2,829</u>
	<u>3,373</u>	<u>(6,453)</u>	<u>(3,080)</u>
Allocated Pension Fund		<u>10,819)</u>	<u>(10,819)</u>
Pension Payment	<u>(15,773)</u>	<u>15,766</u>	<u>(7)</u>
December 31 st	<u>\$ 96,785</u>	<u>(\$ 45,946)</u>	<u>\$ 50,839</u>

(4) The assets of the company's definite welfare retirement plan fund are the projects in accordance with Article 6 of the Labor Retirement Fund's Income and Expenditure Safeguarding and Utilization Measures within the scope and amount of the entrusted business projects set by the Bank of Taiwan in accordance with the annual investment and utilization plan of the fund (That is, depositing domestic and foreign financial institutions, investing in domestic and foreign listed, OTC or private equity securities, and investing in domestic and foreign real estate securitized products, etc.) to handle entrusted operations, and the relevant use is supervised by the Labor Pension Fund Supervisory Committee. For the use of the fund, the minimum income of its annual final accounting distribution must not be lower than the income calculated based on the two-year fixed deposit interest rate of the local bank. If it is not sufficient, it will be approved by the competent authority and then replenished by the State Treasury. Since the company has no right to participate in the operation and management of the fund, it cannot disclose the classification of the fair value of the planned assets in accordance with paragraph 14 of the International Accounting Standards No. 19. The fair value of the total assets of the fund was formed on December 31st, 2020 and 2019. Please refer to the report on the use of the labor retirement fund for each year announced by the government.

(5) Pension related calculations:

	<u>2020</u>	<u>2019</u>
Discount	<u>0.75%</u>	<u>1.00%</u>
Future Salary Increase Rate	<u>2.00%</u>	<u>2.00%</u>

The hypothesis for the future mortality rate is based on statistics and experience estimates that have been published by various countries. The analysis of the present value of the determination of benefits and obligations affected by changes in the main actuarial assumptions adopted is as follows :

	<u>Discount</u>		<u>Future Salary Increase Rate</u>	
	<u>0.25% Increase</u>	<u>0.25% Decrease</u>	<u>1% Increase</u>	<u>1% Decrease</u>
December 31 st , 2020				
Effect on Defined Benefit	(\$ 2,479)	\$ 2,583	\$ 10,750	(\$ 9,321)
Duty Present Value				
December 31 st , 2019				
Effect on Defined Benefit	(\$ 2,676)	\$ 2,790	\$ 11,656	(\$ 10,072)
Duty Present Value				

The sensitivity analysis described above is based on the analysis of the impact of a single hypothesis change under the condition that other hypotheses remain unchanged. In practice, many hypothetical changes may be linked. The sensitivity analysis system is consistent with the method used to calculate the net pension liabilities of the asset liability table.

The methods and assumptions used in the compilation of sensitivity analysis in this issue are the same as those in the previous period.

(6) The company's estimated payment to the retirement plan in 2021 is NT\$ 7,075 thousand.

(7) As of December 31st, 2020, the weighted average duration of the retirement plan was 13.2 years. An analysis of the expiry date of the retirement payment is as follows:

Less Than 1 Year	\$	43,393
1-2 Years		4,029
2-5 Years		28,489
Over 5 Years		13,818
	\$	<u>89,729</u>

2.(1) Since July 1st, 2005, the company has established a definite provision of retirement procedures in accordance with the "Labor Retirement Payment Regulations", which is applicable to employees who are nationals of the country. The company and its domestic subsidiaries apply the labor pension system stipulated by the "Labor Pension Regulations" based on the employees' choice, with a monthly contribution of 6% of the salary to the individual account of the labor insurance bureau, and the payment of the employee pension depends on the employee Individual pension accounts and the amount of accumulated income are collected in the form of monthly pensions or lump-sum pensions.

(2) In 2020 and 2019, the cost of pension recognized by the company in accordance with the above-mentioned method of pension payment was NT\$ 13,745 thousand and NT\$ 14,839 thousand, respectively.

(14) Capital Stock

1. On December 31st, 2020, the company's fixed capital was NT\$ 4,500,000 thousand, paid-in capital was NT\$ 3,323,492 thousand, and the denomination was NT\$ 10 per share. The number of outstanding shares at the end of the period was 332,349 thousand shares, and there was no change in the number of outstanding shares from January 1st to December 31st, 2020. The payment for the issued shares of the company has been received.

2. In order to improve the financial structure, the company passed the resolution of the shareholders meeting on December 9th, 2020 to reduce capital to eliminate accumulated losses totaling NT\$ 530,000 thousand, and 53,000 thousand shares of common stock issued, denomination per share NT\$10, with a capital reduction ratio of 15.95%. This capital reduction case was approved by the competent authority and applied for effect on January 12th, 2021.

(15) Capital surplus

Under the Company Act, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as new stock at the shareholder's original shareholding ratio or cash dividends. In accordance with the Securities and Exchange Act, the total amount shall not exceed 10% of the paid-in capital each year when the said capitalization is to be realized. The Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

2020					
	Additional paid-in capital	Net equity of the affiliated company Amount of changes	Other		Total
January 1	\$ -	\$ 36,679	\$ 275	\$	36,954
Amount of changes in the equity of the affiliated company based on the shareholding ratio	-	302	-		302
December 31	\$ -	\$ 36,981	\$ 275	\$	37,256

2019					
	Additional paid-in capital	Net equity of the affiliated company Amount of changes	Other		Total
January 1	\$ 126,250	\$ 41,464	\$ 275	\$	167,989
Capital surplus used to cover accumulated deficits	(126,250)	-	-	(	126,250)
Amount of changes in the equity of the affiliated company based on the shareholding ratio	-	(4,785)	-	(	4,785)
December 31	\$ -	\$ 36,679	\$ 275	\$	36,954

(16) Retained Earnings

1. In accordance with the Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the accumulated legal capital reserve equals the Company's paid-in capital. After setting aside the appropriated retained earnings in accordance with related regulations, the remaining earnings along with the accumulated unappropriated earnings in prior years shall be appropriated as stock dividends and bonus as proposed by the Board of Directors and resolved by the shareholders. The total amount of the bonus shall be between 20% to 90% of the accumulated unappropriated earnings with cash bonus no less than 10% of the total bonus.
2. The current year's earnings, if any, shall be set aside no less than 2% for employees' compensation and no more than 5% for directors' compensation. The company's accumulated losses shall be reserved in advance. Employees' compensation can be distributed in the form of shares or in cash; whereas directors' compensation should be distributed in cash by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees in the preceding paragraph, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash shall be decided by the board of directors.

3. The legal reserve and the capital reserve shall not be used except for offsetting a deficit, or be distributed as dividends in cash or stocks for the portion of the paid-in capital. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.
4. When distributing the surplus, the Company is required to set aside additional special capital reserve for the debit balance of the other components of stockholders' equity on the asset liability statement date of the current year before it can be distributed. It may be reversed to distributable surplus for the subsequent reverse for the debit balance of the other components of stockholders' equity.
- 5.(1) The 2018 loss off-setting proposal has been resolved by the board of directors on March 20, 2019 to offset loss by NT\$111,668 thousand with legal reserve and NT\$126,250 thousand from capital reserve. Please visit the "Market Observation Post System" of the Taiwan Stock Exchange for relevant information.
- (2) The company did not distribute the surplus due to accumulated losses in 2019 by a resolution of the board of directors on March 20, 2020 and adopted by the shareholders' meeting on June 12, 2020.
- (3) The company did not distribute the surplus due to accumulated losses in 2020 by a resolution of the board of directors on March 18, 2021 and to be adopted by the shareholders' meeting.

(17) Others

2020			
	<u>Unrealized gains (losses)</u>	<u>Foreign exchange</u>	<u>Total</u>
January 1	(\$ 34,676)	\$ 164,623	\$ 129,947
Valuation adjustment transfer – affiliate company	425	-	425
Difference in foreign exchange – affiliate company	-	(87,892)	(87,892)
December 31	(\$ 34,251)	\$ 76,731	\$ 42,480
2019			
	<u>Unrealized gains (losses)</u>	<u>Foreign exchange</u>	<u>Total</u>
January 1	(\$ 34,724)	\$ 101,341	\$ 66,617
Valuation adjustment transfer – affiliate company	48	-	48
Difference in foreign exchange – affiliate company	-	63,282	63,282
December 31	(\$ 34,676)	\$ 164,623	\$ 129,947

(18) Operating Income

	2020	2019
Revenue from contracts with customers	\$ 2,096,167	\$ 2,182,612

1. Breakdown of revenue from contracts with customers

The company's revenue is derived from goods and services transferred at a certain time. The revenue can be broken into the following main product lines and regions:

2020						
	<u>Taiwan</u>	<u>China</u>	<u>Automobile tires</u> <u>USA</u>	<u>Thailand</u>	<u>Other regions</u>	<u>Total</u>
Revenue from contracts with customers	\$ 725,595	\$ 1,335	\$ 524,593	\$ 21,108	\$ 823,536	\$ 2,096,167

2019						
	<u>Automobile tires</u>					
	<u>Taiwan</u>	<u>China</u>	<u>USA</u>	<u>Thailand</u>	<u>Other regions</u>	<u>Total</u>
Revenue from contracts with customers	<u>\$ 700,046</u>	<u>\$ 2,092</u>	<u>\$ 511,582</u>	<u>\$ 20,643</u>	<u>\$ 948,249</u>	<u>\$ 2,182,612</u>

2. Contract liabilities and refund liabilities

(1) The Company recognizes the contract assets and contract liabilities related to the income of contracts with customers as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liabilities – advance payment	<u>\$ 18,499</u>	<u>\$ 10,928</u>
Refund liabilities (Note)	<u>\$ 11,834</u>	<u>\$ 11,156</u>

Note: Refund liabilities are due to estimated sales allowance under other current liabilities.

(2) The Company recognized revenue from the beginning balance of contract liability.

	<u>2020</u>
Contract liabilities –advance payment	<u>\$ 7,631</u>

2019: Not applicable

(19) Interest Income

	<u>2020</u>	<u>2019</u>
Bank deposit	<u>\$ 4,491</u>	<u>\$ 549</u>
Financial assets at amortized cost	<u>1,034</u>	<u>190</u>
Related parties	<u>1,332</u>	<u>7,879</u>
	<u>\$ 6,857</u>	<u>\$ 8,618</u>

(20) Other Income

	<u>2020</u>	<u>2019</u>
Government grants	<u>\$ 18,271</u>	<u>\$ -</u>
Brand royalty	<u>16,061</u>	<u>5,927</u>
Technical remuneration	<u>18,062</u>	<u>6,167</u>
Other income - other	<u>22,873</u>	<u>7,147</u>
	<u>\$ 75,267</u>	<u>\$ 19,241</u>

The Group is applicable for “Regulations on fund relief and interest subsidy for businesses with operating difficulties affected by COVID-19 (Wuhan pneumonia) by Ministry of Economic Affairs”. It recognized NT\$18,271 thousand as government grants for operating fund and salary expense in 2020.

(21) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gain (loss) on disposal of real estate, plant, and equipment	\$ 1,033	(\$ 58)
Loss on foreign exchange	(32,914)	(15,020)
Other gains and losses	(113)	(809)
	<u>(\$ 31,994)</u>	<u>(\$ 15,887)</u>

(22) Finance Costs

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank loans	\$ 27,632	\$ 26,971
Lease liabilities	115	76
Less: asset capitalization that meets the requirements	(213)	(233)
	<u>\$ 27,534</u>	<u>\$ 26,814</u>

(23) Additional information on expense nature

	<u>2020</u>	<u>2019</u>
Labor cost		
Salary and bonus	\$ 392,485	\$ 417,810
Labor and health insurance	39,078	42,236
Pension	15,640	17,170
Directors' compensation	14,356	11,799
Other personnel expense	10,529	11,393
Subtotal	<u>\$ 472,088</u>	<u>\$ 500,408</u>
Depreciation	<u>\$ 103,684</u>	<u>\$ 110,061</u>
Amortization	<u>\$ 148</u>	<u>\$ 245</u>

1. The current year's earnings, if any, shall be set aside no less than 2% for employees' compensation and no more than 5% for directors' compensation. The company's accumulated losses shall be reserved in advance. Qualification requirements of employees in the preceding paragraph, including the employees of subsidiaries of the company meeting certain specific requirements entitled to receive shares or cash.
2. The company did not distribute employees' compensation and directors' compensation due to accumulated losses in both 2019 and 2020. For information regarding to employees' compensation and directors' compensation by a resolution of the board of directors, please visit the MOPS website.

(24) Income Tax

1. Income tax expense

(1) Income tax expense consisted of the following:

	<u>2020</u>	<u>2019</u>
Current income tax: Current tax expense recognized in the current year	\$ 85,723	\$ 45,939
Income tax underestimations on prior years	<u>10,503</u>	<u>3,454</u>
Total current income tax	<u>96,226</u>	<u>49,393</u>
Deferred income tax: The origination and reversal of temporary differences	(<u>6,694</u>)	<u>12,089</u>
Total deferred income tax	(<u>6,694</u>)	<u>12,089</u>
Income tax expense	<u>\$ 89,532</u>	<u>\$ 61,482</u>

(2) Income tax expense recognized in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Foreign operating agency exchange difference	(\$ 21,973)	\$ 15,821
Remeasurements of the defined benefit obligation	(<u>825</u>)	<u>616</u>
	<u>(\$ 22,798)</u>	<u>\$ 16,437</u>

2. Relations between a reconciliation of income before income tax and income tax expense

	<u>2020</u>	<u>2019</u>
Income tax expense at the statutory rate	\$ 92,226	\$ 14,475
Expenses that should be excluded according to tax regulations	-	56,036
Income exempt from taxation according to tax regulations	(14,681)	-
Temporary differences which no deferred income tax assets have been recognized	1,484	(12,483)
Income tax underestimations on prior years	<u>10,503</u>	<u>3,454</u>
Income tax expense	<u>\$ 89,532</u>	<u>\$ 61,482</u>

3.The amount of deferred tax assets or liabilities due to temporary differences and tax losses is as follows:

2020				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Others Comprehensive net income</u>	<u>December 31</u>
Deferred tax assets:				
-temporary differences:				
Foreign operating agency exchange difference	\$ -	\$ -	\$ 9,200	\$ 9,200
Unrealized profit on sale of assets	1,298 (	113)	-	1,185
Unrealized gross profit	6,651	762	-	7,413
Pension	14,181 (	4,953)	-	9,228
Actuarial losses of defined benefit plan	-	-	209	209
Oversea investment loss	-	30,885	-	30,885
Others	<u>7,654</u>	<u>5,437</u>	<u>-</u>	<u>13,091</u>
Subtotal	<u>\$ 29,784</u>	<u>\$ 32,018</u>	<u>\$ 9,409</u>	<u>\$ 71,211</u>
Deferred tax liabilities:				
Foreign operating agency exchange difference	(12,773)	-	12,773	-
Actuarial gains of defined benefit plan	(616)	-	616	-
Reserve for land revaluation	(142,398)	-	- (	142,398)
increment tax				
Expected repatriation of overseas investment profit	(38,008)	(38,712)	-	(76,720)
Subtotal	<u>(\$ 193,795)</u>	<u>(\$ 38,712)</u>	<u>\$ 13,389</u>	<u>(\$ 219,118)</u>
Total	<u>(\$ 164,011)</u>	<u>(\$ 6,694)</u>	<u>\$ 22,798</u>	<u>(\$ 147,907)</u>
2019				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Others Comprehensive net income</u>	<u>December 31</u>
Deferred tax assets:				
- temporary differences:				
Foreign operating agency exchange difference	\$ 3,048	\$ -	(\$ 3,048)	\$ -
Unrealized profit on sale of assets	1,560 (	262)	-	1,298
Unrealized gross profit	6,450	201	-	6,651
Pension	-	14,181	-	14,181
Others	<u>5,855</u>	<u>1,799</u>	<u>-</u>	<u>7,654</u>
Subtotal	<u>\$ 16,913</u>	<u>\$ 15,919</u>	<u>(\$ 3,048)</u>	<u>\$ 29,784</u>
- Deferred tax liabilities:				
Foreign operating agency exchange difference	-	- (	12,773)	(12,773)
Actuarial gains of defined benefit plan	-	- (	616)	(616)
Reserve for land revaluation	(142,398)	-	- (	142,398)
increment tax				
Expected repatriation of overseas investment profit	(10,000)	(28,008)	-	(38,008)
Subtotal	<u>(\$ 152,398)</u>	<u>(\$ 28,008)</u>	<u>(\$ 13,389)</u>	<u>(\$ 193,795)</u>
Total	<u>(\$ 135,485)</u>	<u>(\$ 12,089)</u>	<u>(\$ 16,437)</u>	<u>(\$ 164,011)</u>

4. Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries by the Company. The deferred tax liabilities are not recognized for taxable temporary differences as of 2020 and December 31, 2019 are NT\$52,877 thousand and NT\$43,432 thousand respectively.
5. The Company's profit-seeking enterprise income tax is approved by the Revenue Service Office as of 2018.

(25) Earnings Per Share

	2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (thousand share)	Earnings per share (yuan)
Basic and diluted EPS			
Net income available to common shareholders of the parent company	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$1.33</u>
	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (thousand share)	Earnings per share (yuan)
Basic and diluted EPS			
Net income available to common shareholders of the parent company	<u>\$ 10,891</u>	<u>279,349</u>	<u>0.04</u>

When calculation the earnings per share of 2019 and 2020, the impact from reducing capital to make up loss in 2021 has been adjusted retroactively. Please refer to note 6 (14) for more information.

(26) Cash Flow Additional Information

Investment activities that are only partially paid in cash:

	2020	2019
Real estate, plant, and equipment purchase	\$ 191,306	\$ 33,090
Plus: payables to contractors and equipment suppliers at the beginning of a period	4,274	27,820
payables to contractors and equipment suppliers at the end of a period (listed in other non-current assets)	20,429	32,801
Less: payables to contractors and equipment suppliers at the end of a period	(9,982)	(4,274)
payables to contractors and equipment suppliers at the beginning of a period (listed in other non-current assets)	(<u>32,801</u>)	-
Cash paid in this period	<u>\$ 173,226</u>	<u>\$ 89,437</u>

(27) Reconciliation of Liabilities Arising from Financing Activities

	2020				
	<u>Short-term loans</u>	<u>Short-term notes payable</u>	<u>Long-term loans (including loans within 1 year)</u>	<u>Lease liabilities</u>	<u>Total liabilities arising from financing activities</u>
January 1	\$ 233,424	\$ -	\$ 1,258,535	\$ 3,533	\$1,495,492
Changes of cash flow in financing activities	264,188	49,966	34,505	(2,799)	345,860
Changes in non-cash item	-	-	1,560	5,742	7,302
December 31	<u>\$ 497,612</u>	<u>\$ 49,966</u>	<u>\$ 1,294,600</u>	<u>\$ 6,476</u>	<u>\$1,848,654</u>
	2019				
	<u>Short-term loans</u>	<u>Short-term notes payable</u>	<u>Long-term loans (including loans within 1 year)</u>	<u>Lease liabilities</u>	<u>Total liabilities arising from financing activities</u>
January 1	\$ 508,876	\$ 995,339	\$ -	\$ -	\$ 1,504,215
Changes of the retrospective adjustments effect of cash flow in financing activities	-	-	-	3,234	3,234
	(275,452)	258,565	(1,816)	(18,703)	
Changes in non-cash item	-	4,631	2,115	6,746	
December 31	<u>\$ 233,424</u>	<u>\$ 1,258,535</u>	<u>\$ 3,533</u>	<u>\$ 1,495,492</u>	

VII. Related Party Transactions

(a.) Related party name and categories

<u>Related Party Name</u>	<u>Related Party</u>	<u>Categories</u>
Hwa Fong Rubber (Thailand) Public Co., Ltd. (Hwa Fong Thailand)		Subsidiaries
Hwa Fong Rubber (U.S.A.) Co., Ltd. (Hwa Fong U.S.A.)		Subsidiaries
Hwa Fong Rubber (Hong Kong) Co., Ltd. (Hwa Fong Hong Kong)		Subsidiaries
Hwa Fong Rubber (China) Co., Ltd. (Hwa Fong China)		Subsidiaries
Hwa Fong Rubber (Suzhou) Co., Ltd. (Hwa Fong Suzhou)		Subsidiaries
Hwa Fong Rubber (Singapore) Co., Ltd. (Hwa Fong Singapore)		Subsidiaries
Hwa Fong Rubber (BVI) Co., Ltd. (Hwa Fong BVI)		Subsidiaries
Huazhong Numerical Control (BVI) Co., Ltd. (Huazhong BVI)		Subsidiaries
Hwa Fong Enterprise Co., Ltd. (Hwa Fong Enterprise)		Subsidiaries
Sumitomo Rubber Industries, Ltd. (SRI)		Other related parties
The Ascent(Thailand) Co., Ltd. (The Ascent)		Associates
Hota Industrial MFG. CO., Ltd. (Hota)		Other related parties

(b.) Significant Transaction with the Related Party

1. Net revenue

	<u>2020</u>	<u>2019</u>
Sale of goods:		
Hwa Fong U.S.A.	\$ 513,443	\$ 504,720
Subsidiaries	21,700	20,779
Other related parties	<u>5,953</u>	<u>5,567</u>
	<u>\$ 541,096</u>	<u>\$ 531,066</u>

(1) The Company sales finished goods to related parties and the sales prices are in accordance with the market prices.

(2) The payment terms with related parties are mainly T/T 60~120 days. The payment terms with non-related parties are T/T30~90 days or by L /C and handled with contract prices and terms.

2. Purchases

	<u>2020</u>	<u>2019</u>
Purchase of goods:		
Subsidiaries	<u>\$ 13,765</u>	<u>\$ 9,356</u>

The purchases made by the Company are different from regular purchase, hence there is no other comparison. The payment term is T/T 60 days.

3. Receivables from related parties :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivables:		
HWA FONG RUBBER US	\$ 82,537	\$ 78,796
Subsidiaries	21,982	22,493
Other related parties	-	502
Subtotal	<u>104,519</u>	<u>101,791</u>
Other receivables:		
Subsidiaries	<u>39,954</u>	<u>16,829</u>
Total	<u>\$ 144,473</u>	<u>\$ 118,620</u>

Accounts receivable is the payment for tires sold by related parties. Other receivable is the payment of trademark royalty and mold equipment from related parties.

4. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties:		
Subsidiaries	\$ <u>3,566</u>	\$ <u>1,374</u>
Other payables:		
Subsidiaries	<u>115</u>	<u>39</u>
Other related parties	-	75
Subtotal	<u>115</u>	<u>114</u>
Total	<u>\$ 3,681</u>	<u>\$ 1,488</u>

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

5. Payments for other (listed in other current assets)

	<u>2020December 31</u>	<u>2019December 31</u>
Subsidiaries	\$ <u>1,661</u>	\$ <u>1,748</u>

Payments for other are payment made by the Company for the related parties.

6. Property transaction

(1) Acquisition of property, plant, and equipment

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ <u>-</u>	<u>78</u>

(2) Disposal of property, plant, and equipment

	<u>2020</u>		<u>2019</u>	
	<u>Proceeds</u>	<u>Gains(Losses)</u>	<u>Proceeds</u>	<u>Gains(Losses)</u>
Subsidiaries	\$ <u>797</u>	\$ <u>467</u>	\$ <u>-</u>	\$ <u>-</u>

7. Financing provided to the related parties

Loans to related parties (listed in other receivables – related parties)

(1) Ending balance:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hwa Fong China	\$ <u>170,580</u>	\$ <u>179,580</u>

(2) Interest income

	<u>2020</u>	<u>2019</u>
Hwa Fong Suzhou	\$ -	\$ 6,495
Hwa Fong China	<u>1,332</u>	<u>1,384</u>
	\$ <u>1,332</u>	\$ <u>7,879</u>

The interest rates for the unsecured loans made to the related parties are calculated by the average interest rates of the short-term loans from financial institution made by the Company of the year.

8. Endorsement or guarantee for the related parties

Please refer to Note 13(1)2. Endorsement or guarantee for others.

9. Operating expense

	<u>2020</u>	<u>2019</u>
Selling expense – brand royalty (Note) :		
Other related parties	\$ <u>173</u>	\$ <u>151</u>

Note: The Company enters trademark agreements with other related parties. The Company shall pay 1.5% of the net sales price of the product as the brand royalty to the other related parties during the agreement period.

10. Non-operating income

	<u>2020</u>	<u>2019</u>
Technology remuneration income :		
Hwa Fong Thailand brand royalty income:	\$ 18,062	\$ 6,167
Hwa Fong Thailand	<u>16,061</u>	<u>5,927</u>
Total:	\$ <u>34,123</u>	\$ <u>12,094</u>

(c.) Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ <u>17,696</u>	\$ <u>17,614</u>

VIII. Pledged asset

Guarantees for the Company's assets are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Guarantee purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Real estate, plant, and equipment	\$ 764,320	\$ 649,557	Long-term, short-term loans
Restricted assets (Note 1)	210,683	84,995	Reserve account with limited usage of the syndicated loan
-demand deposits	156,139	12,250	Performance bond for oil trading, lodged court security deposits, engineering deposit, and long-term and short-term loans to the subsidiaries
-time deposits			
Refundable deposits (Note 2)	<u>27,963</u>	<u>19,976</u>	Court security deposits and lease deposit
	<u>\$ 1,159,105</u>	<u>\$ 766,778</u>	

Note 1: Listed under "Financial assets measured at amortized cost – current" and "Financial assets measured at amortized cost – non-current".

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

IX. Significant Contingent Liabilities and Unrecognized Commitments

(1) Contingency

The Company acquired 5 pieces of land in No. 35, Cheng-An section, Da-chun Township and No. 39 and 40, Shang-Mei Section, and No. 9 real estate of the same section in 2013 and 2014. They are registered under the name of the former chairman of the board due to the restrictions on farmlands. The chairman of the board was re-elected on January 4, 2018. When the Company decided to transfer the ownership of the aforementioned land under the name of the new chairman of the board by resolution, it was found that the aforementioned land and the building were attached by creditor and petitioned for a compulsory enforcement. As a result, the Company might lose the ownership of the real estate once they are auctioned subsequently. However, the Company is the third party holds rights over the object of the enforcement that may sufficiently prevent the compulsory enforcement according to Article 15 of the Compulsory Enforcement Act. It instituted an objection suit against the compulsory enforcement to revoke relevant implementing procedures and petitioned to suspend the enforcement in 2018. The conviction was affirmed by the supreme court on September 11, 2019. The judgement was that the Company had borrowed the name of the chairman for registration, and that was not an issue of public confidence of registration as referred to Article 43 of the Land Act. Therefore, the objection was denied. The Company had subrogated immediately to institute an objection suit against the creditor in accordance with Article 14 of the Compulsory Enforcement Act, and petitioned for temporarily suspend the enforcement to Taiwan Changhua District Court. The court ruled for the Company to provide NT\$9,548 thousand guarantee deposits for temporary suspension of the enforcement before the judgement of objection suit against the creditor in 2019 was confirmed, settled, or revoked. The Company also filed for civil action against the former chairman to return the ownership of the farmland and real estate as referred to Article 767 of the Civil Code, and both parties had settled in the court. In other words, the defendant has agreed to return the ownership of the aforementioned real state to the Company, and will transfer the registration to the name of the person in charge of the Company. The enforcement of the creditor and compulsory enforcement regarding to the real estate in 2019 were revoked. The 5 pieces of land in No. 35, Cheng-An section, Da-chun Township were transferred to the name of the current chairman of the board. Despite winning the case, the former chairman of the board still has outstanding debts and the original enforcement was still effective. Therefore, the land of No. 39 and 40, Shang-Mei Section and No. 9 real estate of the same section are still in danger to be auctioned. Nevertheless, the Company is the first mortgage of the aforementioned land and buildings. The book value of the aforementioned land and buildings was NT\$16,127 thousand as of December 31, 2020.

(b.) Commitment

1. Capital expenses that have been signed but not yet occurred:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Acquired real estate, plant, and equipment	NTD	\$ 7,316	\$ 22,737

2. Documentary credit amount issued but not yet been used:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Documentary credit amount issued but not yet been used	USD	\$ 965	\$ 553

3. The balance of the guaranteed bill issued for loan, purchase, and documentary credit (including guarantee of loans for the related parties) as of December 31, 2020:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guaranteeing of promissory notes	NTD	\$ 3,605,000	\$ 3,507,354
	USD	\$ 8,000	\$ 8,000

X. Losses due to Major Disasters

Not applicable.

XI. Significant Subsequent Events

For details on capital reduction to make up losses, please refer to note 6 (14).

XII. Others

(a.) Capital management

The goal for capital management is to ensure the Company's operational sustainability to provide shareholders' compensation and other stakeholders' interests. To maintain or adjust capital structure, the Company may adjust or pay dividends to shareholders, reduce capital to return shareholders' shares, issue new shares, or sell assets to pay off debts. Just like other business in the same industry, the Company controls capital based on debt-to-capital ratio. The ratio is calculated by dividing net liability by total capital. Net liability is the total liabilities listed in the balance sheet minus cash and cash equivalents. Total capital is everything composed in equity (ie, equity, capital reserve, retained earnings, other equity and non-controlling interests) plus net liabilities.

The Company's debt and capital ratio as of December 31, 2019 and 2020 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 3,138,220	\$ 2,600,978
Less: cash and cash equivalents	(354,541)	(261,046)
Net liabilities	2,783,679	2,339,932
Total equity	<u>3,015,149</u>	<u>2,736,299</u>
Total capital	<u>5,798,828</u>	<u>5,076,231</u>
Debt and capital ratio	<u>48.00%</u>	<u>46.10%</u>

(b.) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets carried at amortized cost		
Cash and cash equivalents	\$ 354,541	\$ 261,046
Financial assets carried at amortized cost	370,402	100,645
Notes receivable	30,383	30,977
Accounts receivable (including related parties)	296,199	260,542
Other accounts receivable (including related parties)	216,186	200,148
Refundable deposits (listed in other non-current assets)	<u>27,963</u>	<u>19,976</u>
	<u>\$ 1,295,674</u>	<u>\$ 873,334</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities carried at amortized cost		
Short-term loans	\$ 497,612	\$ 233,424
Short-term notes and bills payable	49,966	-
Notes payable	-	2,313
Accounts payable (including related parties)	105,055	119,245
Other accounts payable (including related parties)	118,793	94,450
Long-term loans (including loans due in one year or one business cycle)	1,294,600	1,258,535
Refundable deposits (listed in other non-current liabilities)	<u>166</u>	<u>166</u>
	<u>\$ 2,066,192</u>	<u>\$ 1,708,133</u>
Lease liabilities	<u>\$ 6,476</u>	<u>\$ 3,533</u>

2. Risk management policy

- (1) The Company's daily operation is affected by various financial risks, including market risks (such as exchange rate risk, interest rate risk, and price risks), credit risks, and liquidity risks. The overall risk management policy focuses on the unpredictable matters in the financial market, and seek for opportunities to reduce the potential adverse effects on the Company's financial status and financial performance.
- (2) Risk management is implemented by the Company's financial management department in accordance with the policies approved by the board of directors. The Company's financial management department provides service to all business department. It analyzes the risk exposure by the level and breadth of the risk to manage the financial risks related to the Company's operation. The internal auditors continue to audit the compliance of the policies and the exposure limit. The Company does not conduct transactions of financial instruments for speculation purpose.

3. The nature and extent of significant financial risks

(1) Market risk

Foreign currency risk

- A. The Company is an international operation, and is subject to the exchange rate risk, mostly in USD and EUR, arising from transactions that are different from the Company's functional currency. Relevant exchange rate risks are from future commercial transactions and recognized assets and liabilities.
- B. The Company's business involves various non-functional currency (the Company's functional currency is New Taiwan Dollar.); therefore, with the effects from exchange rate fluctuations, the information on foreign currency assets and liabilities that have a significant impact on exchange rate fluctuations is as follows:

		2020					
		Book value		Sensitivity analysis			
	<u>Foreign currency (thousand dollar)</u>	<u>Exchange rate</u>	<u>NTD (thousand)</u>	<u>Amount of variation</u>	<u>Effects on profit and loss</u>	<u>Effects on other comprehensive profit and loss</u>	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Currency item</u>							
USD:NTD	\$ 24,538	28.43	\$ 697,615	1%	\$ 6,976	\$	-
EUR:NTD	1,678	34.82	58,428	1%	584		-
<u>Non-currency item</u>							
THB:NTD	\$1,641,269	0.9356	\$1,535,571	1%	\$ 15,356	\$	-
USD:NTD	40,963	28.43	1,164,592	1%	11,646		-
<u>Financial liabilities</u>							
<u>Currency item</u>							
USD:NTD	\$ 3,472	28.43	\$ 98,709	1%	\$ 987	\$	-
EUR:NTD	101	34.82	3,517	1%	35		-
<u>Non-currency item</u>							
USD:NTD	\$ 23,573	28.43	\$ 670,184	1%	\$ 6,702	\$	-

		2019					
		Book value			Sensitivity analysis		
		Foreign currency (thousand dollar)	Exchange rate	NTD (thousand)	Amount of variation	Effects on profit and loss	Effects on other comprehensive profit and loss
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Currency item</u>							
USD:NTD	\$	17,952	29.93	\$ 537,303	1%	\$ 5,373	\$ -
EUR:NTD		801	33.39	26,745	1%	267	-
<u>Non-currency item</u>							
THB:NTD	\$	1,483,933	0.9898	\$1,468,797	1%	\$ 14,688	\$ -
USD:NTD		35,641	29.93	1,066,745	1%	10,667	-
<u>Financial liabilities</u>							
<u>Currency item</u>							
USD:NTD	\$	1,806	29.93	\$ 54,054	1%	\$ 541	\$ -
<u>Non-currency item</u>							
USD:NTD	\$	17,692	29.93	\$ 529,529	1%	\$ 5,295	\$ -

C. The Company's currency items have significant impacts on exchange rate fluctuations. The total amount of all converted gains and losses (including realized and unrealized) recognized in 2020 and 2019 are at loss of NT\$32,914 thousand and NT\$15,020 thousand respectively.

Price risk

- A. The Company's equity instruments expose to price risks are the accounts held in financial assets that are measured at fair value through other comprehensive profits and losses. In order to manage the price risk of investment using equity instruments, the Company scatters its investment portfolios based on the limit set by the Company.
- B. The Company invests mostly in equity instrument issued by domestic company. The price of the equity instrument will be affected by the uncertainty arise from the future value of the invested object. If the price of the equity instrument increase or decrease by 1% and all the other factors remain the same, the gain or loss of the after tax net profit in 2020 and 2019 from other comprehensive profit or loss that has been categorized to equity investment of other comprehensive profit or loss measured at fair value will increase or decrease by 0 thousand dollars.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk comes from long-term and short-term loans issued at floating rate, which causes the Company expose to cash flow interest rate risk. The Company's loans issued at floating rate in 2020 and 2019 are mainly in New Taiwan Dollars.
- B. The Company's loans are measured at amortized cost. The interest rate will be recalculated according to the contract. Hence, the Company is expose to the changes of interest rate in the future market.
- C. When the interest rate increases or decreases by 0.125% and the rest of the factors remain the same, the after tax net profit will decrease or increase by NT\$2,198 thousand and NT\$1,493 thousand in 2020 and 2019 respectively. It is mainly because the floating interest rate would change the interest paid on bank loans.

(2) Credit risk

- A. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from accounts receivable that a counterparty cannot pay at the payment terms and financial assets categorized as measured at amortized cost.
- B. The policy adopted by the Company states that before conducting transactions with a client, it has to go through credit confirmation procedure. It shall continue to evaluate the collecting status of accounts receivable and other receivable to reduce credit risk. Due to the large customer group of the Company, the transactions are not significantly focusing on one customer, and the sales regions are dispersal. Therefore, the credit risk of the accounts receivable is not significantly centralized.
- C. The Company's financial management department manages the credit risk of bank deposits and other financial instruments in accordance with the Company Policy. The Company's counterparty is determined by an internal controlling procedure, which includes banks with good credit and financial institutions with investment grade.
- D. The Company adopts assumptions provided by IFRS 9. When a payment overdue for over 90 days of the payment terms in a contract, it is deemed as a breach of contract.
- E. The Company adopts assumptions provided by IFRS 9 as a judgement basis to see if the credit risk of the originally recognized financial instrument is significantly increased: When a payment overdue for over 30 days of the payment terms in a contract, the credit risk of the originally recognized financial assets is deemed as significantly increased.
- F. The Company adopts simplified method to accrue expected credit losses for all notes receivable and accounts receivable, that is they are measured at the expected credit losses of the duration. For the measuring purpose, the notes receivable and accounts receivable are divided into groups by the mutual credit risk characteristics of the customers' abilities to pay the total amount due by payment terms in the contract, and the prospective information is included
- G. After recourse procedure, the Company will charge off the financial asset amounts that are unable to collect based on reasonable expectation. However, the Company will continue the legal procedure of recourse to protect the creditor's rights.

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H. The Company adjusts loss rate based on the history and current information of a specific time with prospective considerations, and estimate loss allowance of the notes receivable and accounts receivable. The provision matrix as of December 31, 2020 and 2019 are as follows:

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

	Expected weighted average		
<u>December 31, 2019</u>	<u>Credit loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	0%~1%	\$ 281,783	\$ 1,558
Within 90 days	1%	9,399	94
91-120 days	5%	1,574	79
121-180 days	25%	658	164
181-365 days	50%	-	-
Over 1 year	100%	-	-
		<u>\$ 293,414</u>	<u>\$ 1,895</u>

I. Changes of simplified method to accrue loss allowance for all notes receivable and accounts receivable:

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

	<u>2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
January 1	\$ 679	\$ 108
Impairment loss (reverse)	<u>1,134</u>	<u>(26)</u>
December 31	<u>\$ 1,813</u>	<u>\$ 82</u>

J. The Group accrues investment with liability instruments at amortized cost and other receivables. The credit risk assessment level is as follows:

<u>December 31, 2020</u>				
<u>Measured at duration</u>				
	<u>Measured at 12 months</u>	<u>Credit risk has significantly increased</u>	<u>Credit impairment loss</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 370,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,402</u>
Other receivables	<u>\$ 5,652</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 20,365</u>
<u>December 31, 2019</u>				
<u>Measured at duration</u>				
	<u>Measured at 12 months</u>	<u>Credit risk has significantly increased</u>	<u>Credit impairment loss</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 100,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,645</u>
Other receivables	<u>\$ 3,739</u>	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 18,452</u>

1. The financial assets measured at amortized cost held by the Company are time deposits with original maturity date over 3 months and restricted deposits. The expected loss rate is relatively small; therefore, the loss allowance as of December 31, 2020 and 2019 are NT\$0.

2. The Company's changes of loss allowance listed in other receivables are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Credit impairment loss at duration</u>	<u>Credit impairment loss at duration</u>
January 1 (December 31)	<u>(\$ 14,713)</u>	<u>(\$ 14,713)</u>

(3) Liquidity risk

A. Cash flow projections are carried out in all department and summarized by the financial department of the Company. The financial department monitors the projections on the needs of liquidity fund to ensure the Company has sufficient liquidity to fund its business operations, and to maintain enough commitment limits for unexpended loans at any time, so the Company will not violate any loan limits or terms. It has been considered the Company's debt funding plan, debt terms compliance, financial ratio goals on the internal balance sheet, and the requirement of external supervising regulations for these projections.

B. The amount of the Company's unexpended loan limits as of December 31, 2020 and 2019 are NT\$2,060,062 thousand and NT\$2, 296,941 thousand.

C. The table below summarizes the Company's non-derivative financial liabilities and derivative financial liabilities settled in net value or total value that grouped by relevant maturity dates. Non-derivative financial liabilities are analyzed by the period left between the balance sheet date to contract expiration date; derivative financial liabilities are analyzed by the period left between the balance sheet date to expected expiration date. The amount of contractual cash flows disclosed below is undiscounted.

December 31, 2020

	<u>Within 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term loans	\$ 498,833	\$ -	\$ -	\$ -	\$ -	\$ 498,833
Short-term notes payable	49,966	-	-	-	-	49,966
Accounts payable						
(including related parties)	105,055	-	-	-	-	105,055
Other accounts payable						
(including related parties)	118,793	-	-	-	-	118,793
Lease liabilities	1,745	1,408	2,292	963	239	6,647
Long-term loans						
(including dues in 1 year or 1 business cycle)	28,689	53,509	105,706	1,139,062	45,057	1,372,023
Guarantee deposits	-	-	-	166	-	166

December 31, 2019

	<u>Within 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term loans	\$ 241,338	\$ -	\$ -	\$ -	\$ -	\$ 241,338
Notes payable	2,313	-	-	-	-	2,313
Accounts payable						
(including related parties)	119,245	-	-	-	-	119,245
Other accounts payable						
(including related parties)	94,450	-	-	-	-	94,450
Lease liabilities	930	785	1,457	120	279	3,571
Long-term loans						
(including dues in 1 year or 1 business cycle)	26,269	26,257	76,715	1,223,386	-	1,352,627
Guarantee deposits	-	-	-	166	-	166

The Company does not expect the timing of cash flows analyzed by maturity date would be significantly early or the amount would have significant changes.

(III) Fair value information

1. Valuation techniques used to measure fair value of the financial and non-financial instruments and the level definitions are as follows:

Level 1: measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date. Active markets are markets with sufficient frequency and numbers of assets or liabilities transactions that can provide a setting price on a continuous basis.

Level 2: measurements are those derived from inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included within Level 1.

Level 3: measurements are those derived from inputs that are unobservable inputs. The Company's investment in equity instruments with no active market

2. Financial instruments that are not measured at fair price value.

The book values of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivable (including related parties), refundable deposits, short-term loans, notes payable, accounts payable (including related parties), guarantee deposits are reasonably close conformities of the fair value.

3. No transfer has been made between level 1 and level 2 in 2020 and 2019.
4. No transfer has been made in and out of level 3 in 2020 and 2019.

XIII. Additional disclosures

(I) Information on significant transactions

1. Financings provided: See Table 1 attached.
2. Endorsement/guarantee provided: See Table 2 attached.
3. Marketable securities held (excluding investments in subsidiaries, associates, and joint venture): See Table 3 attached.
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 4 attached.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached.
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: See Table 6 attached.

(II) Information on investees

For information on the company name and location of the investees (excluding investees in Mainland Area): See table 7 attached.

(III) Information on investments in the Mainland Area

1. Basic information: See Table 8 attached.
2. Any of the following significant transactions with investee companies and re-invested business in the Mainland Area, either directly or indirectly through a third area: None.

(IV)Information of major shareholder

Information of major shareholder: See table 13 attached.
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Hwa Fong Rubber Industrial Company Limited
Statement of Cash and Cash Equivalents
December 31, 2020

Statement 1 Unit: in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	
Cash on hand and working fund		\$	112
Bank deposit			
Demand deposit			136,702
Check deposit			2,085
Foreign currency deposit			
	USD 12,477 Exchange rate 28.43		
	EUR 1,041 Exchange rate 34.82		
	RMB 1 Exchange rate 4.35		
	JPY 17 Exchange rate 0.27		
			<u>215,642</u>
		\$	<u>354,541</u>

Hwa Fong Rubber Industrial Company Limited
Statement of Accounts Receivable
December 31, 2020

Statement 2

Unit: in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company A		\$ 40,053	
Company B			27,785
Company C			13,385
Company D			11,792
Other		<u>100,735</u>	Balance of every single client is under 5% of the account.
		193,750	
Less: bad-debt allowance		(<u>2,070</u>)	
		<u>\$ 191,680</u>	

Statement 2

Hwa Fong Rubber Industrial Company Limited

Statement of Inventory

December 31, 2020

Statement 3

Unit: in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u> <u>Cost</u>	<u>Market Price</u>	<u>Remark</u>
				<u>Determination</u>
Raw Material		\$ 157,215	\$ 142,792	Replacement cost
Semi-finished goods		28,725	28,725	Net realizable value
Finished goods		134,885	133,148	Net realizable value
Merchandise		7,288	6,991	Net realizable value
In-transit inventory		<u>10,736</u>	<u>10,736</u>	Net realizable value
		338,849	<u>\$ 322,392</u>	
Less: allowance for inventory valuation and obsolescence losses		(37,961)		
		\$ 300,888		

Statement 3

Hwa Fong Rubber Industrial Company Limited
Statement of Changes in Investments Accounted for Using Equity Method
For the Year Ended December 31, 2020

Statement 4

Unit: in thousands of NTD

	<u>Balance, January 1, 2020</u>		<u>Additions in Investment</u>		<u>Decrease in Investment</u>		<u>Balance, December 31, 2020</u>		<u>Market Value or Net</u>				
	<u>Assets Value</u>												
<u>Investees</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Unit Price (NT\$)</u>	<u>Total</u>	<u>Collateral</u>		
Long-term equity investment using equity method :										Equity Method	4.68	\$ 1,553,096	Nil
Hwa Fong Rubber (Thailand) Public Co., Ltd.	332,000,000	\$ 1,468,797	-	\$ 66,774	-	\$ -	332,000,000	\$ 1,535,571					
Hwa Fong Rubber (U.S.A.) Co., Ltd.	500	637,424	-	13,569	-	-	500	650,993	Equity Method	1,301.99		650,993	Nil
Hwa Fong Numerical Control (BVI) Co., Ltd	35,000	415,064	-	51,182	-	-	35,000	466,246	Equity Method	13.32		466,246	Nil
Hwa Fong Rubber (Suzhou) Co., Ltd.	-	14,257	-	4,562	-	-	-	18,819	Equity Method	-		18,819	Nil
Hwa Fong Enterprise Co., Ltd.	26,919,141	193,595	-	6,182	-	-	26,919,141	199,777	Equity Method	0.01		199,777	Nil
Hwa Fong Rubber (U.S.A. West Coast) Co., Ltd	-	-	1,000,000	28,533	-	-	1,000,000	28,533	Equity Method	0.03		28,533	Nil
Inalways Corporation	-	-	4,851,000	117,825	-	-	4,851,000	117,825	Equity Method	19.40		94,109	Nil
Subtotal		<u>2,729,137</u>		<u>288,627</u>		<u>-</u>		<u>3,017,764</u>					
Long-term investments in stock credits:													
Hwa Fong Rubber (HK) Co., Ltd.	1,000,000 (	21,618)	-	-	- (	72,189)	1,000,000 (	93,807)	Equity Method	(0.09) (		93,807)	Nil
Hwa Fong Rubber (Singapore) Co., Ltd.	12,500 (	440,523)	-	642	-	-	12,500 (	439,881)	Equity Method	(35.19) (		439,881)	Nil
Huazhong Numerical Control (BVI) Co., Ltd	32,000 (	38,194)	-	-	- (	39,170)	32,000 (	77,364)	Equity Method	(2.42) (		77,364)	Nil
Hwa Fong Rubber (China) Co., Ltd	- (	29,194)	-	-	- (	29,938)	- (	59,132)	Equity Method	-		59,132)	Nil
Subtotal		<u>529,529</u>		<u>642</u>		<u>141,297</u>		<u>(670,184)</u>					
Total		\$ 2,199,608		<u>\$ 289,269</u>		<u>(\$ 141,297)</u>		\$ 2,347,580					
Plus: Long-term equity investment using equity method listed in non-current liabilities		<u>529,529</u>						<u>670,184</u>					
		<u>\$ 2,729,137</u>						<u>\$ 3,017,764</u>					

Statement 4

Hwa Fong Rubber Industrial Company Limited
Statement of Changes in Property, Plant, and Equipment
For the Year Ended December 31, 2020

Statement 5

Unit: in thousands of NTD

“Accumulated depreciation and Accumulated Impairment of Property, Plant, and Equipment”, please see note 6 (7).

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Statement 5

Hwa Fong Rubber Industrial Company Limited
Statement of Short-Term Loans
December 31, 2020

Statement 6

Unit: in thousands of NTD

<u>Creditor</u>	<u>Type</u>	<u>Balance, end of year</u>	<u>Contract Period</u>	<u>Range of Interest Rate (%)</u>	<u>Loan Commitments</u>	<u>Collateral</u>
Land Bank of Taiwan – Yuanlin branch	Unsecured loan	\$ 60,000	2020.10.05-2021.01.03	1.20%	\$ 60,000	Nil
Shin Kong Bank – Chungkang branch	Unsecured loan	30,000	2020.12.09-2021.01.08	1.20%	60,000	Nil
First Bank – Yuanlin branch	Unsecured loan	30,000	2020.12.04-2021.03.04	1.40%	50,000	Nil
		20,000	2020.12.10-2021.03.10	1.40%		
Far Eastern Int'l Bank –Taipei branch	Unsecured loan	40,000	2020.12.17-2021.03.17	1.25%	40,000	Nil
Agricultural Bank of Taiwan	Unsecured loan	50,000	2020.09.26-2021.03.25	1.05%	100,000	Nil
		50,000	2020.11.04-2021.03.30	1.05%		
Bank of Taiwan – Yuanlin branch	Unsecured loan	50,000	2020.09.26-2021.03.25	1.25%	50,000	Nil
Yuanta Bank – Taichung branch	Unsecured loan	100,000	2020.11.30-2021.05.28	1.20%	100,000	Nil
Bank of Taiwan – Yuanlin branch	Purchase loan	792	2020.08.26-2021.02.22	1.47%	150,000	Nil
		8,185	2020.11.04-2021.05.03	1.19%		
		9,122	2020.12.04-2021.06.02	1.20%		
		1,162	2020.12.16-2021.04.30	1.23%		
Chang Hwa Bank – Yuanlin branch	Purchase loan	3,502	2020.08.04-2021.01.30	1.06%	110,000	Nil
		3,502	2020.08.12-2021.02.08	1.10%		
		7,132	2020.08.31-2021.02.27	1.07%		

Hwa Fong Rubber Industrial Company Limited
Statement of Short-Term Loans (continued)
December 31, 2020

Statement 6

Unit: in thousands of NTD

<u>Creditor</u>	<u>Type</u>	<u>Balance, end of year</u>	<u>Contract Period</u>	<u>Range of Interest Rates (%)</u>	<u>Loan Commitments</u>	<u>Collateral</u>
First Bank – Yuanlin branch	Purchase loan	3,402	2020.07.22-2021.01.11	1.05%	100,000	None
		3,932	2020.10.07-2021.03.29	1.32%		
		4,163	2020.11.11-2021.05.04	1.40%		
		3,932	2020.10.16-2021.04.12	1.29%		
		1,722	2020.12.03-2021.05.26	1.43%		
Land Bank of Taiwan – Yuanlin branch	Purchase loan	888	2020.12.06-2021.05.05	1.12%	10,000	None
		4,536	2020.12.31-2021.06.29	1.12%		
Bank of Panhsin – Taichung branch	Secured loan	1,205	2020.10.05-2021.02.17	0.91%	400,000	Property, plant, and equipment
		1,205	2020.11.10-2021.03.25	0.89%		
		4,077	2020.11.26-2021.05.25	0.90%		
		5,153	2020.12.24-2021.06.22	0.91%		
		<u>\$ 497,612</u>				

Statement 6

Hwa Fong Rubber Industrial Company Limited
Statement of Long-Term Loans
December 31, 2020

Statement 7

Unit: in thousands of NTD

<u>Creditor</u>	<u>Type</u>	<u>Balance, end of year</u>	<u>Contract Period</u>	<u>Range of Interest Rates (%)</u>	<u>Loan Commitments</u>	<u>Collateral</u>
- Land Bank of Taiwan	Secured loan	\$ 1,000,000	108.07.15-113.07.15	1.80%	\$ 1,800,000	Property, plant, and equipment
Bank of Panhsin	Secured loan	232,500	107.09.13-112.09.13	1.52%	300,000	Property, plant, and equipment
Bank of Taiwan	Secured loan	64,505	2020.03.31-124.03.31	1.53%	67,900	Property, plant, and equipment
Less: arrangement fee for syndicated loans		(2,405)				
		1,294,600				
Less: maturity less than one year		(59,527)				
		<u>\$ 1,235,073</u>				

Statement 7

Hwa Fong Rubber Industrial Company Limited
Statement of Net Sales Revenue
For the Year Ended December 31, 2020

Statement 8

Unit: in thousands of NTD

<u>Item</u>	<u>Quantity(in thousand)</u>	<u>Amount</u>	<u>Remark</u>
Motorcycle tires	2,509	\$ 836,054	
Agricultural vehicle tires	1,028	599,714	
Radial tires	331	400,383	
Bicycle tires	1,077	154,136	
Truck and automobile tires	46	87,230	
Others	380	<u>36,892</u>	
Total		2,114,409	
Less: sales return and allowance		<u>(18,242)</u>	
		<u>\$ 2,096,167</u>	

Hwa Fong Rubber Industrial Company Limited
Statement of Cost of Goods Sold
For the Year Ended December 31, 2020

Statement 9

Unit: in thousands of NTD

<u>Item</u>	<u>Amount</u>
Direct materials	
Balance, beginning of year	\$ 128,140
Plus: Purchased	809,169
Work in process transfer	13,887
Less: Cost of Sales of goods	(12,115)
Transferred expenses	(449)
Transferred to manufacturing expenses	(2,187)
Raw materials, end of year (including inventory in transit NT\$9,694,000)	(<u>166,909</u>)
Raw materials used	769,536
Direct labor	195,014
Manufacturing expenses	<u>486,966</u>
Manufacturing cost	1,451,516
Plus: Work in process, beginning of year	24,321
Less: Transferred to manufacturing expenses	(714)
Transferred to research and development	(375)
Transferred to supplies	(13,887)
Cost of semi-finished goods sold	(33)
Work in process, end of year	(<u>28,725</u>)
Cost of finished goods	1,432,103
Plus: Finished goods, beginning of year	132,250
Others	11
Less: Finished goods inventory loss	(136)
Others	(4,305)
Finished goods, end of year	(<u>134,885</u>)
Cost of goods sold – self-manufacturing	1,425,038
Merchandise, beginning of year (including inventory in transit NT\$664,000)	7,690
Plus: Purchased	24,589
Less: Merchandise inventory loss	(1)
Others	(566)
Merchandise, end of year (including inventory in transit NT\$1,042,000)	(<u>8,330</u>)
Cost of merchandise sold	23,382
Plus: inventory loss	137
Under allocated fixed manufacturing expense	25,798
Materials sold	12,115
Inventory valuation loss	21,398
Less: Revenue from sale of scraps	(<u>1,274</u>)
Total cost of goods sold	<u>\$ 1,506,594</u>

Hwa Fong Rubber Industrial Company Limited
Statement of Manufacturing Expense
For the Year Ended December 31, 2020

Statement 10

Unit: in thousands of NTD

-			Remark
Item	Description	Amount	Remark
Salary expense		114,634	
Depreciation expense		93,543	
Utilities		56,507	
Fuel cost		53,101	
Repair and maintenance		38,159	
Labor and health insurance		30,581	
Other expense		<u>100,441</u>	All miscellaneous balances are under 5% of the accounting amount.
		<u>486,966</u>	

Hwa Fong Rubber Industrial Company Limited
Statement of Operating Expense
For the Year Ended December 31, 2020

Statement 11

Unit: in thousands of NTD

<u>Item</u>	<u>Selling Expense</u>	<u>Managing Expense</u>	<u>Research and Development Expense</u>	<u>Remark</u>
Payroll	\$ 16,881	\$ 55,659	\$ 24,653	
Transportation	15,853	52	32	
Labor and health insurance	1,664	4,459	2,375	
Commodity Tax	62,027	-	-	
Depreciation	831	7,094	2,218	
Export fee	15,485	-	-	
Labor fee	10	8,111	7	
Research and development fee	-	-	2,663	
Other expense	12,342	73,143	2,976	All miscellaneous balances are under 5% of the accounting amount.
Total	\$125,093	\$148,518	\$34,924	

Hwa Fong Rubber Industrial Company Limited
Statement of Other Profit and Loss
For the Year Ended December 31, 2020

Statement 12

Unit: in thousands of NTD

For information on “Other profit and loss”, please see note 6 (19).

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Hwa Fong Rubber Industrial Company Limited
Statement of Financial Costs
For the Year Ended December 31, 2020

Statement 13

Unit: in thousands of NTD

For information on “Financial costs”, please see note 6 (20).
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Statement 13

Hwa Fong Rubber Industrial Company Limited
Statement of Labor, Depreciation and Amortization by Function
For the years ended December 31, 2020 and 2019

Statement 14

Unit: in thousands of NTD

Function Nature	2020			2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 309,648	\$ 82,837	\$ 392,485	\$ 331,666	\$ 86,144	\$ 417,810
Labor and health insurance	30,581	8,497	39,078	33,109	9,127	42,236
Pension	11,679	3,961	15,640	12,608	4,562	17,170
Board compensation	-	14,356	14,356	-	11,799	11,799
Others	8,530	1,999	10,529	9,483	1,910	11,393
Subtotal	360,438	111,650	472,088	386,866	133,542	500,408
Depreciation	93,542	10,142	103,684	100,721	9,340	110,061
Amortization	-	148	148	-	245	245

Note :

1. As of December 31, 2020 and 2019, the Company had 732 and 760 employees respectively. There were 9 and 8 non-employee directors, respectively.
2. When a company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange prepares its annual financial report in accordance with paragraph 2, it shall additionally disclose relevant information:
 - (1) Average labor cost for the years ended December 31, 2020 was NT\$633 thousand((Total labor cost – Total board compensation)/ (Number of employees – Number of non-employee directors)).
Average labor cost for the years ended December 31, 2019 was NT\$650 thousand((Total labor cost in 2019 – Total board compensation)/ (Number of employees in 2019 – Number of non-employee directors)).
 - (2) Average salary and bonus for the years ended December 31, 2020 was NT\$542 thousand (Total salary and bonus / (Number of employees – Number of non-employee directors)).
Average salary and bonus for the years ended December 31, 2019 was NT\$556 thousand (Total salary and bonus in 2019 / Number of employees in 2019 – Number of non-employee directors)).
 - (3) Average salary adjustment is 2.52% reduced. ((Average salary in 2020 – average salary in 2019)/ Average salary in 2019).
 - (4) The Company has set up Audit Committee, so there is no supervisor.

Statement 14

Hwa Fong Rubber Industrial Company Limited
Statement of Labor, Depreciation and Amortization by Function (Continued)
For the years ended December 31, 2020 and 2019

Statement 14

Unit: in thousands of NTD

- (5) The board compensation of the Company includes board compensation, transportation allowance, and directors' remuneration. The board compensation is in reference to standards of the same industry, and the transportation allowance is paid by the attendance to the board of directors' meeting. Directors' remuneration is allocated in accordance with the Article of Incorporation and submit for a resolution by the board of directors' meeting after reviewed by the Compensation Committee, and finally propose at the shareholders' meeting. Individual director's performance is evaluated by the "Self-Evaluation of the Board of Directors", and calculated by the individual basis of distribution in accordance with the "Regulations on Board of Directors' Compensation". The distribution result will be paid after reviewing by the Compensation Committee and submitting for a resolution by the board of director. Management and employee compensation includes salary, bonus, employee compensation, employee stock option, etc. The individual performance has been evaluated by the "Regulation on Performance Appraisal" in consideration of the position and responsibility and in reference to standards of the same position in the same industry. The evaluation result will be taken into consideration with the employee's performance appraisal as the basis of calculation. The compensation of the management will be reviewed by Compensation Committee and submitted for a resolution by the board of directors.

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

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

December 31, 2020 and December 31, 2019
(with audit report)

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Hwa Fong Rubber Industrial Company Limited and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declare,

HWA FONG RUBBER INDUSTRIAL CO., LTD.

Shen, Kuo-Jung
March 18, 2021

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Hwa Fong Rubber Industrial Co., Ltd. and Subsidiaries.

Opinion

We have audited the accompanying consolidated balance sheets of Hwa Fong Rubber Industrial Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2020 and 2019, 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 reports of other auditors (please refer to ‘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, 2020 and 2019, 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 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 generally accepted auditing standards in the Republic of China (ROC GAAS). 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 consolidated financial statements of the current period are stated as follows:

Key audit matter – Evaluation on accounts receivable allowance loss

Description

Please refer to Note 4(11) for accounting policies on accounts receivable valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions related to accounts receivable valuation, and Note 6(5) for details of accounts receivable valuation.

Part of the Group's business is to sell products through distributors in various regions. The financial situation of distributors will affect the recyclability risk of accounts receivable. Since the impact of accounts receivable on the overall financial statements is significant, and the expected credit risk loss measures the allowance loss of accounts receivable during the duration, the measurement process should be appropriate to distinguish the collection from groups and judge the application of relevant assumptions in the analysis and measurement process. The measurement of expected credit loss often involves subjective judgment, analysis, and estimation, and thus the measurement results affect the net amount of accounts receivable. Therefore, we consider the impairment evaluation on accounts receivable allowance loss as a critical audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtain the expected loss rate calculated by the management according to the historical data and forward-looking information of similar credit risk groups to evaluate the rationality of accounts receivable provision.
2. Verify that Hwa Fong Group is used to evaluate the correctness of the accounts receivable age report to confirm that the report information is consistent with its policies.
3. To test the recoverability of accounts receivable by sampling and checking the cash receipts after the due date.
4. For overdue and uncollected accounts, learn about the customer's historical payment status, whether it can provide collateral and other repayments to assess the adequacy of the management's provision for losses.

Key audit matter - Evaluation of the loss of inventory allowance for a falling price

Description

Please refer to Note 4(13) of the consolidated financial report for detailed accounting policies for inventory evaluation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory evaluation, and Note 6(6) for a detailed description of the inventory accounting subjects.

The inventory of Hwa Fong Group is measured by cost and net realizable value. In addition, provision for depreciation loss shall be made according to the degree of inventory de-aging for inventories over a specific period and individually identified obsolete inventories. Due to the impact of international raw material price fluctuation and market supply and demand, the cost of raw materials and the selling price of products may fluctuate sharply, resulting in a higher risk that the net realizable inventory value is lower than the book value and sluggish. Considering that Hwa Fong Group has a high degree of estimation uncertainty due to the diversification of product models, subjective judgment is often involved in evaluating the net realizable value of obsolete inventory items and their evaluation. Therefore, our accountant believes that evaluating the allowance for depreciation loss of inventory is one of the most important items in this year's audit.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. To understand the operation and industrial characteristics of Hwa Fong Group and evaluate the rationality of the policies adopted to offset inventory evaluation losses.
2. Review the annual inventory plan and participate in the annual inventory to evaluate the effectiveness of management in controlling obsolete and damaged inventory.
3. Verify the correctness of the inventory age report used by Hwa Fong Group to confirm that the report information is consistent with its policy.
4. Obtain the statement of net realized value of each inventory, confirm that the calculation logic is consistent, test the basis of the estimation of net realized value of inventory, including checking the sales price, purchase price and other supporting documents, and recalculate and evaluate the rationality of inventory evaluation.

Key audit matter - Impairment evaluation on property, plant and equipment

Description

Please refer to Note 4(19) of the consolidated financial statements for details of the accounting policies for impairment of non-financial assets; Please refer to note 6(8) of the consolidated financial report for a detailed account description of the real estate, plant, and equipment.

Hwa Fong Rubber (China) Co., Ltd. (after this referred to as "China Hwa Fong") and Hwa Fong Rubber (Suzhou) Co., Ltd. (after this referred to as "Suzhou Hwa Fong"), subsidiaries of Hwa Fong Group, have been highly competitive in their respective industries in recent years. Due to the restrictions of China's environmental protection laws and regulations in 2020, the production has been restricted and the sales have been affected jointly, resulting in losses in the financial statements. Therefore, the property, plant, and equipment of China Hwa Fong and Suzhou Hwa Fong showed signs of impairment. As the book value of the relevant real estate, plant and equipment are significant, the accountant considers that impairment assessment is one of the most critical matters in this year's audit.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. To understand the rationality of the future cash flow estimation process of each CGU on which the management's asset impairment assessment is based on.
2. Discuss with the management about the future operation forecast of Hwa Fong (China) and Hwa Fong (Suzhou) and compare it with the historical results.

3. For the real estate and plant, to obtain the transaction market price of the adjacent areas, and evaluate the rationality of the management's taking the fair value less the cost of sale as the recoverable amount.
4. For the part of machinery and equipment, the evaluation management committee asks the external evaluation company to issue an evaluation report, which includes the following procedures:
 - (1) Experts' qualification, professional ability, independence, and competence in related fields.
 - (2) The industry generally adopts the purpose and scope of the review expert opinion and the measurement method used.
 - (3) Check parameters of evaluation model and setting of calculation formula.
 - (4) Evaluate the reasonableness of the major assumptions used in the model.

Other matter - Scope of the audit

We did not audit the financial statements of certain subsidiaries and investees accounted for using equity method that are included in the consolidated financial statements. Those financial statements 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. As of December 31, 2020 and 2019, the Group recognized the investments accounted for using equity method for aforementioned investees amounting to NT\$763,862 thousand and NT\$614,208 thousand, respectively, constituting 9.49% and 8.29% of the total consolidated assets, respectively; and recognized comprehensive income amounting to NT\$782,121 thousand and NT\$788,162 thousand, constituting 16.02% and 14.97% of the consolidated comprehensive income for the years then ended, respectively.

Other matter - Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Hwa Fong Rubber Industrial Co., Ltd. as at and for the years ended December 31, 2020 and 2019.

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 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 supervisors, 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain 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.

Shiu, Jian-Ye

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 19, 2021

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2020		December 31, 2019	
Assets		Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,561,036	19	\$ 1,208,181	16
1110	Financial assets at fair value through profit or loss-current	6(2)	45,657	1	444	-
1136	Financial assets measured by amortized cost-current	6(4), 8	147,289	2	132,074	2
1150	Notes receivable, net	6(5)	34,518	-	70,569	1
1170	Accounts receivable, net	6(5)	766,673	10	779,900	11
1180	Accounts receivable, net-related parties	7(2)	4,138	-	4,066	-
1200	Other receivables		26,567	-	27,120	-
1210	Other receivables - related parties	7(2)	493	-	485	-
1220	Current income tax assets	6(27)	-	-	32,874	-
130X	Inventories	6(6)	956,274	12	1,028,387	14
1470	Other current assets		<u>31,516</u>	<u>-</u>	<u>44,862</u>	<u>1</u>
11XX	Total current assets		<u>3,574,161</u>	<u>44</u>	<u>3,328,962</u>	<u>45</u>
Non-current assets						
1535	Financial assets at amortized cost – non-current	6(4), 8	228,799	3	103,231	1
1550	Investments accounted for using equity method	6(7)	293,684	4	179,177	2
1600	Property, plant and equipment	6(8), 8	3,538,983	44	3,387,309	46
1755	Right-of-use asset	6(9)	49,531	1	65,188	1
1760	Investment property - net	6(10)	203,146	2	218,648	3
1780	Intangible assets		1,173	-	1,218	-
1840	Deferred income tax assets	6(28)	105,039	1	58,858	1
1900	Other non-current assets	6(30), 8	<u>55,201</u>	<u>1</u>	<u>58,858</u>	<u>1</u>
15XX	Total non-current assets		<u>4,475,556</u>	<u>56</u>	<u>4,078,447</u>	<u>55</u>
1XXX	Total assets		\$ 8,049,717	100	\$ 7,408,409	\$ 100

(Continued)

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		December 31, 2020			December 31, 2019	
	Liabilities and Equity	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(11), 8	\$ 799,496	10	\$ 413,004	5
2110	Short-term tickets payable	6(12)	49,966	-	-	-
2130	Contract liabilities-current	6(22)	70,350	1	46,584	1
2150	Notes payable		-	-	2,313	-
2170	Accounts payable		395,306	5	429,779	6
2200	Other payables	6(13)	322,300	4	315,125	4
2220	Other payables - related parties	7(2)	892	-	1,102	-
2230	Current income tax liabilities		99,684	1	77,594	1
2250	Current provisions	6(14)	64,056	1	-	-
2280	Lease liabilities-current		3,400	-	2,078	-
2300	Other current liabilities	6(15), 6(16), 6(22) and 8	<u>142,168</u>	<u>2</u>	<u>362,205</u>	<u>5</u>
21XX	Total current liabilities		<u>1,947,618</u>	<u>24</u>	<u>1,649,784</u>	<u>22</u>
	Non-current liabilities					
2540	Long-term borrowings	6(16), 8	1,235,073	15	1,256,304	17
2570	Deferred income tax liabilities	6(28)	223,892	3	200,686	3
2580	Lease liabilities-non-current		4,148	-	2,931	-
2600	Other non-current liabilities	6(17)	<u>114,008</u>	<u>2</u>	<u>117,230</u>	<u>2</u>
25XX	Total non-current liabilities		<u>1,577,121</u>	<u>20</u>	<u>1,577,151</u>	<u>22</u>
2XXX	Total Liabilities		<u>3,524,739</u>	<u>44</u>	<u>3,226,935</u>	<u>44</u>
	Equity attributable to owners of parent					
	Share capital	6(18)				
3110	Common shares		3,323,492	41	3,323,492	45
	Capital surplus	6(19)				
3200	Capital surplus		37,256	-	36,954	-
	Retained earnings	6(20)				
3350	Unappropriated retained earnings		(388,079)	(5)	(754,094)	(10)
	Other equity	6(21)				
3400	Other equity interest		<u>42,480</u>	<u>1</u>	<u>129,947</u>	<u>2</u>
31XX	Equity attributable to owners of the parent		<u>3,015,149</u>	<u>37</u>	<u>2,736,299</u>	<u>37</u>
36XX	Non-controlling interest		<u>1,509,829</u>	<u>19</u>	<u>1,444,175</u>	<u>19</u>
3XXX	Total equity		<u>4,524,978</u>	<u>56</u>	<u>4,180,474</u>	<u>56</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 8,049,717</u>	<u>100</u>	<u>\$ 7,407,409</u>	<u>100</u>

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

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNT)

			<u>2020</u>		<u>2019</u>	
	Items	Notes	Amount	%	Amount	%
4000	Operating revenue	6(22) and 7(2)	\$ 4,882,864	100	\$ 5,264,937	100
5000	Operating costs	6(6)(27)	(3,723,434)	(76)	(4,289,366)	(81)
5900	Gross profit		<u>1,159,430</u>	<u>24</u>	<u>975,571</u>	<u>19</u>
	Operating expenses	6(27)				
6100	Selling expenses		(250,338)	(5)	(230,896)	(6)
6200	General and administrative expenses		(277,916)	(6)	(230,896)	(4)
6300	Research and development expenses		(34,923)	(1)	(38,0268)	(1)
6450	Expected credit impairment loss	12(2)	<u>8,811</u>	<u>-</u>	<u>(54,700)</u>	<u>(1)</u>
6000	Total operating expenses		<u>(554,366)</u>	<u>(12)</u>	<u>(610,065)</u>	<u>(12)</u>
6900	Operating profit		<u>605,064</u>	<u>12</u>	<u>365,506</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(23)	12,121	-	15,981	1
7010	Other income	6(24)	49,220	1	12,500	-
7020	Other gains and losses	6(25)	(123,574)	(3)	(44,597)	(1)
7050	Finance costs	6(26)	(47,064)	(1)	(65,022)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>2,931</u>	<u>-</u>	<u>8,344</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>140,782</u>	<u>3</u>	<u>(72,794)</u>	<u>1</u>
7900	Profit before income tax		745,846	15	292,712	6
7950	Income tax expense	6(28)	(183,927)	(4)	(144,432)	(3)
8200	Profit for the year		<u>\$ 561,919</u>	<u>11</u>	<u>\$ 148,280</u>	<u>3</u>

(Continued)

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNT)

		2020		2019	
Items	Notes	Amount	%	Amount	%
Other comprehensive income (loss) , net					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(17)	(\$ 4,127)	-(\$ 18,564)	-
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)	465	- 53	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(28)	825	-(3,713)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss.		(2,837)	-(14,798)	-
Components of other comprehensive income that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		189,097	(4)	144,596 3
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	6(7)	(170)	-(107)	-
8399	Income tax relating to components of other comprehensive income (loss) that may be reclassified to profit or loss	6(28)	21,973	1	-(15,821) (1)
8360	Total components of other comprehensive loss that may be reclassified to profit or loss		(\$ 167,294)	(3)	128,668 2
8300	Other comprehensive loss for the year, net		(\$ 170,131)	(3)	\$ 113,870 2
8500	Total comprehensive income for the year		<u>\$ 391,788</u>	<u>8</u>	<u>\$ 262,150</u> <u>5</u>
Profit, attributable to:					
8610	Owners of the parent		<u>\$ 371,601</u>	<u>7</u>	<u>\$ 10,891</u> -
8620	Non-controlling interest		<u>\$ 190,318</u>	<u>4</u>	<u>\$ 37,389</u> <u>3</u>
			\$ 561,919	11	\$ 148,280 3
Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 280,832</u>	<u>6</u>	<u>\$ 67,955</u> <u>1</u>
8720	Non-controlling interest		<u>\$ 110,956</u>	<u>2</u>	<u>\$ 194,195</u> <u>4</u>
			\$ 391,788	8	\$ 262,150 5
Basic earnings per share					
9750	Total basic earnings per share	6(29)	\$	1.33	\$ 0.04
Diluted earnings per share					
9850	Total diluted earnings per share	6(29)	\$	1.33	\$ 0.04

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

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity Attributable to Shareholders of the Parent										
Year	Note	Common Stock	Retained Earnings			Others		Total	Non-controlling Interests	Total Equity
			Capital Reserve	Legal Reserve	Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<u>Year 2019</u>										
Balance at January 1, 2019		\$ 3,323,492	\$ 167,989	\$ 111,668	(\$ 1,004,392)	\$ 101,341	(\$ 34,724)	\$ 2,665,374	\$ 1,297,308	\$ 3,962,682
Net income for 2019		-	-	-	-	-	-	10,891	137,389	148,280
Other Comprehensive Income		-	-	-	(6,266)	63,282	48	57,064	56,806	113,870
Total Comprehensive Income		-	-	-	4,625	63,282	48	67,955	194,195	262,150
Legal reserve appropriated		-	-	(111,668)	111,668	-	-	-	-	-
Capital surplus used to cover accumulated deficits		-	(126,250)	-	126,250	-	-	-	-	-
Changes in Equities of Long-term Investments	6(19)	-	(4,785)	-	7,755	-	-	2,970	285	3,255
Dividends of the Company received by its subsidiaries	4(3)	-	-	-	-	-	-	-	(47,613)	(47,613)
Balance at December 31, 2019		\$ 3,323,492	\$ 36,954	\$ -	(\$ 754,094)	\$ 164,623	(\$ 34,676)	\$ 2,736,299	\$ 1,444,175	\$ 4,180,474
<u>Year 2020</u>										
Balance at January 1, 2020		\$ 3,323,492	\$ 36,954	\$ -	(\$ 754,094)	\$ 164,623	(\$ 34,676)	\$ 2,736,299	\$ 1,444,175	\$ 4,180,474
Net income for 2020		-	-	-	371,601	-	-	371,601	190,318	561,919
Other Comprehensive Income		-	-	-	(3,302)	(87,892)	425	(90,769)	(79,362)	(170,131)
Total Comprehensive Income		-	-	-	368,299	(87,892)	425	280,832	110,956	91,788
Changes in Equities of Long-term Investments	6(19) 2,284)	-	302	-	(	-	-	(1,982)	(194)	(2,176)
Dividends of the Company received by its subsidiaries	4(3)	-	-	-	-	-	-	-	(45,108)	(45,108)
Balance at December 31, 2020		\$ 3,323,492	\$ 37,256	\$ -	(\$ 388,079)	\$ 76,731	(\$ 34,251)	\$ 3,015,149	\$ 1,509,829	\$ 4,524,978

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

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Cash Flows From Operating Activities	Notes	Years ended December 31,	
		2020	2019
Profit before tax		\$ 745,846	\$ 292,712
Adjustments			
Depreciation expense	6(8)(9(27))	214,179	225,683
Amortizations	6(27)	535	613
Expected credit (gain) loss	12(2)	(8,811)	54,700
Share of Profit of Associates Accounted for Using Equity Method)	6(7)	(2,931)	(8,344)
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	6(2)(25)	(8,741)	(25)
Loss on disposal of property, plant and equipment	6(25)	(1,782)	(3,877)
Disposal of land use rights benefits	6(25)	(115,895)	-
Interest expense	6(26)	47,064	65,022
Interest income	6(23)	(12,121)	(15,981)
Dividend income		(872)	(11)
Reversal of impairment loss on non-financial assets	6(7)(25)	30,548	(25,830)
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(36,472)	-
Notes receivable		36,051	(16,850)
Accounts receivable due from related parties		21,966	(54,356)
Other receivables		545	13,136
Inventories		72,113	(393)
Other current assets		13,346	13,101
Changes in operating assets and liabilities			
Contract liabilities		23,766	26,826
Notes payable		(2,313)	(61,728)
Accounts payable		(34,473)	13,608
Other payables		15,495	(33,474)
Debt provision		64,056	-
Other current liabilities		(616)	31,106
Other non-current liabilities		(7,349)	21,959
Cash inflow (outflow) generated from operations		1,053,134	537,597
Interest received		12,121	15,981
Dividends received		3,482	11
Interest paid		(47,502)	(67,921)
Income taxes paid		(123,179)	(71,538)
Net cash flows from (used in) operating activities		898,056	414,130

(Continued)

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Years ended December 31,	
	Notes	2020	2019
Cash flows from (used in) investing activities			
Acquisition of property, plant and equipment	6(30) (\$	459,287)	293,108)
Proceeds from disposal of property, plant and equipment		8,857	32,986
Increase (Decrease) in refundable deposits	(	14,482)	18,123
Acquisition of financial assets at amortized cost-current	(	143,889)	94,746)
Proceeds from disposal of financial assets at amortized cost-current		128,674	88,940
Non-current financial assets at amortized cost	(	125,568)	123,312
Acquisition of investments accounted for using equity method	(	117,733)	-
Right-of-use assets		133,108	-
Intangible assets	(	410)	1,333)
Net cash flows from (used in) investing activities		(590,730)	(125,826)
Cash flows from (used in) financing activities			
Short-term loans	6(31)	395,492	(275,452)
Increase in short-term notes and bills payable	6(31)	49,966	-
Repayments of long-term debt	6(31)	67,900	1,070,494
Repayments of long-term debt	6(31)	(300,031)	(791,270)
Decrease in lease payable	6(31)	(3,004)	(2,029)
Increase in non-controlling interest-capital increase of subsidiaries	4(3)	(45,108)	(47,613)
Net cash flows from (used in) financing activities		165,215	(45,870)
Effect of exchange rate changes on cash and cash equivalents		(119,686)	53,206
Net increase (decrease) in cash and cash equivalents		352,855	295,640
Cash and cash equivalents at beginning of period		1,208,181	912,541
Cash and cash equivalents at end of period		\$ 1,561,036	\$ 1,208,181

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

HWA FONG RUBBER INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes To Consolidated Financial Statements

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL INFORMATION

Hwa Fong Rubber Industrial Co., Ltd. (the “Company”) was incorporated in May 27, 1959 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 rubber, plastic products manufacturing, processing, domestic and foreign sales, and import and export business.

2. APPROVAL OF FINANCIAL STATEMENT

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

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”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 1 and 8, ‘Disclosure initiative —Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a Business’	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, ‘Interest Rate Benchmark Reform’	January 1, 2020
Amendment to IFRS 16, ‘Leases’ regarding COVID-19- related rent concessions’	June 1, 2020 (Notes)

(Notes: FSC allowed it to be adopted on January 1, 2020.)

The above standards and interpretations have no significant impact to the Group’s consolidated financial condition and consolidated 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform — Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's consolidated financial condition and consolidated 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 International Accounting Standards Board</u>
Amendments to IFRS 3, 'References to the Conceptual Framework'	January 1, 2022
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 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'The disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'To clarify the definition of accounting estimates'	January 1, 2023
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 IFRSs 2018-2020 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Group's consolidated financial condition and consolidated 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 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) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Definite welfare liabilities are recognized as the net amount of the present value of definite welfare obligations after deduction of retirement fund assets. Retirement Fund Assets Deduction Determining Benefit Obligation Net Present Value Recognition Determining Benefit Liability

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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) The balances and unrealized gains or losses between inter-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 recognized 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 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 Group 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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
The Company	Hwa Fong Rubber (Thailand) Public Co., Ltd.	Manufacturing and trading	50.42	50.42	
The Company	Hwa Fong Rubber (USA) Inc.	Sales and purchase.	100	100	
The Company	Hwa Fong Rubber (Hong Kong) Limited	International trading	100	100	
The Company	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and trading	19.85	19.85	Notes 1 and 3
The Company	Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Investment holding company	100	100	
The Company	Huazhong (Viking) Holding Pte. Ltd.	Investment holding company	100	100	
The Company	China Hwa Fong Enterprise Co., Ltd.	Investment and trading	100	100	
The Company	Hwa Fong Rubber (Suzhou) Co., Ltd.	Manufacturing and trading	7.31	7.31	Note 4
The Company	Hwa Fong Rubber (West Coast) Co., Ltd.	Trading	100	-	Note 5
Hwa Fong Rubber (Singapore) Holding Pte. Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and trading	13.55	13.55	Note 1 and 3
Hwa Fong Rubber (Viking) Holding Pte. Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	Manufacturing and trading	92.69	92.69	Note 4
Hwa Fong Rubber (Viking) Holding Pte. Ltd.	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and trading	25.97	25.97	Note 1 and 3
Hwa Fong Rubber (Hong Kong) Limited	Hwa Fong Rubber (China) Co., Ltd.	Manufacturing and trading	40.63	40.63	Note 1 and 3
Hwa Fong Rubber (Thailand) Public Co., Ltd.	HFT Holding Co., Ltd	Investment holding company	99.99	99.99	
Hwa Fong Rubber (Thailand) Public Co., Ltd.	PT Hwa Fong Rubber Indonesia	Manufacturing and trading	99	99	Note 2

Note 1: The Company and the subsidiaries Hwa Fong Rubber (Singapore) Holding Pte. Ltd., Huazhong (Viking) Holding Pte. Ltd., and Hwa Fong Rubber (Hong Kong) Limited jointly hold 100% equity of Hwa Fong Rubber (China) Co., Ltd.

Note 2: On February 7, 2017, Hwa Fong Rubber (Thailand) Public Co., Ltd., a subsidiary of the Company, established PT Hwa Fong Rubber Indonesia, a subsidiary of the Company, and held 99% of the shares. In addition, HFT Holding Co., Ltd, a subsidiary of the company, had 1% of the shares.

Note 3: To improve the financial structure of Hwa Fong Rubber (China) Co., Ltd., the Company passed a resolution of the board of directors on September 18, 2017, proposing to transfer

the creditor's rights of Hwa Fong Rubber (Hong Kong) Limited to Hwa Fong Rubber (China) Co., Ltd. of US\$21,900 thousand, a capital increase of Hwa Fong Rubber (China) Co., Ltd. by "debt to equity swap." The Investment Board has approved the relevant legal procedures—Ministry of Economic Affairs on February 20, 2018, and implemented on December 25, 2019. The registration of relevant changes has been completed. Hwa Fong Rubber Industrial Co., Ltd., Hwa Fong Rubber (Singapore) Holding Pte. Ltd., Huazhong (Viking) Holding Pte. Ltd., and Hwa Fong Rubber (Hong Kong) Limited hold 19.85%, 13.55%, 25.97%, and 40.63% of Hwa Fong Rubber (China) Co., Ltd. respectively.

Note 4: To improve the financial structure of Hwa Fong Rubber (Suzhou) Co., Ltd., the Company passed a resolution of the board of directors on September 18, 2017, proposing to transfer the creditor's rights of Hwa Fong Rubber (Viking) Holding Pte. Ltd. to Hwa Fong Rubber (Suzhou) Co., Ltd. of US\$5,300 thousand and US\$21,160 thousand, a capital increase of Hwa Fong Rubber (Suzhou) Co., Ltd. by "debt to equity swap." The Investment Board has approved the relevant legal procedures—Ministry of Economic Affairs on February 20, 2018, and implemented on December 25, 2019. The registration of relevant changes has been completed. Hwa Fong Rubber Industrial Co., Ltd. and Huazhong (Viking) Holding Pte. Ltd. hold 7.31% and 92.69% of Hwa Fong Rubber (Suzhou) Co., Ltd., respectively.

Note 5: Due to the needs of the overall operation and development of the group, the board of directors approved the establishment of a subsidiary, Hwa Fong Rubber (West Coast) Co., Ltd., on November 13, 2019, and it completed the registration and remittance of investment funds on February 20, 2020.

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:

As of December 31, 2020 and 2019, the non-controlling interest amounted to \$1,509,829 thousand and \$1,444,175 thousand respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
Hwa Fong Rubber (Thailand) Public Co., Ltd.	Thailand	\$ 1,509,829	49.58%	\$ 1,444,175	49.58%

Summarized financial information of the subsidiaries is as follows:

Balance sheets

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 1,911,450	\$ 1,978,284
Non-current assets	1,706,457	1,635,438
Current liabilities	(506,455)	(634,507)
Non-current liabilities	(64,356)	(64,331)
Total net assets	<u>\$ 3,047,096</u>	<u>\$ 2,914,884</u>

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 2,477,494</u>	<u>\$ 2,683,869</u>
Profit before income tax	460,347	337,831
Income tax expense	(76,683)	(58,681)
Profit for the period	383,664	279,150
Other comprehensive income, net of tax	(160,078)	(44,590)
Total comprehensive income for the period	<u>\$ 223,586</u>	<u>\$ 234,560</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 110,956</u>	<u>\$ 194,195</u>
Dividends paid to non-controlling interest	<u>\$ 45,108</u>	<u>\$ 47,613</u>

Statements of cash flows

	<u>Hwa Fong Rubber (Thailand) Public Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net cash provided by operating activities	\$ 531,712	\$ 436,498
Net cash used in investing activities	(95,133)	(89,628)
Net cash (used in) provided by financing activities	(220,120)	(97,114)
Effect of exchange rates on cash and cash equivalents	<u>122,711</u>	<u>25,381</u>
Increase (decrease) in cash and cash equivalents	<u>339,170</u>	<u>275,137</u>
Cash and cash equivalents, beginning of period	<u>546,387</u>	<u>434,620</u>
Cash and cash equivalents, end of period	<u>\$ 885,557</u>	<u>\$ 709,757</u>

(4) Foreign Currency Exchange

This group measures using the currency of its primary economic situation (functional currency). This individual financial report is presented in “New Taiwan Dollars”, the group’s functional currency

1.Foreign Currency Transactions and Balance

- (1) Foreign Currency Transactions is exchanged to functional currency by the spot exchange rate of the day of transaction or the day of appraisal, the exchange difference arising from the exchange of these transactions shall be recognized as the current profit and loss.
- (2) Foreign Monetary Assets and Debt Balance, is appraised by the spot exchange rate of the day of the balance sheet, the exchange difference arising from the appraisal shall be recognized as the current profit and loss.
- (3) Foreign Non-Monetary Assets and Debt Balance, those measured through profit and loss at fair value, is appraised by the spot exchange rate of the date of balance sheet, the exchange difference arising from the appraisal shall be recognized as the current profit and loss; those measured by other comprehensive profit and loss at fair value, is appraised by the spot exchange rate of the date of balance sheet, the exchange difference arising from the appraisal shall be recognized as other comprehensive profit and loss; those not measured at fair value, is appraised by the historical exchange rate of the initial trading day.
- (4) All exchange difference is reported in the “other profit and loss” section of the comprehensive income statement

2.Foreign Operation Exchange

- (1) All group entities, affiliated businesses and joint arrangements with different functional currencies and presentation currencies, their operating result and financial status is exchanged into presentation currencies through the following methods:
 - A. Assets and liabilities presented on every balance sheet shall be exchanged by the closing rate of the date of balance sheet;
 - B. Income and expenses presented on every comprehensive income statement is exchanged by the average exchange rate for the period;
 - C. The exchange difference arising from the appraisal shall be recognized as other comprehensive profit and loss
- (2) When the foreign operation that is part of the disposition or sale is an affiliated business or a joint agreement, the exchange difference under the other comprehensive profits and losses will be reclassified in proportion to the current profit and loss as a part of the profit or loss of the sale. However, even if the company still retains part of its equity in the former affiliated company or the joint agreement, but has lost significant influence on the foreign operation that is an affiliated company or has lost joint control of the foreign operation under the joint agreement, it is to deal with all the rights and interests of the foreign operation
- (3) When the foreign operating organization that is part of the disposal or sale is a subsidiary, the accumulative exchange difference recognized as other comprehensive profit and loss is re-assigned to the non-controlling rights and interests of the foreign operation on a pro rata basis. However, even if the company still retains part of its equity in the former subsidiary, but has lost control of the foreign operation owned subsidiary, it is to deal with all the rights and interests of foreign operation.

(5) The classification standards of current and non-current asset and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) Those who expect to realize the asset during the normal business cycle, or intend to sell or consume it.
- (2) Holders mainly for trading purposes.
- (3) It is expected to be realized within twelve months after the date of the balance sheet.
- (4) Cash or cash equivalents, except for those that are subject to restrictions on exchange or use to pay off debts at least twelve months after the date of balance sheet.

The group classifies all assets that do not meet the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Those who are expected to be paid off during the normal business cycle.
- (2) Holders mainly for trading purposes.
- (3) Those who are expected to be settled within twelve months from the date of the balance sheet date.
- (4) The repayment period cannot be deferred unconditionally to at least twelve months after the date

of the balance sheet. The terms and conditions of the liability may depend on the choice of the counterparty to issue equity instruments that lead to settlement, this does not affect its classification.

The group classifies all liabilities that do not meet the above conditions as non-current.

(6) Cash Equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into fixed cash at any time and the risk of value changes is very small. The fixed-term deposit meets the aforementioned definition and its purpose is to meet the short-term cash promises in the operation, and it is classified into cash equivalents

(7) Financial assets measured at fair value through profit and loss

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive profits and losses.
2. The group's financial assets measured at fair value in accordance with customary transactions will be calculated on the trading day
3. The group is initially measured at fair value, and related transaction costs are recognized in profit or loss, and subsequently measured at fair value, and its profit or loss or loss is recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits related to the dividends are likely to flow in, and the amount of dividends can be reliably measured, the group will recognize the dividend income in the profit and loss.

(8) Financial assets measured at fair value through other comprehensive profit and loss

1. The non-cancellable selection at the time of initial recognition, and the fair value change of the investment of non-holding equity tools for trading is reported to other comprehensive profit and loss; or liability tool investments that meet the following conditions at the same time:
 - (1) Holding the financial assets under a business model whose purpose is to collect contractual cash flow and sell.
 - (2) The contract terms of the financial asset produce a cash flow of a specific date, which is entirely the interest and interest for the payment of the principal and the flow of the principal amount abroad.
2. The group adopts transaction day accounting for financial assets that are in compliance with trading practices and are measured at fair value through other comprehensive profits and losses.
3. The group initially measured its fair value plus transaction cost at the time of initial recognition, and then continued to measure it at fair value:
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive profit and loss, and at the time of delisting, accumulated profit and loss that were previously recognized in other comprehensive profit and loss shall not be reclassified to profit and loss, instead it is transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to the dividends are likely to flow in, and the amount of dividends can be reliably measured, the group recognizes dividend income in the profit and loss.
 - (2) Changes in fair value of debt instruments are recognized in other comprehensive profit and loss, the impairment loss, interest income, and foreign currency exchange profits and losses before the delisting are recognized in the profit and loss, and at the time of the delisting, the accumulated profit or loss previously recognized in other comprehensive profit and loss will be reclassified from equity to profit and loss

(9) Financial Assets Measured at Amortized Cost

1. Those that meet the following conditions :

- (1) Financial assets held under the business model for the purpose of collecting contractual cash flow.
- (2) The contract clause of the financial asset generates a cash flow of a specific date, which is entirely the interest on the payment of the principal and the flow of the circulating principal amount.
2. The group adopts transaction day accounting for financial assets measured at amortized cost in accordance with trading practices.
3. The group measures at fair value plus transaction costs at the time of initial recognition, and subsequently uses the effective interest method to recognize interest income during the circulation period according to amortization procedures, and recognize impairment losses, and derecognize them, recognizing its profit or loss in profit and loss.
4. The group holds fixed deposits that are not in compliance with the contractual cash. Due to the short holding period, the impact of the discount is not significant, and it is measured by the amount of investment.

(10) Accounts and Notes Receivable

1. The accounts and notes that have been unconditionally received in exchange for the right to the amount of consideration due to the transfer of goods or services in accordance with the contract.
2. Short-term accounts receivable and notes that are unpaid interest, because the discount has little effect, the group uses the original invoice to measure the amount.

(11) Decrease of Financial Assets

On each date of balance sheet, the group considers all reasonable and provable information (including forward-looking ones) through debt instrument investments measured at fair value through other comprehensive profits and losses, financial assets measured at amortized cost, and accounts receivable that contain significant financial components, if the credit risk has not increased significantly since the initial recognition, the allowance loss is measured based on the amount of the 12-month expected credit loss; if the credit risk has increased significantly since the initial recognition, the allowance loss is measured based on the amount of expected credit loss during the duration; for accounts receivable that does not include a significant financial component, the allowance loss is measured based on the amount of expected credit loss during the duration

(12) Derecognition of Financial Assets

When the group loses effect on the contract right to receive cash flows from financial assets, the financial assets will be derecognized.

(13) Inventory

Inventory is measured by the lower of cost and net realizable value, and cost is determined by weighted average method. The cost of manufactured products and products in process includes raw materials, direct labor, other direct costs, and production-related manufacturing costs (shared according to normal production capacity), but does not include borrowing costs. When the comparison cost and the net realizable value are lower, the item-by-item comparison method is adopted, and the net realizable value refers to the estimated sales price minus the estimated sales price in the normal course of business operations until the completion of the project and the related sales after the estimated sales cost.

(14) Investment/Affiliated enterprises using the equity method

1. Affiliated companies refer to all individuals that the group has a significant influence over them without control. Generally, they directly or indirectly hold more than 20% of their voting shares. The Group adopts the equity method to deal with the investment in related enterprises, and it will be recognized according to the cost when obtained

2. The group recognizes the profit and loss of the affiliated enterprises as the current profit and loss, and the other comprehensive profit and loss after the acquisition is recognized as the other comprehensive profit and loss. If the group's share of losses in any affiliated company equals or exceeds its equity in the affiliated company (including any other unsecured receivables), the group will not recognize further losses unless this group has made a legal obligation or a presumption obligation for the affiliated enterprise or has paid on its behalf.
3. When a non-profit and loss and other comprehensive gains and losses occur in the equity changes of the affiliated company and do not affect the shareholding ratio of the affiliated company, the group will recognize the equity change attributable to the group's share of the affiliated company as "Capital Reserve".
4. The unrealized gains and losses arising from the transactions between the group and the related companies have been eliminated in accordance with the proportion of its equity to the related companies; unless the evidence shows that the assets transferred from the transaction have been impaired, otherwise unrealized losses are eliminated. Necessary adjustments have been made to the accounting policies of related companies, which are consistent with the policies adopted by this group.
5. When an affiliated company issues new shares, if the group does not subscribe or acquire in proportion, the investment ratio will change but still have a significant impact on it, the amount of increase or decrease in the change in the net value of equity is determined by adjusting the "capital reserve" and "investment using the equity method." If the investment ratio decreases, in addition to the above adjustments, the benefits or losses related to the reduction of the ownership interest and previously recognized in other comprehensive profits and losses, and the benefits or losses must be reclassified when disposing of the relevant assets or liabilities to profit and loss according to the reduction ratio.
6. When the loss of the group has a significant impact on the affiliated enterprises, the remaining investment in the original affiliated enterprises is re-measured at fair value, and the difference between the fair value and the book value is recognized as the current profit and loss
7. When the group disposes of an affiliated company, if it loses significant influence on the affiliated company, the accounting treatment of all amounts previously recognized in other comprehensive profit and loss related to the affiliated company will be the same as if the group directly disposes of related assets or liabilities, if the benefit or loss previously recognized as other comprehensive gains and losses will be reclassified as profit or loss when disposing of related assets or liabilities, when the loss of significant impact on the affiliated company, the benefit or loss will be reclassified from equity as profit and loss. If it still has a significant impact on the affiliated company, the amount previously recognized in other comprehensive profits and losses will be transferred out in the above-mentioned manner only on a proportional basis
8. When the group disposes of an affiliated enterprise, if it loses a significant impact on the affiliated enterprise, the capital reserve related to the affiliated enterprise will be transferred to the profit and loss; if it still has a significant impact on the affiliated enterprise, profit and loss will be transferred based on the disposition percentage.

(15) Real Estate, Plants, and Equipment

1. Real estate, plants and equipment are accounted for based on the cost obtained, and the relevant interest during the purchase and construction period is capitalized.
2. Subsequent costs are only included in the asset's book balance or the asset is recognized as a single asset only when the future economic benefits related to the project are likely to flow into the group and the cost of the project can be measured reliably. The book value of the relocated part should be deducted. All other maintenance costs are recognized as current profits and losses when they occur.
3. Real estate, factory buildings, and equipment are subsequently measured in a cost model. Except for land without depreciation, depreciation is calculated on the straight-line method based on the estimated service life. If the components of real estate, factory buildings, and equipment are significant, depreciation will be listed separately.
4. The group reviews the residual value, service life and depreciation method of each asset at the end of each financial year, if the expected value of salvage value and service life is different from the previous estimate, or the expected consumption pattern of future economic benefits contained in the asset has changed significantly, it shall be in accordance with International Accounting Standard

No. 8 "Accounting Policy" from the date of the change. , Accounting Estimate Changes and Errors".
The durability of each asset is as follows:

- 1) Land improvement: 8-15 years
- 2) Houses and buildings: 1-50 years
- 3) Machine equipment: 1~20 years
- 4) Test equipment: 7~20 years
- 5) Transportation equipment: 5 years
- 6) Office equipment: 1~10 years

(16) Lessee's lease transaction-right-of-use assets / lease liability

1. Lease assets are recognized as right-of-use assets and lease liabilities on the day they are available for use by the group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be paid in a straight-line method and recognized as a fee during the lease period.
2. Lease liabilities are recognized as the present value of the lease payments that have not yet been paid at the start date of the lease at the group's incremental borrowing interest rate.

The lease payments include:

- (1) Fixed benefits, minus any lease incentives that can be received;
- (2) The exercise price of the purchase option, if the lessee can reasonably determine that the option will be exercised.

The subsequent interest method is measured by the post-amortization cost method, and interest expenses are set out during the lease period. When a non-contractual modification or modification causes a change in the lease period or lease payment, the lease liability will be reassessed, and the amount will be re-appraised to adjust the right to use assets.

3. The right-to-use assets are recognized at the cost on the lease start date, and the cost includes:

- (1) The original measurement amount of the lease liability;
- (2) Any lease payments paid on or before the start date;
- (3) Any original direct costs incurred;

Subsequent cost-based measurement is adopted, and depreciation costs are recognized when the useful life of the right-to-use asset expires or the lease period expires, whichever is earlier. When the lease liability is reassessed, the right-of-use asset will adjust any re-measurement of the lease liability.

(17) Investment real estate

Investment real estate is recognized at cost, and then the cost model is adopted for subsequent measurement.

(18) Intangible assets

The computer software is recognized at the cost, and amortized according to the estimated service life of 3 to 5 years by the straight-line method.

(19) Decrease in Non-Financial Assets

The group estimates the recoverable amount of assets with signs of impairment on the date of balance sheet. When the recoverable amount is lower than its book value, the impairment loss is recognized. Recoverable amount refers to the fair value of an asset minus the cost of disposal or its use value, whichever is higher. When there is no impairment or reduction in the assets recognized in the previous year, the impairment loss shall be reversed, but the book value of the asset increased by the return of the impairment loss shall not exceed the book amount of depreciation or amortization of the asset if the impairment loss is not recognized.

(20) Loan

1. The long-term and short-term loans borrowed from the bank. The group measures its fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is adopted to recognize interest expenses for profit and loss during the circulation period according to the amortization procedure.
2. The expenses paid when the loan quota is established. When it is very possible to withdraw part or all of the quota, the expenses shall be recognized as the transaction cost of the borrowing, and shall be deferred until the adjustment of the effective interest rate is recognized when the expenditure occurs; when it is not possible to withdraw part or all of the quota, the fee is recognized as an advance payment and amortized during the period related to the quota.

(21) Accounts and Notes Payable

1. Debts arising from the purchase of raw materials, commodities or labor services on credit and invoices payable due to business and non-business.
2. Short-term accounts payable and invoices that are unpaid interest, because discounting has little effect, the group uses the original invoice amount to measure the amount.

(22) Derecognition of Financial Liabilities

The group will derecognize financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired

(23) Liability provision

Liability provision (including reorganization) is a current legal or presumptive obligation due to past events. It is very likely that resources with economic benefits will be required to settle the obligation, and the amount of the obligation can be easily estimated. The liability provision is measured by the best estimated present value of the expenditure required to settle the obligation on the balance sheet date. The discount rate is the pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risks of the liability. The amortization is recognized as interest expense. Future operational losses cannot be recognized as liability provision.

(24) Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefits are measured by the amount of expected non-discounted cash payments, and are recognized as expenses when related services are provided

2. Pensions

(1) Determine the allocation plan

For the determination of the allocation plan, the amount of the pension that should be allocated is recognized as the current pension cost on the basis of power and responsibility. The advance payment is recognized as an asset within the scope of refundable cash or reduction of future payments.

(2) Determine the welfare plan

A. The net obligation under the determined benefit plan is calculated by discounting the amount of future benefits earned by the employee in the current period or past services, and the fair value of the planned assets is subtracted from the current value of the welfare obligations determined on the date of balance sheet. The net obligation to determine benefits is calculated by actuaries each year using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds whose balance sheet date is consistent with the currency and period of the determined benefit plan; in countries where there is no deep market for high-quality corporate bonds, the market yield rate of government bonds (on the date of balance sheet) is used.

B. Determine the amount of re-measurement generated by the welfare plan and recognize it in other comprehensive profits and losses in the current period, and express it in the retained

earnings.

3. Resignation benefits

Resignation benefits refer to the benefits provided by the termination of the employment of the employee before the normal retirement day or the employee's decision to accept the company's welfare invitation in exchange for the termination of the employment. This group recognizes the expenses when it can no longer cancel the resignation benefits offer or recognize the earlier of the relevant restructuring costs. It is not expected that the benefits that will be fully settled 12 months after the date of the balance sheet should be discounted.

4. Staff remuneration and directors and supervisors remuneration

Remuneration for employees and directors and supervisors are recognized as expenses and liabilities when they are legally or presumed and the amount can be reasonably estimated. If there is a discrepancy between the actual allotment amount and the estimated amount in subsequent resolutions, it shall be dealt with according to the changes in accounting estimates. In addition, if the employees are paid on the basis of stocks, the basis for calculating the number of shares is the closing price of the day before the day of the board of directors' resolutions

(25) Income Tax

1. Income taxes include current and deferred income taxes. Except for the income tax related to the items included in other comprehensive profits and losses or directly included in the rights and losses, which are separately included in other comprehensive profits and losses or directly included in the rights and losses, the income tax system is recognized in the profit and loss.
2. The group calculates the current income tax based on the tax rate of the country in which it is taxable on the date of balance sheet that has been enacted or has substantive legislation. The management level assesses the status of the income tax declaration on a regular basis according to the applicable income tax-related laws, and, where applicable, estimates the income tax liability based on the expected tax payment to the tax authority. Undistributed surpluses are subject to additional income tax levied in accordance with the income tax law, and the distribution of actual surpluses will be recognized after the shareholders' meeting has passed the surplus distribution case in the year following the year in which the subsequent surpluses are generated.
3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the taxation basis of assets and liabilities and its book value in the consolidated balance sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction (excluding business combinations), and if it does not affect accounting profits or taxable income (taxable losses) at the time of the transaction, it will not be recognized. If there are temporary differences between the investment subsidiary and affiliated companies, the group can control the timing of the reversal of the temporary differences, and the temporary differences are likely to be foreseeable and will not be reverted. The deferred income tax shall be applied on the date of balance sheet or substantive legislation, and the relevant deferred income tax assets shall be realized or the deferred income tax shall be paid off as the pre-tax rate applicable at the time.
4. The temporary difference of deferred income tax assets is likely to be used to deduct future taxable income within the scope of recognition, and the unrecognized and deferred tax assets shall be reassessed on each date of balance sheet.
5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or when it is generated by different tax-paying entities but each entity intends to pay off on a net basis or at the same time realize the assets and pay off the debt, the deferred tax assets and liabilities will be offset against each other.

6. The deferred portion of the unused income tax deduction due to equity investment, etc., is within the scope of the possible future tax deduction for the unused income tax deduction, and deferred assets are recognized.

(26) Capital Stocks

Common stocks are classified as equity. The net amount directly attributable to the increase in the issuance of new shares or subscription rights after the deduction of taxes is included in the equity as a price reduction.

(27) Dividend Distribution

Dividends distributed to shareholders of the group are recognized in the financial report when the group's general meeting of shareholders resolves the distribution of dividends, cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed, and transferred as ordinary shares on the base date of issuance of new shares.

(28) Income Recognition

1. The group is engaged in the manufacturing and sales of rubber and plastic products. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer, the customer has the discretion to sell the product and the price, and the group has no outstanding performance obligations that may affect customers' acceptance of the product. When the product is shipped to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product in accordance with the sales contract, or there is an objective certificate that proves that all the products have been accepted by the supplier before the delivery has been fully paid.
2. The sales revenue of the group's sales of rubber and plastic products is recognized as the contract price deducting the estimated sales discount and the net price reduction. Sales discounts and price reductions given to customers are usually calculated on the basis of 12-month cumulative sales. The group estimates sales discounts and price reductions based on historical experience, the amount of income recognized is limited to the portion that is likely to be high in the future and will not be subject to a major reversal, and the estimate is updated every date of balance sheet. The estimated sales-related discounts and price reductions payable to customers as of the date of balance sheet are recognized as refund liabilities. The payment terms for sales transactions are usually due 30 to 90 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the payment by the customer has not exceeded one year, the group has not adjusted the transaction price to reflect the time value of the currency.
3. Accounts receivable are recognized when the merchandise is delivered to the customer, because the group has no conditional rights to the contract price from that point onwards, and the consideration can be collected from the customer only after time has passed.

(29) Government Subsidy

The government subsidy can be reasonably assured that the enterprise will comply with the conditions imposed by the government subsidy, and the subsidy will be received at its fair value. If the nature of the government subsidy is to compensate for the expenses incurred by the group, the government subsidy shall be recognized as the current profit and loss on the basis of the system during the occurrence of the relevant expenses.

(30) Operation Department

The operation department information of this group and the internal management report provided to the main operation decision makers are reported in a consistent manner. The main operational decision maker is responsible for allocating resources to the operational department and evaluating its performance.

5. Primary Sources of Major Accounting Judgements, Estimates, and Assumptions

When the group prepared this individual financial report, management has used its judgment to determine the accounting policy adopted, and made accounting estimates and assumptions about reasonable expectations of future events based on the conditions on the date of balance sheet. The major accounting estimates and assumptions made may be different from the actual results, and will be continuously appraised and adjusted taking into account historical experience and other factors. These estimates and assumptions have the risk that the book value of assets and liabilities will be adjusted significantly in the next financial year. Please provide the following detailed explanations on the uncertainty of major accounting judgments, estimates and assumptions:

(1) Important judgments on the adoption of accounting policies

There is no such situation.

(2) Important accounting estimates and assumptions

1. Appraisal of accounts receivable

For the appraisal of accounts receivable, the group uses the default risk and expected loss rate as the basis for assessing the allowance loss of accounts receivable, and considers historical experience to determine the assumptions and selection inputs that need to be used when calculating impairment. Since the valuation of accounts receivable is based on the credit risk of the counterparty within a specific period in the future, major changes may occur.

On December 31st, 2020, the book value of the group's accounts receivable was NT\$ 766,673 thousand.

2. Assessment of impairment of tangible assets

In the process of asset impairment assessment, the group needs to rely on subjective judgments and based on asset usage patterns and industry characteristics to determine the independent cash flow, asset life span, and possible future gains and expenses for a specific asset group. Anything due to changes in the economy or estimated changes brought about by the group strategy may cause significant impairment in the future

On December 31st, 2020, the group recognized the real property, factory and equipment after the impairment loss was NT\$ 3,538,983 thousand.

3. Appraisal of inventory

Since the inventory must be priced at the lower of the cost or the net realizable value, the group must use judgment and valuation to determine the net realizable value of the inventory on the date of balance sheet. Due to the rapid changes in technology, the group assesses the amount of the inventory due to normal loss, obsolescence, or no-market sales value on the date of balance sheet, and offsets the inventory cost to the net realized value. This inventory appraisal is mainly based on the unit price of the sales order as the basis of the estimate, so major changes may occur.

On December 31st, 2020, the book value of the group's inventory was NT\$ 956,274 thousand.

6. Description of Major Accounting Items

(1) Cash and Cash Equivalent

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Cash on hand and working capital	\$ 6,001	\$ 8,829
Check deposit and demand deposit	1,367,850	1,199,352
Fixed deposit	<u>187,185</u>	<u>-</u>
Total	<u>\$ 1,561,036</u>	<u>\$ 1,208,181</u>

1. The credit quality of the financial institutions with which the group interacts is of good quality, and the group interacts with multiple financial institutions to disperse credit risks, and the likelihood of default is very low.
2. The group categorizes the fixed deposits whose original maturity date is more than three months into "Financial assets measured at amortized cost-flow", please refer to Note 6 (4) for details.
3. The restricted deposits required by the group for long-term and short-term borrowings and material purchase performance guarantees are listed under "Financial assets measured at amortized cost- current" and "Financial assets measured at amortized cost- non-current", Please refer to Note 8 for details.

(2) Financial assets measured at fair value through profit and loss

<u>Items</u>	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Current items: Mandatory financial assets measured at fair value through profit and loss		
Stocks of listed companies	\$ 37,141	\$ 669
Appraisal Adjustment	<u>8,516</u>	<u>(225)</u>
Total	<u>\$ 45,657</u>	<u>\$ 444</u>

1. The financial assets of fair value through profit and loss are recognized in profit and loss as follows :

<u>Items</u>	<u>2020</u>	<u>2019</u>
Current items: Mandatory financial assets measured at fair value through profit and loss		
Equity Instruments	<u>\$ 8,741</u>	<u>\$ 25</u>

2. Please refer to Note 12, (2) for the relevant financial asset credit risk information, which is measured at fair value through profit and loss.

(3) Financial assets measured at fair value through other comprehensive profits and losses

<u>Items</u>	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Current Items:		
Equity instruments		
Unlisted, OTC, Emerging stocks	\$ 35,240	\$ 35,240
Appraisal Adjustment	<u>(35,240)</u>	<u>(35,240)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

1. The group chose to classify the equity and tool investment of strategic investment as financial assets measured at fair value through other comprehensive gains and losses. The fair value of these investments 2020 and 2019 is zero.
 2. Regardless of the collateral held or other credit enhancements, the financial assets that best represents of the group measured at fair value through other comprehensive gains and losses: the maximum risk of credit risk as of December 31, 2020 and 2019 is 0.
 3. Please refer to Note 12 (2) for the relevant financial asset credit risk information measured at fair value through other comprehensive profits and losses.
- (4) Financial assets measured at amortized cost

<u>Items</u>	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Current Items:		
Fixed Deposits (Over Three Months	\$ 3,400	\$ 132,074
Restricted Fixed Deposits	<u>143,889</u>	<u>-</u>
Total	<u>\$ 147,289</u>	<u>\$ 132,074</u>
Non-Current Items:		
Restricted Fixed Deposits	\$ 17,936	\$ 18,236
Restricted Current Deposits	<u>210,863</u>	<u>84,995</u>
Total	<u>\$ 228,799</u>	<u>\$ 103,231</u>

1. Regardless of the collateral held or other credit enhancements, the most representative of financial assets held by the group measured at amortized cost: the maximum credit risk insurance amount as of December 31st, 2020 and 2019 was the book value of each type of financial asset measured at amortized cost.
 2. This group will provide financial assets measured at amortized cost as a form of pledge guarantee. Please refer to Note 8 for details.
 3. For information on financial assets and credit risks measured at amortized cost, please attach Note 12 (2) for details.
- (5) Notes and Accounts Receivable

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Notes Receivable	\$ 34,600	\$ 70,651
Minus: Allowance For Loss	(82)	(82)
	<u>\$ 34,518</u>	<u>\$ 70,569</u>
Accounts Receivable	\$ 1,030,686	\$ 1,062,472
Minus: Allowance For Loss	(264,013)	(282,572)
	<u>\$ 766,673</u>	<u>\$ 779,900</u>

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

	<u>December 31st, 2020</u>		<u>December 31st, 2019</u>	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Not Overdue	\$ 699,657	\$ 34,551	\$ 694,449	\$ 69,569
Within 90 Days	81,863	49	97,779	1,082
91-120 Days	617	-	2,107	-
121-180 Days	1,604	-	10,857	-
181-365 Days	1,858	-	32,136	-
Over 1 Year	<u>245,087</u>	<u>-</u>	<u>225,144</u>	<u>-</u>
	<u>\$ 1,030,686</u>	<u>\$ 34,600</u>	<u>\$ 1,062,472</u>	<u>\$ 70,651</u>

The above is an aging analysis based on the number of overdue days

- The balances of accounts receivable and notes receivable on December 31st, 2020 and 2019 were generated by customer contracts, and the balance of accounts receivable from customers on January 1st, 2019 was NT\$1,055,190 thousand.
- For part of the accounts receivable, the group used customers to provide real estate and deposit certificates as collateral. As of December 31st, 2020 and 2019, the corresponding bills and accounts receivable balances were NT 56,612 thousand and NT\$57,542 thousand. When assessing this type of accounts receivable, the group has considered the recoverability of the accounts receivable and the recoverable amount of its collaterals, and then makes provision for loss.
- The group insured the accounts receivable, and the insurance company reviewed and granted the quotas on a case-by-case basis. As of December 31st, 2020 and 2019, the insured amounts for the outstanding accounts receivable were NT\$272,085 thousand and NT\$297,201 thousand respectively. When assessing this type of accounts receivable, the group has considered the recoverability of the accounts receivable and the recoverable amount of its insurance, and then set aside an allowance for losses.
- Regardless of the collateral held or other credit enhancements, the most representative of the notes and accounts receivable of this group as of December 31st, 2020 and 2019, the maximum amount of credit risk insurance is the book value of each type of notes and accounts receivable.
- For the relevant accounts receivable and notes receivable risk information according to credit, please refer to Note 12 (2) for details.

(6)Inventory

	<u>December 31st, 2020</u>		
	<u>Cost</u>	<u>Allowance For Valuation Loss</u>	<u>Book Amount</u>
Raw Material	\$ 411,521	(\$ 29,679)	\$ 381,842
Work In Progress	97,381	(26,835)	70,546
Finished Goods	375,858	(27,787)	348,071
Merchandise Inventory	141,408	(23,234)	118,174
Inventory In Transit	<u>37,641</u>	<u>-</u>	<u>37,641</u>
Total	<u>\$ 1,063,809</u>	<u>(\$ 107,535)</u>	<u>\$ 956,274</u>

	December 31 st , 2019		
	Cost	Allowance For Valuation Loss	Book Amount
Raw Material	\$ 388,843	(\$ 24,006)	\$ 364,837
Work In Progress	86,885	(349)	86,536
Finished Goods	427,720	(26,133)	401,587
Merchandise Inventory	108,648	(16,055)	92,593
Inventory In Transit	82,834	-	82,834
Total	<u>\$ 1,094,930</u>	<u>(\$ 66,543)</u>	<u>\$ 1,028,387</u>

The cost of inventory recognized by the group as an expense in the current period:

	2020	2019
Cost of inventory sold	\$ 3,542,043	\$ 4,196,274
Loss of inventory falling price (recovery benefit)	41,772	(12,763)
Fixed manufacturing cost less apportioned	25,798	13,737
Inventory loss	2,405	667
Income from sale	(1,274)	(1,463)
Liability Reserve- Reconstruct	46,684	-
Other	66,006	92,914
Total	<u>\$ 3,723,434</u>	<u>\$ 4,289,366</u>

1. In 2019, due to the removal of the inventory that has been listed as a result of the depreciation loss, the net realizable value of the inventory has risen and the value of the inventory has been recognized as a reduction in the cost of sales.

2. Please refer to Note 6 (14) for the information on liability reserve.

(7) Investment using the equity method

1. The book value of the affiliated companies and the sum of their business results are as follows :

	December 31 st , 2020	December 31 st , 2019
INALWAYS CORPORATION	\$ 445,895	\$ 331,324
The Ascent (Thailand) Co., Ltd.	<u>1,108</u>	<u>1,172</u>
	447,003	332,496
Minus: Accumulated Loss	(<u>153,319</u>)	(<u>153,319</u>)
	<u>\$ 293,684</u>	<u>\$ 179,177</u>
	2020	2019
The share of profits and losses of affiliated companies and joint ventures recognized by the equity method of investment	\$ 2,931	\$ 8,344
Other comprehensive profit and loss (net after tax)	<u>295</u>	(<u>54</u>)
Total comprehensive profit and loss for the current period	<u>\$ 3,226</u>	<u>\$ 8,290</u>

The share of the profits and losses of the associated enterprises and joint ventures identified in the above-mentioned investment using the equity method is based on the evaluation of the financial statements of the investee companies that have been reviewed by the accountants during the same period.

2. The group successively obtained ordinary shares of Inalways Corporation in 2016, and the accumulated shares accounted for 23.52%, and the group appointed two directors of the board of directors of Inalways Corporation, obtaining significant influence of the company, so the equity method is adopted for evaluation.

3. The group's investment in Inalways Corporation has a public quotation, and its fair value was NT\$ 226,849 thousand and NT\$ 180,858 thousand as of December 31st, 2020 and 2019, respectively.
4. The group assesses the recoverable amount based on the present value of the estimated future cash flow generated by the company that is entitled to receive dividends from the investment and the final disposal of the investment. The recoverable amount exceeds the book value, so it was recognized in 2019. The derogation reversal benefit is NT\$ 25,830 thousand; the aforementioned recoverable amount is measured by fair value minus the cost of disposal, and the fair value grade belongs to the first grade.

(Blank Below)

(8) Real estate, plants, and equipment

Cost	2020					
	<u>Opening Balance</u>	<u>Present Addition</u>	<u>Present Loss</u>	<u>Transferral</u>	<u>Exchange Rate Affected Amount</u>	<u>Closing Balance</u>
Land	\$ 1,039,344	\$ 58,932	\$ -	\$ -	(\$ 17,903)	\$ 1,080,373
Land improvement	8,873	-	-	-	-	8,873
Housing and Construction	1,669,029	73,326	(2,013)	-	(24,534)	1,715,808
Mechanical Equipment	5,729,924	75,603	(118,899)	23,516	(76,990)	5,633,154
Test Equipment	104,438	5,915	(11,801)	-	-	98,552
Transportation Equipment	65,496	4,548	(6,150)	-	(1,294)	62,600
Office Equipment	252,678	5,285	(7,797)	-	1,910	252,077
Unfinished works and equipment to be inspected	<u>219,564</u>	<u>219,888</u>	<u>-</u>	<u>(3,251)</u>	<u>(10,193)</u>	<u>426,008</u>
	<u>\$ 9,089,346</u>	<u>\$ 443,497</u>	<u>(\$ 146,660)</u>	<u>\$ 20,265</u>	<u>(\$ 129,004)</u>	<u>\$ 9,277,445</u>
Accumulated Depreciation						
Land improvement	(\$ 4,803)	(\$ 557)	\$ -	\$ -	\$ -	(\$ 5,360)
Housing and Construction	(668,727)	(42,422)	1,938	-	12,135	(697,076)
Mechanical Equipment	(3,880,568)	(149,827)	114,425	-	66,848	(3,849,122)
Test Equipment	(74,713)	(6,263)	11,801	-	-	(69,175)
Transportation Equipment	(39,318)	(6,420)	5,869	-	703	(39,166)
Office Equipment	<u>(186,980)</u>	<u>(4,133)</u>	<u>5,552</u>	<u>-</u>	<u>(1,276)</u>	<u>(186,837)</u>
	<u>(\$ 4,855,109)</u>	<u>(\$ 209,622)</u>	<u>\$ 139,585</u>	<u>\$ -</u>	<u>\$ 78,410</u>	<u>(\$ 4,846,736)</u>
Accumulated Loss						
Mechanical Equipment	(\$ 810,458)	(\$ 30,548)	\$ -	\$ -	(\$ 13,636)	(\$ 854,642)
Transportation Equipment	(2,340)	-	-	-	(40)	(2,380)
Office Equipment	<u>(34,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(574)</u>	<u>(34,704)</u>
	<u>(\$ 846,928)</u>	<u>(\$ 30,548)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,250)</u>	<u>(\$ 891,726)</u>
	<u>\$ 3,387,309</u>					<u>\$ 3,538,983</u>

Cost	2019					
	<u>Opening Balance</u>	<u>Present Additional</u>	<u>Disposition</u>	<u>Transferral</u>	<u>Exchange Rate Affected Amount</u>	<u>Closing Balance</u>
Land	\$ 1,021,580	\$ -	\$ -	\$ -	\$ 17,764	\$ 1,039,344
Land improvement	8,873	-	-	-	-	8,873
Housing and Construction	1,513,145	35,835	(5,424)	126,397	(924)	1,669,029
Mechanical Equipment	5,568,792	90,052	(118,242)	91,942	97,380	5,729,924
Test Equipment	110,065	898	(8,341)	1,812	4	104,438
Transportation Equipment	69,870	4,236	(6,322)	(3,648)	1,360	65,496
Office Equipment	265,157	698	(1,763)	-	(11,414)	252,678
Unfinished works and equipment to be inspected	<u>292,156</u>	<u>127,994</u>	<u>(220,401)</u>	<u>(220,401)</u>	<u>19,815</u>	<u>219,564</u>
	<u>\$ 8,849,638</u>	<u>\$ 259,713</u>	<u>(\$ 140,092)</u>	<u>(\$ 3,898)</u>	<u>\$ 123,985</u>	<u>\$ 9,089,346</u>
Accumulated Depreciation						
Land improvement	(\$ 4,246)	(\$ 557)	\$ -	\$ -	\$ -	(\$ 4,803)
Housing and Construction	(625,336)	(41,989)	5,295	-	(6,697)	(668,727)
Mechanical Equipment	(3,699,234)	(160,185)	88,481	-	(109,630)	(3,880,568)
Test Equipment	(75,855)	(7,198)	8,341	-	(1)	(74,713)
Transportation Equipment	(37,410)	(7,367)	5,673	403	(617)	(39,318)
Office Equipment	<u>(192,654)</u>	<u>(4,420)</u>	<u>1,759</u>	<u>-</u>	<u>8,335</u>	<u>(186,980)</u>
	<u>(\$ 4,634,735)</u>	<u>(\$ 221,716)</u>	<u>\$ 109,549</u>	<u>\$ 403</u>	<u>(\$ 108,610)</u>	<u>(\$ 4,855,109)</u>
Accumulated Loss						
Mechanical Equipment	(\$ 843,392)	\$ -	\$ 1,313	\$ -	\$ 31,621	(\$ 810,458)
Transportation Equipment	(2,553)	-	121	-	92	(2,340)
Office Equipment	<u>(35,461)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,331</u>	<u>(34,130)</u>
	<u>(\$ 881,406)</u>	<u>\$ -</u>	<u>\$ 1,434</u>	<u>\$ -</u>	<u>\$ 33,044</u>	<u>(\$ 846,928)</u>
	<u>\$ 3,333,497</u>					<u>\$ 3,387,309</u>

1. Capitalization amount and interest rate interval of real estate, plants, and equipment loan costs

	2020	2019
Capitalized Amount	\$ 213	\$ 233
Capitalized interest rate interval	1.69%	1.91%

2. The accumulated impairment of assets recognized by the group as of December 31st, 2020 amounted to NT\$ 891,726 thousand, due to the suspension of the rear tire production line in China, the recoverable amount of each equipment lower than the book amount is recognized as an impairment loss.
3. The group purchased the land in Dacun Township, Chungan and Shangmei, which is adjacent to the factory, to prepare for the expansion of the factory and house. Since it is agricultural land, it is not possible to transfer the ownership to the company, so it is temporarily registered as a private person. The group has signed a contract with it, and can handle the transfer of all rights at any time according to the law and regulations, open the land, and have already set up the mortgage to the group. As of December 31st, 2020, the details of the farmland that has not yet been transferred are as follows:

<u>Land Number</u>	<u>Square Meters</u>
Dacun Township Shangmei 39	270.49
Dacun Township Shangmei 40	2,237.58

Due to the personal lawsuit of the former chairman of the board of directors, the above-mentioned land number 39 and 40 were seized by the Civil Affairs Enforcement Office of the Changhua Local Court. The lawsuit is currently in progress, please refer to note 9(1) for the relevant progress.

4. For information on guarantees provided by real estate, plants and equipment, please refer to Note 8 for details.

(9) Lease transaction-lessee

1. The subject assets leased by the group include land, buildings, company vehicles, multi-function business jets, and the lease contract period usually ranges from 1 to 13 years. A lease contract is a separate negotiation and contains a variety of different terms and conditions. Except that the leased assets cannot be used as guarantees for loans, there are no other restrictions.
2. The lease period of the dormitory and official vehicle leased by the group shall not exceed 12 months, and the leased asset is a multi-function business machine with a low value.
3. The book value of the right to use asset and the recognized depreciation expense information are as follows:

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
	<u>Book Amount</u>	<u>Book Amount</u>
Land	\$ 40,617	\$ 58,738
Transportation Equipment (Company Cars)	8,914	6,450
	\$ 49,531	\$ 65,188
	<u>2020</u>	<u>2019</u>
	<u>Depreciation Cost</u>	<u>Depreciation Cost</u>
Land	\$ 1,470	\$ 1,697
Transportation Equipment (Company Cars)	3,087	2,270
	\$ 4,557	\$ 3,967

4. The group added NT\$ 5,742 thousand and NT\$ 2,115 thousand in the use rights assets in 2020 and 2019, respectively.

5. Information about the profit and loss items related to the lease contract is as follows:

	<u>2020</u>	<u>2019</u>
Items that affect current profit and loss		
Interest expense on lease liability	\$ 195	\$ 181
Charges for short-term lease contracts	1,465	3,532
Lease of low-value assets	<u>333</u>	<u>346</u>
	<u>\$ 1,993</u>	<u>\$ 4,059</u>

6. The total lease cash outflows of the group in 2020 and 2019 were NT\$ 4,997 thousand and NT\$ 6,088 thousand respectively

7. Option to extend lease extension and option to terminate lease

When deciding on the lease period, the group takes into consideration the facts and circumstances that all exercise extension options, or failure to exercise termination options, will produce economic incentives. When a major event occurs in the evaluation of the exercise of the extension of the option or the failure to exercise the termination of the option, the lease period will be re-evaluated.

8. Due to the idle land use rights of Hwa Fong Rubber (Suzhou) Co., Ltd. for construction, the Changshu Municipal Government repurchased the land use rights from Hwa Fong Rubber (Suzhou) Co., Ltd. in accordance with the agreement, and recognized the disposition benefit of NT\$ 15,895 thousand.

(10) Net investment property

	<u>2020</u>				
<u>Amount</u>	<u>Opening Balance</u>	<u>Present Addition</u>	<u>Transferral</u>	<u>Exchange Rate Affected</u>	
Cost		<u>Closing Balance</u>			
Land	<u>\$ 218,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 15,501)</u>	<u>\$ 203,146</u>

	<u>2019</u>				
<u>Amount</u>	<u>Opening Balance</u>	<u>Present Addition</u>	<u>Transferral</u>	<u>Exchange Rate Affected</u>	
Cost		<u>Closing Balance</u>			
Land	<u>\$ 229,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 11,080)</u>	<u>\$ 218,647</u>

The fair value of the investment real estate held by the group as of December 31st, 2020 and 2019 was approximately NT\$ 203,042 thousand and NT\$ 218,536 thousand, respectively, based on the evaluation results of independent evaluation experts, the evaluation adopts the market method and belongs to the third level of fair value

(11) Short-Term Loan

<u>Loan Type</u>	<u>December 31st, 2020</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Loan			
Secured Loan	\$ 211,176	0.89%~4.55%	Real estate, plants, equipments, and current deposits
Credit Loan	532,348	1.05%~1.40%	None
Purchase Loan	55,972	1.05%~1.47%	None
	<u>\$ 799,496</u>		
<u>Loan Type</u>	<u>December 31st, 2019</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Loan			
Secured Loan	\$ 77,983	2.81%~3.78%	Real estate, plants, equipments,
Credit Loan	307,748	1.28%~2.89%	None
Purchase Loan	27,273	2.80%~3.09%	None
	<u>\$ 413,004</u>		

1. The interest expenses recognized in the profit and loss in 2020 and 2019 were NT\$ 12,505 thousand and NT\$ 13,962 thousand, respectively.
2. The above mentioned and the bank's guarantee loans provide real estate, plants and equipment as collateral. Please refer to Note 8 for details.

(12) Short-Term Notes Payable

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Short-Term Notes Payable	\$ 50,000	\$ -
Minus: commercial promissory notes payable discount	(34)	-
	<u>\$ 49,966</u>	<u>\$ -</u>
Issuance Rate	<u>1.20%</u>	<u>-</u>

As of December 31st, 2020, the above-mentioned short-term notes payable were issued under the guarantee issued by the China Bills Finance Corporation.

(13) Other Accounts Payable

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
	\$ 127,348	\$ 124,940
Salaries and bonuses payable		
Tax payable	41,596	43,862
Equipment payment payable	35,852	43,749
Payable for repairs	14,037	7,589
Packing fee payable	4,889	3,436
Interest payable	1,386	1,824
Other payable expenses	38,679	43,036
Tax payable	58,513	46,689
Total	<u>\$ 322,300</u>	<u>\$ 315,125</u>

(14) Liability Reserve

2020	<u>Reconstruct</u>
January 1 st Balance	\$ -
Present Added Liability Reserve	64,056
December 31 st Balance	<u>\$ 64,056</u>
Liability Reserve	
Analysis :	
	<u>December 31st, 2020</u>
Current	<u>\$ 64,056</u>

In 2020, due to the reduction in manufacturing and operation capacity, the group expects to reduce 198 job opportunities. The company has proposed a reorganization plan, which states the number of employees affected and the voluntary stipend plan provided by the company, as well as the amount of money that should be paid to the employees who participate in the voluntary stipend plan. The project started on the end of the reporting period. Therefore, the company recognized that the preparation of liabilities for the expected reorganization cost of NT\$ 64,056 thousand, including the suspension of contract costs and employee resignation benefits, reorganization should be completed in 2021.

(15) Other Current Liabilities

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Long-Term Loans Due In A Year or An Operation Cycle	\$ 92,164	311,585
Advanced Receipt	19,967	-
Return Liability	12,075	11,217
Other	17,962	39,403
	<u>\$ 142,168</u>	<u>\$ 362,205</u>

(16) Long-Term Loan

<u>Loan Type</u>	<u>Loan Period and Repayment</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>	<u>December 31st, 2019</u>
Bank Guaranteed Joint Loan	From July 15 th , 2019 to July 15 th , 2024, monthly interest payment and principal repayment every six months	1.80%	Real estate, plants, equipments, and fixed deposits	1,000,000
Bank Guaranteed Loan	September 13 th , 2018 ~ September 13 th , 2023, monthly interest payment	1.53%~8.00%	Real estate, plants, equipment	317,785
Other Long-Term Loans	August 15 th , 2018 to August 15 th , 2021, monthly interest payment	8.00%	Real estate, plants, equipment	13,056
Minus: Hosting fee				(3,603)
Minus: Long-term loans due within one year or one business cycle				1,327,237
(list other current liabilities)				(92,164)
				<u>\$ 1,235,073</u>

<u>Loan Type</u>	<u>Loan Period and Repayment</u>	<u>Interest Rate</u> <u>Interval</u>	<u>Collateral</u>	<u>December 31st, 2019</u>
Bank Guaranteed Joint Loan Case	From July 15 th , 2019 to July 15 th , 2024, monthly interest payment and principal repayment every six months	1.80%	Real estate, plants, equipments, and fixed deposits	1,000,000
Bank Guaranteed Loan	September 13 th , 2018 ~ September 13 th , 2023, monthly interest payment	1.80%~8.00% 8.00%	Real estate, plants, equipment	538,545
Other Long- Term Loans	August 15 th , 2018 to August 15 th , 2021, monthly interest payment		Real estate, plants, equipment	33,384
Minus: Hosting fee				(4,040)
Minus: Long-term loans due within one year or one business cycle				1,567,889
(list other current liabilities)				(311,585)
				<u>\$ 1,256,304</u>

- The group signed an agreement with Land Bank Co., Ltd. as the main bank on June 3rd, 2019, the credit bank is a joint credit bank consortium composed of seven financial companies including the Land Bank Co., Ltd., which has signed a "joint credit agreement" of NT\$ 1,800,000 thousand, it also uses Land Bank Co., Ltd. as the management bank to jointly grant credit to repay existing borrowings and enrich working capital. In addition to other relevant regulations, the above-mentioned joint loan contract also includes the following restrictions: During the duration of the joint loan, the accountant's annual review and the verification and signing of the financial report shall be submitted, and the financial ratio agreed by both parties shall be maintained. The financial ratio is stipulated as follows:
 - Liquidity ratio (current assets/current liabilities): greater than or equal to 100%.
 - Negative debt-to-interest ratio (total debt/tangible net value): less than or equal to 200%.
 - Tangible net worth (total equity-intangible assets): greater than or equal to NT\$ 3,000,000 thousand.
- On August 2nd, 2017, the group signed a joint credit agreement of NT\$ 1,650,000 thousand with joint credit bank consortium formed with seven financial companies including Taiwan Banking Co., Ltd. as the main bank, and the credit bank is Taiwan Banking Co., Ltd. and other seven financial companies. The Bank of Taiwan serves as the management bank, and the joint credit is used to repay the existing borrowings and to enrich the operating funds. The above-mentioned joint loan contract includes the following restrictions in addition to other relevant regulations: During the duration of the joint loan, the annual non-consolidation verification and signature financial report for the audit by the accountant shall be submitted, and the financial ratio agreed by both parties shall be maintained. The financial ratio is stipulated as follows:
 - Liquidity ratio (current assets/current liabilities): greater than or equal to 100%.
 - Ratio of debt to equity (total debt/total equity): less than or equal to 200%.
 - Interest guarantee multiple [(net profit after tax + depreciation + interest expense)/interest expense]: greater than or equal to 2.5.
 - Tangible net worth (total equity-intangible assets): greater than or equal to NT\$ 3,400,000 thousand.

In accordance with the provisions of the joint credit, during the contract period, the company must comply with specific financial ratios at the end of the year, such as current ratio, debt-to-equity ratio, and tangible net value, as of December 31st, 2020, the company has not violated the above clauses.
- On December 31st, 2017, the group failed to comply with the terms of the opening contract. Due to the violation of the terms of this contract, the joint loan contract needs to be improved on the

next review day, and this does not constitute a breach of contract. The group has passed a cash capital increase proposal on March 27th, 2018 in a resolution of the board of directors to improve compliance with the aforementioned financial ratio regulations. However, the financial ratio calculated by the group on December 31st, 2018 in accordance with the audit visa financial statement still violated the foregoing agreement, and the improvement could not be completed on the next audit day, so the long-term borrowings in the aforementioned joint loan case were reclassified to current liabilities, the group signed a supplementary exemption contract with Bank of Taiwan Co., Ltd. in June 2019, agreeing to exempt the current ratio, interest coverage multiple, and tangible net value of the relevant defaults that did not meet the contract requirements for 2018.

5. The above-mentioned syndicated loan and guarantee loan with the bank provide real estate, plants and equipment and current deposits as collateral. Please refer to Note 8 for details.

(17)Pension

- 1.(1) In accordance with the provisions of the "Labor Standards Law", the company has established a retirement method with defined benefits, which is applicable to the service years of all regular employees before the implementation of the "Labor Pension Regulations" on July 1st, 2005, and employees who choose to continue to apply the "Labor Standards Law" to continue their service years after the implementation of the "Labor Retirement Payment Regulations." For employees who meet the retirement conditions, the pension payment is calculated based on the length of service and the average salary in the 6 months before retirement. Two bases are given for each year of service within 15 years (inclusive), and for each year of service over 15 years, a base is given for one full year, but the cumulative maximum is limited to 45 bases. The company allocates a retirement fund of 2% of the total salary on a monthly basis, and deposits it in a dedicated account in the Bank of Taiwan under the name of the Labor Retirement Preparation Commission. In addition, before the end of each year, the company estimates the balance of the aforementioned labor retirement reserve fund account. If the balance is not enough to pay the pension amount calculated in accordance with the foregoing calculation of the estimated eligible employees in the next year, the company will allocate the difference before the end of March of the following year.

(2) Amount Recognized in the Balance Sheet:

	<u>December 31st, 2020</u>	<u>December 31st, 2019</u>
Defined Benefit	\$ 94,486	\$ 96,785
Duty Present Value		
Planned Asset Fair	(47,303)	(45,946)
Value		
Net Defined Benefit Liability	<u>\$ 47,183</u>	<u>\$ 50,839</u>

(3) Change in Net Defined Benefit Liability

	2020		
	Defined Benefit Duty Present Value	Planned Asset Fair Value	Net Defined Benefit Liability
January 1 st	\$ 96,785	(\$ 45,946)	\$ 50,839
Present Service Cost	1,440	-	1,440
Interest (Cost) Income	968	(513)	455
	<u>99,193</u>	<u>(46,459)</u>	<u>52,734</u>
Remeasured Number :			
Planned Asset Remuneration (Excluding the Amount included in interest income or costs)	-	(1,489)	(1,489)
Remeasured Number :			
Planned Asset Remuneration (Excluding the Amount included in interest income or costs)	-	(1,489)	(1,489)
Hypothetic Population Change Affected Number	2,479	-	2,479
Experience Adjustment	<u>3,137</u>	<u>-</u>	<u>3,137</u>
	<u>5,616</u>	<u>(1,489)</u>	<u>4,127</u>
Allocated Pension Fund	-	(7,075)	(7,075)
Pension Payment	(10,323)	7,720	(2,603)
December 31 st	<u>\$ 94,486</u>	<u>(\$ 47,303)</u>	<u>\$ 47,183</u>

	2019		
	Defined Benefit Duty Present Value	Planned Asset Fair Value	Net Defined Benefit Liability
January 1 st	\$ 106,198	(\$ 43,784)	\$ 62,414
Present Service Cost	1,872	-	1,872
Interest (Cost) Income	1,115	(656)	459
	<u>109,185</u>	<u>(44,440)</u>	<u>64,745</u>
Remeasured Number :			
Planned Asset Remuneration (Excluding the Amount included in interest income or costs)	-	(6,453)	(6,453)
Hypothetic Population Change Affected Number	544	-	544
Experience Adjustment	<u>2,829</u>	<u>-</u>	<u>2,829</u>
	<u>3,373</u>	<u>(6,453)</u>	<u>(3,080)</u>
Allocated Pension	-	(10,819)	(10,819)
Pension Payment	(15,773)	15,766	(7)
December 31 st	<u>\$ 96,785</u>	<u>(\$ 45,946)</u>	<u>\$ 50,839</u>

- (4) The assets of the company's definite welfare retirement plan fund are the projects in accordance with Article 6 of the Labor Retirement Fund's Income and Expenditure Safeguarding and Utilization Measures within the scope and amount of the entrusted business projects set by the Bank of Taiwan in accordance with the annual investment and utilization plan of the fund (That is, depositing domestic and foreign financial institutions, investing in domestic and foreign listed, OTC or private equity securities, and investing in domestic and foreign real estate securitized products, etc.) to handle entrusted operations, and the relevant use is supervised by the Labor Pension Fund Supervisory Committee. For the use of the fund, the minimum income of its annual final accounting distribution must not be lower than the income calculated based on the two-year fixed deposit interest rate of the local bank. If it is not sufficient, it will be approved by the competent authority and then replenished by the State Treasury. Since the company has no right to participate in the operation and management of the fund, it cannot disclose the classification of the fair value of the planned assets in accordance with paragraph 14 of the International Accounting Standards No. 19. The fair value of the total assets of the fund was formed on December 31st, 2020 and 2019. Please refer to the report on the use of the labor retirement fund for each year announced by the government.

(5) Pension related calculations:

	<u>2020</u>	<u>2019</u>
Discount	<u>0.75%</u>	<u>1.00%</u>
Future Salary Increase Rate	<u>2.00%</u>	<u>2.00%</u>

The hypothesis for the future mortality rate is based on statistics and experience estimates that have been published by various countries. The analysis of the present value of the determination of benefits and obligations affected by changes in the main actuarial assumptions adopted is as follows :

	<u>Discount</u>		<u>Future Salary Increase Rate</u>	
	<u>0.25% Increase</u>	<u>0.25% Decrease</u>	<u>0.25% Increase</u>	<u>0.25% Decrease</u>
December 31st, 2020				
Effect on Defined				
Benefit Duty	(\$ 2,479)	\$ 2,583	\$ 10,750	(\$ 9,321)
Present Value				
December 31st, 2019				
Effect on Defined				
Benefit Duty				
Present Value	(\$ 2,676)	\$ 2,790	\$ 11,656	(\$ 10,072)

The sensitivity analysis described above is based on the analysis of the impact of a single hypothesis change under the condition that other hypotheses remain unchanged. In practice, many hypothetical changes may be linked. The sensitivity analysis system is consistent with the method used to calculate the net pension liabilities of the asset liability table.

The methods and assumptions used in the compilation of sensitivity analysis in this issue are the same as those in the previous period.

- (6) The company's estimated payment to the retirement plan in 2021 is NT\$ 7,075,000.
(7) As of December 31st, 2020, the weighted average duration of the retirement plan was 13.2 years. An analysis of the expiry date of the retirement payment is as follows:

Less Than 1 Year	\$ 43,393
1-2 Years	4,029
2-5 Years	28,489
Over 5 Years	<u>13,818</u>
	<u>\$ 89,729</u>

- 2.(1) Since July 1st, 2005, the company has established a definite provision of retirement procedures in accordance with the "Labor Retirement Payment Regulations", which is applicable to employees who are nationals of the country. The company and its domestic subsidiaries apply the labor pension system stipulated by the "Labor Pension Regulations" based on the employees' choice, with a monthly contribution of 6% of the salary to the individual account of the labor insurance bureau, and the payment of the employee pension depends on the employee Individual pension accounts and the amount of accumulated income are collected in the form of monthly pensions or lump-sum pensions.
(2) In 2020 and 2019, the cost of pension recognized by the company in accordance with the above-mentioned method of pension payment was NT\$ 13,745,000 and NT\$ 14,839,000,

- 3.(1) The subsidiary Hwa Fong Rubber (Thailand) Public Co., Ltd., in accordance with the provisions of the Thai Labor Protection Law promulgated in B.E. 2541 (1998), according to the independent actuary, the post-retirement benefits are recognized according to the pension remuneration and service years according to the expected unit benefit law. The net liabilities recognized on the balance sheet on December 31st, 2020 and 2019 were respectively NT\$ 63,629 thousand and NT\$ 63,197 thousand; In addition, in accordance with the provisions of the Retirement Reserve Fund Act of B.E. 2530 (1987) and approved by the Ministry of Finance, the Thai subsidiary and employees jointly set up a retirement reserve fund, each with a salary of 2%~ 4% as public funds. When the employee withdraws, the pension is paid from the fund account in accordance with the fund method.
- (2) In 2020 and 2019, according to the above-mentioned method of retiring payment, the cost of recognizing retirement payment was NT\$ 5,468 thousand and NT\$ 13,646 thousand, respectively.
- (3) In 2019, the net confirmed welfare liabilities recognized in accordance with the above-mentioned method of opening retirement funds were re-measured as a loss of NT\$ 21,644 thousand.
- 4.(1) The Chinese subsidiary of this group provides pension insurance at a fixed rate of the total salary of local employees in accordance with the old-age insurance system stipulated by the Chinese People's Republic of China government. The pension payment for each employee is coordinated and arranged by the government. The group has no further obligations except for the monthly allocation.
- (2) Subsidiary Hwa Fong Rubber (U.S.) Co., Ltd., in accordance with the retirement measures prescribed by the local government, allocates labor retirement pay based on a certain ratio of local employees' wages, the group has no further obligations except for the monthly allocation.
- (3) In 2020 and 2019, the cost of the pension payment of this group according to the above method of pension payment was NT\$ 6,386 thousand and NT\$ 17,716 thousand respectively.

(18) Capital Stock

1. On December 31st, 2020, the company's fixed capital was NT\$ 4,500,000 thousand, paid-in capital was NT\$ 3,323,492 thousand, and the denomination was NT\$ 10 per share. The number of outstanding shares at the end of the period was 332,349 thousand shares, and there was no change in the number of outstanding shares from January 1st to December 31st, 2020. The payment for the issued shares of the company has been received.
2. In order to improve the financial structure, the company passed the resolution of the shareholders meeting on December 9th, 2020 to reduce capital to eliminate accumulated losses totaling NT\$ 530,000 thousand, and 53,000 thousand shares of common stock issued, denomination per share NT\$10, with a capital reduction ratio of 15.95%. This capital reduction case was approved by the competent authority and applied for effect on January 12th, 2021.

(19) Capital surplus

Under the Company Act, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as new stock at the shareholder's original shareholding ratio or cash dividends. In accordance with the Securities and Exchange Act, the total amount shall not exceed 10% of the paid-in capital each year when the said capitalization is to be realized. The Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

	2020			
	<u>Additional paid-in capital changes</u>	<u>Amount of Net equity of the affiliated company</u>	<u>Other</u>	<u>Total</u>
January 1	\$ -	\$ 36,679	\$ 275	\$ 36,954
Amount of changes in the equity of the affiliated company based on the shareholding ratio	-	302	-	302
December 31	<u>\$ -</u>	<u>\$ 36,981</u>	<u>\$ 275</u>	<u>\$ 37,256</u>

	2019			
	<u>Additional paid-in capital changes</u>	<u>Amount of Net equity of the affiliated company</u>	<u>Other</u>	<u>Total</u>
January 1	\$ 126,250	\$ 41,464	\$ 275	\$ 167,989
Capital surplus used to cover accumulated deficits	(126,250)	-	-	(126,250)
Amount of changes in the equity of the affiliated company based on the shareholding ratio	-	(4,785)	-	(4,785)
December 31	<u>\$ -</u>	<u>\$ 36,679</u>	<u>\$ 275</u>	<u>\$ 36,954</u>

(20) Retained Earnings

1. In accordance with the Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the accumulated legal capital reserve equals the Company's paid-in capital. After setting aside the appropriated retained earnings in accordance with related regulations, the remaining earnings along with the accumulated unappropriated earnings in prior years shall be appropriated as stock dividends and bonus as proposed by the Board of Directors and resolved by the shareholders. The total amount of the bonus shall be between 20% to 90% of the accumulated unappropriated earnings with cash bonus no less than 10% of the total bonus.

2. The current year's earnings, if any, shall be set aside no less than 2% for employees' compensation and no more than 5% for directors' compensation. The company's accumulated losses shall be reserved in advance. Employees' compensation can be distributed in the form of shares or in cash; whereas directors' compensation should be distributed in cash by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees in the preceding paragraph, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash shall be decided by the board of directors.
3. The legal reserve and the capital reserve shall not be used except for offsetting a deficit, or be distributed as dividends in cash or stocks for the portion of the paid-in capital. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.
4. When distributing the surplus, the Company is required to set aside additional special capital reserve for the debit balance of the other components of stockholders' equity on the asset liability statement date of the current year before it can be distributed. It may be reversed to distributable surplus for the subsequent reverse for the debit balance of the other components of stockholders' equity.
5. (1) The 2018 loss off-setting proposal has been resolved by the board of directors on March 20, 2019 to offset loss by NT\$111,668 thousand with legal reserve and NT\$126,250 thousand from capital reserve. Please visit the "Market Observation Post System" of the Taiwan Stock Exchange for relevant information.
- (2) The company did not distribute the surplus due to accumulated losses in 2019 by a resolution of the board of directors on March 20, 2020 and adopted by the shareholders' meeting on June 12, 2020.
- (3) The company did not distribute the surplus due to accumulated losses in 2020 by a resolution of the board of directors on March 18, 2021 and to be adopted by the shareholders' meeting.

(21) Others

	2020		
	<u>Unrealized gains (losses)</u>	<u>Foreign exchange</u>	<u>Total</u>
January 1	(\$ 34,676)	\$ 164,623	\$ 129,947
Valuation adjustment transfer – affiliate company	425	-	425
Difference in foreign exchange – affiliate company – the group	-	(109,707)	(109,707)
–Tax of the group	-	21,973	21,973
- Affiliate company	-	(158)	(158)
December 31	(\$ 34,251)	\$ 76,731	\$ 42,480

	2019		
	<u>Unrealized gains (losses)</u>	<u>Foreign exchange</u>	<u>Total</u>
January 1	(\$ 34,724)	\$ 101,341	\$ 66,617
Valuation adjustment – affiliate company	48	-	48
Difference in foreign exchange – affiliate company – the group	-	79,210	79,210
– Tax of the group	-	(15,821)	(15,821)
– Affiliate company	-	(107)	(107)
December 31	(\$ 34,676)	\$ 164,623	\$ 129,947

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(22) Operating Income

	2020	2019
Revenue from contracts with customers	\$ 4,882,864	\$ 5,264,937
1. Breakdown of revenue from contracts with customers		

The company's revenue is derived from goods and services transferred at a certain time. The revenue can be broken into the following main product lines and regions:

2020					
	Taiwan	China	Automobile tires USA	Thailand	Total
Taiwan	\$ 725,595	\$ -	\$ -	\$ 51,637	\$ 777,232
Thailand	21,108	-	-	760,149	781,257
USA	524,593	1,543	782,121	90,904	1,399,161
China	1,335	102,692	-	694	104,721
Other	823,536	56,561	-	1,574,110	2,454,207
Revenue from internal transaction	(535,144)	(30,942)	-	(67,628)	(633,714)
Revenue from department	<u>\$ 1,561,023</u>	<u>\$ 129,854</u>	<u>\$ 782,121</u>	<u>\$ 2,409,866</u>	<u>\$ 4,882,864</u>
2019					
	Taiwan	China	Automobile tires USA	Thailand	Total
Taiwan	\$ 700,046	\$ 1,240	\$ -	\$ 55,819	\$ 757,105
Thailand	20,643	6,859	-	800,038	827,540
USA	511,582	2,085	788,162	124,931	1,426,760
China	2,092	157,355	-	863	160,310
Other	948,249	94,232	-	1,702,219	2,744,700
Revenue from internal transaction	(519,908)	(59,169)	-	(72,401)	(651,478)
Revenue from department	<u>\$ 1,662,704</u>	<u>\$ 202,602</u>	<u>\$ 788,162</u>	<u>\$ 2,611,469</u>	<u>\$ 5,264,937</u>

2. Contract liabilities and refund liabilities

(1) The Company recognizes the contract liabilities related to the income of contracts with customers as follows:

	December 31, 2020	December 31, 2019
Contract liabilities – advance payment	\$ 70,350	\$ 46,584
Refund liabilities (Note)	\$ 12,075	\$ 11,217

Note: Refund liabilities are due to estimated sales allowance under other current liabilities (2) The Company recognized revenue from the beginning balance of contract liability.

	2020
Contract liabilities –advance payment	\$ 38,782
2019: Not applicable	

(23) Interest Income

	<u>2020</u>	<u>2019</u>
Interest from bank deposit	\$ <u>12,121</u>	\$ <u>15,981</u>

(24) Other Income

	<u>2020</u>	<u>2019</u>
Government grants	\$ 18,271	\$ -
Other income - other	<u>30,949</u>	<u>12,500</u>
	\$ <u>49,220</u>	\$ <u>12,500</u>

The Group is applicable for “Regulations on fund relief and interest subsidy for businesses with operating difficulties affected by COVID-19 (Wuhan pneumonia) by Ministry of Economic Affairs”. It recognized NT\$18,271 thousand as government grants for operating fund and salary expense in 2020.

(25) Other gains and losses

	<u>2020</u>	<u>2019</u>
	\$ 1,782	\$ 3,877
Gain on disposal of real estate, plant, and equipment		
Gain on disposal of land usage right	115,895	-
Gain (loss) on foreign exchange	25,763	(69,480)
Gain on financial asset measured at fair value through profit and loss	8,741	25
Reversal of impairment gain (loss)		-
Reversal of impairment gain (loss) of non-financial assets		
-Investment using equity method	-	25,830
-Real estate, plant, and equipment	(30,548)	-
Other gain and loss	<u>1,941</u>	<u>(4,849)</u>
	\$ <u>123,574</u>	\$ <u>44,597</u>

(26) Finance Costs

	<u>2020</u>	<u>2019</u>
Interest expense:		
Bank loans	\$ 47,082	\$ 65,074
Lease liabilities	195	181
Less: asset capitalization that meets the requirements	<u>(213)</u>	<u>(233)</u>
	\$ <u>47,064</u>	\$ <u>65,022</u>

(27) Additional information on expense nature

	<u>2020</u>	<u>2019</u>
Labor cost		
Salary and bonus	\$ 949,998	\$ 1,018,530
Labor and health insurance	51,938	59,539
Pension	27,494	48,532
Other personnel expense	<u>87,654</u>	<u>29,032</u>
Subtotal	<u>\$ 1,117,084</u>	<u>\$ 1,155,633</u>
Depreciation	<u>\$ 214,179</u>	<u>\$ 225,683</u>
Amortization	<u>\$ 535</u>	<u>\$ 613</u>

1. The current year's earnings, if any, shall be set aside no less than 2% for employees' compensation and no more than 5% for directors' compensation. The company's accumulated losses shall be reserved in advance. Qualification requirements of employees in the preceding paragraph, including the employees of subsidiaries of the company meeting certain specific requirements entitled to receive shares or cash.
2. The company did not distribute employees' compensation and directors' compensation due to accumulated losses in both 2019 and 2020.
For information regarding to employees' compensation and directors' compensation by a resolution of the board of directors, please visit the MOPS website.

(28) Income tax

1. Income tax expense

(1) Income tax expense consisted of the following:

	<u>2020</u>	<u>2019</u>
Current income tax:		
Current tax expense recognized in the \$ current year	169,366	\$ 125,103
Income tax underestimations on prior years	<u>10,412</u>	<u>10,688</u>
Total current income tax	<u>179,778</u>	<u>135,791</u>
Deferred income tax:		
The origination and reversal of temporary differences	<u>4,149</u>	<u>8,641</u>
Total deferred income tax	<u>4,149</u>	<u>8,641</u>
Income tax expense	<u>\$ 183,927</u>	<u>\$ 144,432</u>

(2) Income tax expense recognized in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Foreign operating agency exchange difference	(\$ 21,973)	\$ 15,821
Remeasurements of the defined benefit obligation	(825)	(3,713)
	<u>(\$ 22,798)</u>	<u>\$ 12,108</u>

2. Relations between a reconciliation of income before income tax and income tax expense

	2020	2019
Income tax expense at the statutory rate (Note)	\$ 194,011	\$ 17,577
Expenses that should be excluded according to tax regulations	-	32,593
Income exempt from taxation according to tax regulations	(30,452)	-
Temporary differences which no deferred income tax assets have been recognized	8,980	7,644
Tax loss which no deferred income tax assets have been recognized	976	75,930
Income tax underestimations on prior years	<u>10,412</u>	<u>10,688</u>
Income tax expense	<u>\$ 183,927</u>	<u>\$ 144,432</u>

Note: The basis of the applicable tax rate is calculated by the applicable tax rate of the relevant country.

3. The amount of deferred tax assets or liabilities due to temporary differences and tax losses is as follows:

	January 1	Recognized in profit or loss	2020 Recognized in Others Comprehensive net income	Exchange difference	December 31
Deferred tax assets:					
- temporary differences:					
Foreign operating agency exchange difference	\$ -	\$ -	\$ 9,200	\$ -	\$ 9,200
Unrealized gross profit	5,921	37	-	-	5,958
Unrealized exchange loss	2,099	(290)	-	-	1,809
Bad debt loss	23,482	(82)	-	(1,235)	22,165
Pension	22,068	(4,179)	-	(427)	17,462
Actuarial gains and losses of defined benefit plan	4,751	-	209	(260)	4,700
Foreign long-term investment loss	-	30,885	-	-	30,885
Others	6,498	6,354	-	8	12,860
Subtotal	<u>\$ 64,819</u>	<u>\$ 32,725</u>	<u>\$ 9,409</u>	<u>\$ 1,914</u>	<u>\$ 105,039</u>
Subtotal Deferred tax liabilities:					
Reserve for land revaluation increment tax	(142,398)	-	-	-	(142,398)
Foreign operating agency exchange difference	(12,773)	-	12,773	-	-
Actuarial gains or losses of defined benefit plan	(616)	-	616	-	-
Foreign long-term investment loss	(38,007)	(38,713)	-	-	(76,720)
Others	(6,892)	1,839	-	279	(4,774)
Subtotal	<u>(\$ 200,686)</u>	<u>(\$ 36,874)</u>	<u>\$ 13,389</u>	<u>\$ 279</u>	<u>(\$ 223,892)</u>
Total	<u>(\$ 135,867)</u>	<u>(\$ 4,149)</u>	<u>\$ 22,798</u>	<u>(\$ 1,635)</u>	<u>(\$ 118,853)</u>

	2019				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Others Comprehensive net income</u>	<u>Exchange difference</u>	<u>December 31</u>
Deferred tax assets:					
- temporary differences:					
Foreign operating agency exchange difference	\$3,048	\$-	(\$3,048)	\$-	\$-
Unrealized gross profit	6,593	(672)	-	-	5,921
Unrealized exchange loss	304	1,795	-	-	2,099
Bad debt loss	21,247	951	-	1,284	23,482
Pension	5,219	16,511	-	338	22,068
Actuarial gains and losses of defined benefit plan	360	-	4,329	62	4,751
Others	<u>6,323</u>	<u>204</u>	<u>-</u>	<u>(29)</u>	<u>6,498</u>
Subtotal	<u>43,094</u>	<u>18,789</u>	<u>1,281</u>	<u>1,655</u>	<u>\$64,819</u>
Subtotal Deferred tax liabilities:					
Reserve for land revaluation increment tax	(142,398)	-	-	-	(142,398)
Foreign operating agency exchange difference	-	-	(12,773)	-	(12,773)
Actuarial gains or losses of defined benefit plan	-	-	(616)		(616)
Others	<u>(17,635)</u>	<u>(27,430)</u>	<u>-</u>	<u>166</u>	<u>(44,899)</u>
Subtotal	<u>(\$160,033)</u>	<u>(\$27,430)</u>	<u>(\$13,389)</u>	<u>166</u>	<u>(\$200,686)</u>
Total	<u>(\$116,939)</u>	<u>(\$8,641)</u>	<u>(\$12,108)</u>	<u>1,821</u>	<u>(\$135,867)</u>

(Blank below)

4. The amount of the Group's expiration date of tax loss that has not been used and unrecognized deferred income tax assets are as follows:

December 31, 2020

<u>Year of occurrence</u>	<u>No. of declaration and approved no.</u>	<u>Amount has not been credited</u>	<u>unrecognized deferred income tax assets</u>	<u>Year of last deduction</u>
<u>Subtotal</u>				
<u>Hwa Fong China</u>				
2017	Approved no.	\$ 254,976	\$254,976	2022
2018	Approved no.	254,759	254,759	2023
2019	Approved no.	163,985	163,985	2024
2020	No. of declaration	<u>92,825</u>	<u>92,825</u>	2025
Subtotal		<u>766,545</u>	<u>766,545</u>	
<u>Hwa Fong Suzhou</u>				
2016	Approved no.	\$ 235,972	\$ 235,972	2021
2017	Approved no.	147,166	147,166	2022
2018	Approved no.	150,736	150,736	2023
2019	No. of declaration	<u>22,446</u>	<u>22,446</u>	2024
Subtotal		<u>556,320</u>	<u>556,320</u>	
<u>Hwa Fong Enterprise</u>				
2011	Approved no.	\$ 714	\$ 714	2021
2012	Approved no.	355	355	2022
2013	Approved no.	910	910	2023
2014	Approved no.	413	413	2024
2015	Approved no.	36,850	36,850	2025
2016	Approved no.	689	689	2026
2017	Approved no.	170	170	2027
2018	No. of declaration	88	88	2028
2019	No. of declaration	470	470	2029
2020	No. of declaration	<u>4,044</u>	<u>4,044</u>	2030
Subtotal		<u>44,703</u>	<u>44,703</u>	
Total		<u>\$ 1,367,568</u>	<u>\$ 1,367,568</u>	

December 31, 2020

<u>Year of occurrence</u>	<u>No. of declaration</u>	<u>Amount has not been</u>	<u>unrecognized deferred</u>	<u>Year of last deduction</u>
<u>Subtotal</u>	<u>and approved no.</u>	<u>credited</u>	<u>income tax assets</u>	
<u>Hwa Fong China</u>				
2015	Approved no.	\$ 77,110	\$ 77,110	2020
2016	Approved no.	116,490	116,490	2021
2018	Approved no.	254,269	254,269	2023 2019
	No. of declaration	<u>204,847</u>	<u>204,847</u>	2024
Subtotal		<u>652,716</u>	<u>652,716</u>	
<u>Hwa Fong Suzhou</u>				
2015	Approved no.	\$ 201,973	\$ 201,973	2020
2016	Approved no.	232,068	232,068	2021
2017	Approved no.	144,732	144,732	2022
2018	Approved no.	127,019	127,019	2023
2019	No. of declaration	<u>84,365</u>	<u>84,365</u>	2024
Subtotal		<u>790,157</u>	<u>790,157</u>	
<u>Hwa Fong Enterprise</u>				
2010	Approved no.	\$ 316	\$ 316	2020
2011	Approved no.	714	714	2021
2012	Approved no.	355	355	2022
2013	Approved no.	910	910	2023
2014	Approved no.	413	413	2024
2015	Approved no.	36,850	36,850	2025
2016	Approved no.	689	689	2026
2017	Approved no.	170	170	2027
2018	No. of declaration	88	88	2028
2019	No. of declaration	<u>483</u>	<u>483</u>	2029
Subtotal		<u>40,988</u>	<u>40,988</u>	
Total		<u>\$ 1,483,861</u>	<u>\$ 1,483,861</u>	

5. The deductible temporary differences of unrecognized deferred income tax

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 528,517</u>	<u>\$ 526,583</u>

6. Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries by the Company. The deferred tax liabilities are not recognized for taxable temporary differences as of 2020 and December 31, 2019 are NT\$52,877 thousand and NT\$43,432 thousand respectively.

7. The Company's profit-seeking enterprise income tax is approved by the Revenue Service Office as of 2018. The profit-seeking enterprise income tax of a subsidiary - Hwa Fong Enterprise Co., Ltd. is approved by the Revenue Service Office as of 2017.

(29) Earnings Per Share

2020			
Amount after tax	Weighted average number of ordinary shares outstanding (thousand share)	Earnings per share (yuan)	
Basic earnings per share attributed to ordinary shareholders of the parent company's current net profit	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>
Diluted earnings per share is attributed to the impact of the current net profit of the parent company's ordinary shareholders plus potential ordinary shares	<u>\$ 371,601</u>	<u>279,349</u>	<u>\$ 1.33</u>
2019			
Amount after tax	Weighted average number of ordinary shares outstanding (thousand share)	Earnings per share (yuan)	
Basic earnings per share attributed to ordinary shareholders of the parent company's current net profit	<u>\$ 10,891</u>	<u>279,349</u>	<u>\$ 0.04</u>
Diluted earnings per share is attributed to the impact of the current net profit of the parent company's ordinary shareholders plus potential ordinary shares	<u>\$ 10,891</u>	<u>279,349</u>	<u>\$ 0.04</u>

When calculation the earnings per share of 2019 and 2020, the impact from reducing capital to make up loss in 2021 has been adjusted retroactively. Please refer to note 6 (18) for more information.

(30) Cash Flow Additional Information

Investment activities that are only partially paid in cash:

	2020	2019
Real estate, plant, and equipment purchase	\$ 463,762	\$ 259,713
Plus: payables to contractors and equipment suppliers at the beginning of a period	43,749	44,343
payables to contractors and equipment suppliers at the end of a period (listed in other non-current assets)	20,429	32,801
Less: payables to contractors and equipment suppliers at the end of a period	(35,852)	(43,749)
payables to contractors and equipment suppliers at the beginning of a period (listed in other non-current assets)	(32,801)	-
Cash paid in this period	<u>\$ 459,287</u>	<u>\$ 293,108</u>

(31) Reconciliation of Liabilities Arising from Financing Activities

		2020			
	<u>Short-term loans</u>	<u>Short-term notes payable</u>	<u>Long-term loans (including loans within 1 year)</u>	<u>Lease liabilities</u>	<u>Total liabilities arising from financing activities</u>
January 1	\$ 413,004				
Changes of cash flow in financing activities	395,492	49,966	(232,131)	(3,004)	210,323
Effects on fluctuations in exchange	(9,000)	-	(8,521)	(199)	(17,720)
Changes in non-cash item	-	-	-	5,742	5,742
December 31	<u>\$ 799,496</u>	<u>\$ 49,966</u>	<u>\$ 1,327,237</u>	<u>\$ 7,548</u>	<u>\$ 2,184,247</u>

		2019			
	<u>Short-term loans</u>	<u>Long-term loans (including loans within 1 year)</u>	<u>Lease liabilities</u>	<u>Total liabilities arising from financing activities</u>	
January 1	\$ 692,866	\$ 1,310,087	\$ 4,929	\$ 2,007,882	
Changes of cash flow in financing activities	(275,452)	279,224	(2,029)	1,743	
Effects on fluctuations in exchange	(4,410)	26,053	(6)	30,469	
Changes in non-cash item	-	4,631	2,115	6,746	
December 31	<u>\$ 413,004</u>	<u>\$ 1,567,889</u>	<u>\$ 5,009</u>	<u>\$ 1,985,902</u>	

VII. Related Party Transactions

(a) Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Sumitomo Rubber Industries, Ltd. The Ascent (Thailand) Co., Ltd. Note 1: It is elected as director in June 2019.	Other related party (Note 1) Associates

(b.) Significant Transaction with the Related Party

1. Net revenue

	<u>2020</u>	<u>2019</u>
Sale of goods:		
Other related parties	<u>\$ 75,394</u>	<u>\$ 84,135</u>

(1) The Company sales finished goods to related parties and the sales prices are in accordance with the market prices.

(2) The payment terms with related parties are mainly T/T 60~120 days. The payment terms with non-related parties are T/T30~90 days or by L /C and handled with contract prices and terms.

2. Receivables from related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Other related parties:	\$ 4,138	\$ 4,066
Other accounts receivable :		
Other related parties	493	485
Total	<u>\$ 4,631</u>	<u>\$ 4,551</u>

Accounts receivable is the payment for tires sold by related parties. Other receivable is the payment of mold equipment and taxes from related parties.

3. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables		
Other related parties	\$ 892	\$ 1,102

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

4. Operating expense

<u>Item</u>	<u>2020</u>	<u>2019</u>
Other expense	\$ 173	\$ 259
Brand royalty	1,537	1,969
Total	<u>\$ 1,710</u>	<u>\$ 2,228</u>

The Company enters trademark agreements with other related parties. The Company shall pay 1.5% of the net sales price of the product as the brand royalty to the other related parties during the agreement period.

(c.) Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 29,503	\$ 29,353
Post-employment benefits	36	201
Total	<u>\$ 29,539</u>	<u>\$ 29,554</u>

VIII. Pledged asset

Guarantees for the Group's assets are as follows:

Assets	Book value		Guarantee purpose
	December 31, 2020	December 31, 2019	
Real estate, plant, and Equipment	\$ 957,966	\$ 854,421	Long-term, short-term loans
Restricted assets (Note 1)			
- demand deposits	210,863	84,995	Reserve account with limited usage of the syndicated loan and guarantee for long-term loan
- time deposits	161,825	18,236	Long-term, short-term loans, performance bond for oil trading, lodged court security deposits, customs security deposits, and engineering deposit
Refundable deposits (Note 2)	34,668	20,186	Court security deposits, lease deposits, and engineering deposits
	<u>\$ 1,365,322</u>	<u>\$ 977,838</u>	

Note 1: Listed under "Financial assets measured at amortized cost – current" and "Financial assets measured at amortized cost – non-current".

Note 2: Listed under "other non-current"

IX. Significant Contingent Liabilities and Unrecognized Commitments

(a.) Contingency

The Group acquired 5 pieces of land in No. 35, Cheng-An section, Da-chun Township and No. 39 and 40, Shang-Mei Section, and No. 9 real estate of the same section in 2013 and 2014. They are registered under the name of the former chairman of the board due to the restrictions on farmlands. The chairman of the board was re-elected on January 4, 2018. When the Group decided to transfer the ownership of the aforementioned land under the name of the new chairman of the board by resolution, it was found that the aforementioned land and the building were attached by creditor and petitioned for a compulsory enforcement. As a result, the Group might lose the ownership of the real estate once they are auctioned subsequently. However, the Group is the third party holds rights over the object of the enforcement that may sufficiently prevent the compulsory enforcement according to Article 15 of the Compulsory Enforcement Act. It instituted an objection suit against the compulsory enforcement to revoke relevant implementing procedures and petitioned to suspend the enforcement in 2018. The conviction was affirmed by the supreme court on September 11, 2019. The judgement was that the Group had borrowed the name of the chairman for registration, and that was not an issue of public confidence of registration as referred to Article 43 of the Land Act. Therefore, the objection was denied. The Group had subrogated immediately to institute an objection suit against the creditor in accordance with Article 14 of the Compulsory Enforcement Act, and petitioned for temporarily suspend the enforcement to Taiwan Changhua District Court. The court ruled for the Group to provide NT\$9,548 thousand guarantee deposits for temporary suspension of the enforcement before the judgement of objection suit against the creditor in 2019 was confirmed, settled, or revoked. The Group also filed for civil action against the former chairman to return the ownership of the farmland and real estate as referred to Article 767 of the Civil Code, and both parties had settled in the court. In other words, the defendant has agreed to return the ownership of the aforementioned real state to the Group, and will transfer the registration to the name of the person in charge of the Group. The enforcement of the creditor and compulsory enforcement regarding to the real estate in 2019 were revoked. The 5 pieces of land in No. 35, Cheng-An section, Da-chun Township were transferred to the name of the current chairman of the board. Despite winning the case, the former chairman of the board still has outstanding debts and the original enforcement was still effective. Therefore, the land of No. 39 and 40, Shang-Mei Section and No. 9 real estate of the same section are still in danger to be auctioned. Nevertheless, the Group is the first mortgage of the aforementioned land and buildings. The book value of the aforementioned land and buildings was NT\$16,127 thousand as of December 31, 2020.

(b.) Commitment

1. Capital expenses that have been signed but not yet occurred:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Acquired real estate, plant, and equipment	NTD	\$ 7,316	\$ 22,737
	THB	\$ -	\$ 103,865
	CNY	\$ 4,021	\$ 7,566
	USD	\$ 1,487	\$ 4,888

2. Documentary credit amount
issued buy not yet been used:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Documentary credit amount issued buy not yet been used	USD	\$ 965	\$ 553

3. The balance of the guaranteed bill issued for loan, purchase, and documentary credit (including guarantee of loans for the related parties) as of December 31, 2020:

	<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guaranteeing of promissory notes	NTD	\$ 3,705,000	\$ 3,657,354
	THB	\$ -	\$ 12,808
	USD	\$ 11,000	\$ 8,000

X. Losses due to Major Disasters

Not applicable.

XI. Significant Subsequent Events

For details on capital reduction to make up losses, please refer to note 6 (17).

XII. Others

(a.) Capital management

The goal for capital management is to ensure the Group's operational sustainability to provide shareholders' compensation and other stakeholders' interests. To maintain or adjust capital structure, the Group may adjust or pay dividends to shareholders, reduce capital to return shareholders' shares, issue new shares, or sell assets to pay off debts. Just like other business in the same industry, the Group controls capital based on debt-to-capital ratio. The ratio is calculated by dividing net liability by total capital. Net liability is the total liabilities listed in the balance sheet minus cash and cash equivalents. Total capital is everything composed in equity (ie, equity, capital reserve, retained earnings, other equity and non-controlling interests) plus net liabilities.

	December 31, 2020	December 31, 2019
Total liabilities	\$ 3,524,739	\$ 3,226,935
Less: cash and cash equivalents	(1,561,036)	(1,208,181)
Net liabilities	1,963,703	2,018,754
Total equity	4,524,978	4,180,474
Total capital	\$ 6,488,681	\$ 6,199,228
Debt and capital ratio	30.26%	32.56%

(b.) Financial instruments
1. Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets measured at fair value through profit and loss		
Mandatory financial assets measured at fair value through profit and loss		
	\$ 45,657	\$ 444
Financial assets carried at amortized cost		
Cash and cash equivalents	\$ 1,561,036	\$ 1,208,181
Financial assets carried at amortized cost	376,088	235,305
Notes receivable	34,518	70,569
Accounts receivable (including related parties)	770,811	783,966
Other accounts receivable (including related parties)	27,060	27,605
Refundable deposits (listed in other non-current assets)	34,668	20,186
	\$ 2,804,181	\$ 2,345,812
<u>Financial liabilities</u>		
Financial liabilities carried at amortized cost		
Short-term loans	\$ 799,496	\$ 413,004
Short-term notes and bills payable	49,966	-
Notes payable	-	2,313
Accounts payable	395,306	429,779
Accounts payable (including related parties)	323,192	316,227
Long-term loans (including loans due in one year or one business cycle)	1,327,237	1,567,889
Refundable deposits (listed in other non-current liabilities)	166	166
Total	\$ 2,895,363	\$ 2,729,378
Lease liabilities	\$ 7,548	\$ 5,009

2. Risk management policy

- (1) The Group's daily operation is affected by various financial risks, including market risks (such as exchange rate risk, interest rate risk, and price risks), credit risks, and liquidity risks. The overall risk management policy focuses on the unpredictable matters in the financial market, and seek for opportunities to reduce the adverse effects impact on the Group's financial status and financial performance.
- (2) Risk management is implemented by the Group's financial management department in accordance with the policies approved by the board of directors. The Group's financial management department provides service to all business department. It analyzes the risk exposure by the level and breadth of the risk to manage the financial risks related to the Group's operation. The internal auditors continue to audit the compliance of the policies and the exposure limit. The Group does not conduct transactions of financial instruments for speculation purpose.

3. The nature and extent of significant financial risks

(1) Market risk

Foreign currency risk

- A. The Group is an international operation, and is subject to the exchange rate risk, mostly in USD and EUR, arising from transactions that are different from the Group's functional currency. Relevant exchange rate risks are from future commercial transactions and recognized assets and liabilities.
- B. The Group's business involves various non-functional currency (the Company's and parts of its subsidiaries' functional currencies are New Taiwan Dollars, parts of the subsidiaries' functional currencies are THB, USD, and RMB; therefore, with the effects from exchange rate fluctuations, the information on foreign currency assets and liabilities that have a significant impact on exchange rate fluctuations is as follows:

December 31, 2020								
(Foreign currency: functional currency) <u>Financial assets</u> <u>Currency item</u>	<u>Foreign currency</u> (thousand dollar) <u>loss</u>	<u>Exchange rate</u>	<u>Book value</u> <u>NTD (thousand)</u>	<u>Sensitivity analysis</u>				
				<u>Amount</u> <u>of variation</u>	<u>Effects on</u> <u>profit and loss</u>	<u>Effects on other</u> <u>comprehensive profit and</u>		
USD:NTD	\$ 13,398	28.43	\$ 380,905	1%	\$ 3,809	\$	-	
EUR:NTD	1,678	34.82	58,428	1%	584		-	
USD:RMB	305	6.53	8,671	1%	87		-	
USD:THB	20,941	30.39	595,353	1%	5,954		-	
EUR:THB	822	37.22	28,622	1%	286		-	
IDR:THB	1,324,706	0.002	2,689	1%	27		-	
RMB:THB	316	4.65	1,375	1%	14		-	
<u>Financial liabilities</u>								
<u>Currency item</u>								
USD:NTD	\$ 3,342	28.43	\$ 95,013	1%	\$ 950	\$	-	
USD:RMB	2,601	6.53	73,943	1%	739		-	
USD:THB	4,556	30.39	129,527	1%	1,295		-	

December 31, 2019

				Sensitivity analysis			
	<u>Foreign currency (thousand dollar) loss</u>	<u>Exchange rate</u>	<u>Book value NTD (thousand)</u>	<u>Amount of variation</u>	<u>Effects on profit and loss</u>	<u>Effects on other comprehensive profit and</u>	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Currency item</u>							
USD:NTD	\$ 7,931	29.93	\$ 237,375	1%	\$ 2,374	\$ -	
EUR:NTD	801	33.39	26,745	1%	267	-	
USD:RMB	1,151	6.99	34,449	1%	344	-	
USD:THB	20,486	30.24	613,146	1%	6,131	-	
EUR:THB	716	33.73	23,907	1%	239	-	
IDR:THB	1,787,998	0.002	3,897	1%	39	-	
RMB:THB	330	4.32	1,412	1%	14	-	
<u>Financial liabilities</u>							
<u>Currency item</u>							
USD:NTD	\$ 1,906	29.93	\$ 57,047	1%	\$ 570	\$ -	
USD:RMB	2,534	6.99	75,844	1%	758	-	
USD:THB	3,878	30.24	116,069	1%	1,161	-	

C. The Group's currency items have significant impacts on the due to exchange rate fluctuations. The total amount of all converted gains and losses (including realized and unrealized) recognized in 2020 and 2019 are at loss of NT\$25,763 thousand and NT\$69, 480 thousand.

Price risk

- A. The Company's equity instruments expose to price risks are the accounts held in financial assets that are measured at fair value through profits and losses and financial assets that are measured at fair value through other comprehensive profits and losses. In order to manage the price risk of investment using equity instruments, the Company scatters its investment portfolios for control.
- B. The Group invests mostly in equity instrument issued by domestic company. The price of the equity instrument will be affected by the uncertainty arise from the future value of the invested object. If the price of the equity instrument increase or decrease by 1% and all the other factors remain the same, the gain or loss of the after tax net profit in 2020 and 2019 from equity instrument measured at fair price value through profit or loss will increase or decrease by NT\$46 thousand dollars and NT\$4 thousand dollars; the gain or loss of the after tax net profit in 2020 and 2019 from other comprehensive profit or loss that has been categorized to equity investment of other comprehensive profit or loss measured at fair value will increase or decrease by 0 thousand dollars.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk comes from long-term and short-term loans at floating rate, which causes the Group expose to cash flow interest rate risk. The Group's loans issued at floating rate as of December 31, 2019 and 2020 are mainly in New Taiwan Dollars.
- B. The Group's loans are measured at amortized cost. The interest rate on loan refers to the market interest rate. Hence, the Group is expose to the changes of interest rate in the future market.
- C. As of December 31, 2020 and 2019, when the interest rate increases or decreases by 0.125% and the rest of the factors remain the same, the after tax net profit will increase or decrease by NT\$2, 444 thousand and NT\$2,476 thousand. It is mainly because the floating interest rate would change the interest paid on bank loan.

(2) Credit risk

- A. Credit risk refers to the risk that a client or a counterparty of a financial instrument will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from accounts receivable that a counterparty cannot pay at the payment terms and financial assets categorized as measured at amortized cost.
- B. The policy adopted by the Group states that before conducting transactions with a client, it has to go through credit confirmation procedure. It shall continue to evaluate the collecting status of accounts receivable and other receivable to reduce credit risk. Due to the large customer group of the Group, the transactions are not significantly focusing on one customer, and the sales regions are dispersal. Therefore, the credit risk of the accounts receivable is not significantly centralized.
- C. The Company's financial management department manages the credit risk of bank deposits and other financial instruments in accordance with the Company Policy. The Company's counterparty is determined by an internal controlling procedure, which includes banks with good credit and financial institutions with investment grade.
- D. The Group adopts assumptions provided by IFRS 9. When a payment overdue for over 90 days of the payment terms in a contract, it is deemed as a breach of contract.
- E. The Group adopts assumptions provided by IFRS 9 as a judgement basis to see if the credit risk of the originally recognized financial instrument is significantly increased: When a payment overdue for over 30 days of the payment terms in a contract, the credit risk of the originally recognized financial assets is deemed as significantly increased.
- F. The Group adopts simplified method to accrue expected credit losses for all notes receivable and accounts receivable, that is they are measured at the expected credit losses of the duration. For the measuring purpose, the notes receivable and accounts receivable are divided into groups by the mutual credit risk characteristics of the customers' abilities to pay the total amount due by payment terms in the contract, and the prospective information is included.
- G. After recourse procedure, the Group will charge off the financial asset amounts that are unable to collect based on reasonable expectation. However, the Group will continue the legal procedure of recourse to protect the creditor's rights.
- H. The Group adjusts loss rate based on the history and current information of a specific time with prospective considerations, and estimate loss allowance of the notes receivable and accounts receivable (including related parties). The provision matrix as of December 31, 2020 and 2019 are as follows:

<u>December 31, 2020</u>	<u>Expected</u>	<u>Total book value</u>	<u>Loss allowance</u>
	<u>weighted average</u>		
	<u>Credit loss rate</u>		
Not overdue	1%~5%	\$ 738,346	\$ 7,293
Overdue within 90 days	10%	81,912	8,191
Overdue between 91-120 days	10%	617	62
Overdue between 121-180 days	100%	1,604	1,604
Overdue between 181-365 days	100%	1,858	1,858
Overdue over 1 year	100%	<u>245,087</u>	<u>245,087</u>
		<u>\$ 1,069,424</u>	<u>\$ 264,095</u>

<u>December 31, 2019</u>	<u>Expected weighted average Credit loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	1	\$ 768,084	\$ 9,469
Overdue within 90 days	5	98,861	4,943
Overdue between 91- 120 days	5 %	2,107	105
Overdue between 121- 180 days	100%	10,857	10,857
Overdue between 181- 365 days	100%	32,136	32,136
Overdue over 1 year	100%	<u>225,144</u>	<u>225,144</u>
		<u>\$ 1,137,189</u>	<u>\$ 282,654</u>

I. Changes of simplified method to accrue loss allowance for all notes receivable and accounts receivable:

	<u>2020</u>	<u>2019</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 282,654	\$ 220,771
Accrued impairment loss	-	54,700
Impairment loss reverse	(8,811)	-
Number affected by exchange rate	(9,748)	7,183
December 31	<u>\$ 264,095</u>	<u>\$ 282,654</u>

J. The Group accrues investment with liability instruments at amortized cost and other receivables. The credit risk assessment level is as follows:

	<u>December 31, 2020</u>		
	<u>Measured at duration</u>		
<u>Measured at 12 months</u>	<u>Credit risk has significantly increased</u>	<u>Credit impairment loss</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 376,088</u>	<u>\$ -</u>	<u>\$ 376,088</u>
Other receivables	<u>\$ 26,567</u>	<u>\$ 37,492</u>	<u>\$ 64,059</u>
	<u>December 31, 2019</u>		
	<u>Measured at duration</u>		
<u>Measured at 12 months</u>	<u>Credit risk has significantly increased</u>	<u>Credit impairment loss</u>	<u>Total</u>
Financial assets measured at amortized cost	<u>\$ 235,305</u>	<u>\$ -</u>	<u>\$ 235,305</u>
Other receivables	<u>\$ 27,120</u>	<u>\$ 37,435</u>	<u>\$ 64,555</u>

1. The financial assets measured at amortized cost held by the Group are time deposits with original maturity date over 3 months and restricted deposits. The expected loss rate is relatively small; therefore, the loss allowance as of December 31, 2020 and 2019 are NT\$0.

2. The Group's changes of loss allowance listed in other receivables are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Credit impairment loss at duration</u>	<u>Credit impairment loss at duration</u>
January 1	\$ 37,435	\$ 37,163
Listed in impairment loss	-	459
Number affected by exchange rate	<u>57</u>	<u>(187)</u>
December 31	<u>\$ 37,492</u>	<u>\$ 37,435</u>

(3) Liquidity risk

- A. Cash flow projections are carried out in all business units and summarized by the financial department of the Group. The financial department monitors the projections on the needs of liquidity fund to ensure the Group has sufficient liquidity to fund its business operations, and to maintain enough commitment limits for unexpended loans at any time, so the Group will not violate any loan limits or terms. It has been considered the Group's debt funding plan, debt terms compliance, financial ratio goals on the internal balance sheet, and the requirement of external supervising regulations for these projections.
- B. The amount of the Group's unexpended loan limits as of December 31, 2020 and 2019 are NT\$2,858,207 thousand and NT\$3,141,484 thousand.
- C. The table below summarizes the Company's non-derivative financial liabilities and derivative financial liabilities settled in net value or total value that grouped by relevant maturity dates. Non-derivative financial liabilities are analyzed by the period left between the balance sheet date to contract expiration date; derivative financial liabilities are analyzed by the period left between the balance sheet date to expected expiration date. The amount of contractual cash flows disclosed below is undiscounted.

December 31, 2020

<u>Non-derivative financial liabilities</u>	<u>Within 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Short-term loans	\$ 750,136	\$ 54,316	\$ -	\$ -	\$ -	\$ 804,452
Short-term notes payable	49,966	-	-	-	-	49,966
Accounts payable	395,306	-	-	-	-	395,306
Other accounts payable (including related parties)	323,192	-	-	-	-	323,192
Lease liabilities	1,947	1,610	2,696	1,338	239	7,830
Long-term loans (including dues in 1 year or 1 business cycle)	59,220	56,143	105,706	1,139,662	45,057	1,405,788
Guarantee deposits	-	-	-	166	-	166

December 31, 2020

<u>Non-derivative financial liabilities</u>	<u>Within 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Short-term loans	\$ 421,531	\$ -	\$ -	\$ -	\$ -	\$ 421,531
Notes payable	2,313	-	-	-	-	2,313
Accounts payable	429,779	-	-	-	-	429,779
Other accounts payable (including related parties)	316,227	-	-	-	-	316,227
Lease liabilities	1,141	997	1,881	932	279	5,230
Long-term loans (including dues in 1 year or 1 business cycle)	202,616	139,233	104,849	1,223,386	-	1,670,084
Guarantee deposits	-	-	-	166	-	166

The Company does not expect the timing of cash flows analyzed by maturity date would be significantly early or the amount would have significant changes.

(III) Fair value information

1. Valuation techniques used to measure fair value of the financial and non-financial instruments and the level definitions are as follows:
 Level 1: measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date. Active markets are markets with sufficient frequency and numbers of assets or liabilities transactions that can provide a setting price on a continuous basis. It includes the fair value of the Company's investments on the listed stock market.
 Level 2: measurements are those derived from inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included within Level 1.
 Level 3: measurements are those derived from inputs that are unobservable inputs.
2. For fair value information on real estate investments measured at cost, please refer to descriptions on note 6 (10).
3. Financial instruments that are not measured at fair price value of the Group includes cash and cash equivalents, notes receivable, accounts receivable, other receivable, refundable deposits, other financial assets, short-term loans, notes payable, accounts payable, other payables, long-term loans (including dues within 1 year or 1 business cycle), and guarantee deposits. The book values of the above are reasonably close conformities of the fair value.
4. The Group has classified the financial and non-financial instruments measured at fair price value by the nature, characteristic, risk, and fair price level of the assets and liabilities as below:
 (1) By the nature of the assets and liabilities:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Mandatory financial assets at fair value through profit or loss				
Equity instrument	<u>\$45,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$45,657</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Mandatory financial assets at fair value through profit or loss				
Equity instrument	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444</u>

- (2) Valuation techniques and assumptions used by the Group in fair value measurement is as follows:

The Group takes quoted prices in markets for level 1 fair value measurements. Listed company stock are the closing price by the characteristic of the instrument.

5. No transfer has been made between level 1 and level 2 in 2020 and 2019.
6. No transfer has been made in and out of level 3 in 2020 and 2019.

XIII. Additional disclosures

(I) Information on significant transactions

1. Financings provided: See Table 1 attached.
2. Endorsement/guarantee provided: See Table 2 attached.
3. Marketable securities held (excluding investments in subsidiaries, associates, and joint venture): See Table 3 attached.
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See Table 4 attached.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached.
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: See Table 6 attached.

(II) Information on investees

For information on the company name and location of the investees (excluding investees in Mainland Area): See table 7 attached.

(III) Information on investments in the Mainland Area

1. Basic information: See Table 8 attached.
2. Any of the following significant transactions with investee companies and re-invested business in the Mainland Area, either directly or indirectly through a third area: None.

(IV) Information of major shareholder

Information of major shareholder: See table 9 attached.

XIV. Segments Information

(a) General information

The management of the Group has identified reportable segments with the proper reporting information made by the primary operating decision makers. The primary operating decision makers manage business by regional perspective, such as Taiwan, Thailand, U.S.A, and China segments. The Group's revenue are mainly from manufacturing and sales of rubber or plastic goods.

(b) Measurement of the segment information

The profit and loss of the operating segments are measured by income and loss before tax. It is the foundation of performance evaluation. The accounting policy of the operating segment are the same as the Summary of Significant Accounting Policies in note 4.

(c) Segment profit and loss, assets and liabilities information

The reportable segment information provided to primary operating decision makers is as follows:

<u>2020</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External revenue	\$ 1,561,023	\$ 2,409,866	\$ 782,121	\$ 129,854	\$ 4,882,864
Internal segment revenue	<u>535,144</u>	<u>67,628</u>	<u>-</u>	<u>30,942</u>	<u>633,714</u>
Segment revenue	<u>\$ 2,096,167</u>	<u>\$ 2,477,494</u>	<u>\$ 782,121</u>	<u>\$ 160,796</u>	<u>\$ 5,516,578</u>
Segment profit and loss	<u>\$ 311,564</u>	<u>\$ 460,347</u>	<u>\$ 65,046</u>	<u>(\$ 96,594)</u>	<u>\$ 740,363</u>

<u>2019</u>	<u>Taiwan</u>	<u>Thailand</u>	<u>U.S.A.</u>	<u>China</u>	<u>Total</u>
External revenue	\$ 1,662,704	\$ 2,611,469	\$ 788,162	\$ 202,602	\$ 5,264,937
Internal segment revenue	<u>519,908</u>	<u>72,401</u>	<u>-</u>	<u>59,169</u>	<u>651,478</u>
Segment revenue	<u>\$ 2,182,612</u>	<u>\$ 2,683,870</u>	<u>\$ 788,162</u>	<u>\$ 261,771</u>	<u>\$ 5,916,415</u>
Segment profit and loss	<u>\$ 185,298</u>	<u>\$ 336,355</u>	<u>\$ 67,223</u>	<u>(\$ 332,578)</u>	<u>\$ 256,298</u>

The measurement amount of the Group's assets and liabilities are provided to the operating decision makers; therefore, the information of the total assets and liabilities of the segments are not disclosed.

(d) Adjustment information of the segments' profit and loss

1. Sales between segments are conducted with fair trading principle and report the external revenue to the primary operating decision makers, which is the same measurement method as the revenue in the income statement.
2. The adjustment for the segment revenue and the operating segment's profit and loss before tax in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Revenue from reportable segments	\$ 5,516,578	\$ 5,916,415
Revenue from other operating segments	<u>-</u>	<u>-</u>
Total operating segments	5,516,578	5,916,415
Eliminate revenue between segments	<u>(633,714)</u>	<u>(651,478)</u>
Revenue from continuing operating segment	<u>\$ 4,882,864</u>	<u>\$ 5,264,937</u>

3. The adjustment for segment profit and loss and the continuing operating segment in 2020 and 2019 are as follows:

	2020	2019
Revenue from reportable segments	\$ 740,363	\$ 256,298
Revenue from other operating segments	5,265	29,794
Total operating segments	745,628	286,092
Eliminate profit and loss between segments	218	6,620
Profit and loss before tax from continuing operating segment	<u>\$ 745,846</u>	<u>\$ 292,712</u>

(e) Product and service category information

Revenue from external customer are mostly sales of rubber and plastic goods.

The list of revenue balance is as follows:

	2020	2019
Bicycle tires	\$ 1,071,210	\$ 1,169,745
Motorcycle tires	2,347,014	2,520,938
Agricultural vehicle tires	800,203	834,019
Truck and automobile tires	121,510	186,361
Radial tires	510,313	504,700
Others	32,614	49,174
Total	<u>\$ 4,882,864</u>	<u>\$ 5,264,937</u>

(f) Regional information

The Group's regional information in 2020 and 2019 are as follows:

	2020		2019	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 763,410	\$ 1,481,980	\$ 747,654	\$ 1,393,331
Thailand	760,149	1,643,888	806,701	1,570,031
U.S.A.	800,971	70,774	858,324	73,493
China	104,128	651,393	107,558	694,365
Other	2,454,206	-	2,744,700	-
Total	<u>\$ 4,882,864</u>	<u>\$ 3,848,035</u>	<u>\$ 5,264,937</u>	<u>\$ 3,731,220</u>

The regional revenue calculation is based on countries. Non-current assets are property, plant, and equipment, investment property, intangible assets, right-of-use assets, and refundable deposits, etc., but does not include financial instruments and deferred income tax assets.

(g) Significant customer information

None of the sales of the Group's customers is more than 10% of the revenue in the income statement in 2020 and 2019. It does not have to disclose customer information if the sales of any customer is under 10% of the total operating revenue.

(Blank below)

6. The financial turnover difficulties of the company and its affiliated enterprises in the most recent year and as of the publication date of the annual report and its impact on the financial position of the company: none

VII. Analysis of financial status, financial performance and risk management

1. Comparative analysis of financial status

Unit: NT \$thousands

Items \ Year	2019	2020	differences	
			Amount	%
Current assets	3,328,962	3,574,161	245,199	7.37%
Real estate, plant and equipment	3,387,309	3,538,983	151,674	4.48%
Intangible assets	1,218	1,173	- 45	- 3.69%
Other assets	689,920	935,400	245,480	35.58%
The total assets of	7,407,409	8,049,717	642,308	8.67%
Current liabilities	1,649,784	1,947,618	297,834	18.05%
Non-current liabilities	1,577,151	1,577,121	- 30	0.00%
The total amount of liabilities	3,226,935	3,524,739	297,804	9.23%
Equity that is attributable to the owner of the parent company	2,736,299	3,015,149	278,850	10.19%
equity	3,323,492	3,323,492	0	0.00%
Capital reserves	36,954	37,256	302	0.82%
Retained earnings	(754,094).	- 388,079.	366,015	- 48.54%
Other Equity	129,947	42,480	- 87,467.	- 67.31%
Storage stock	-	-	-	-
Uncontrolled equity	1,444,175	1,509,829	65,654	4.55%
Total equity	4,180,474	4,524,978	344,504	8.24%
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows: 1. Other assets: the main cause is the profit arising from the investment in INALWAYS (BVI) LTD. 2. Retained earnings: the main reason is that our company made more profits in year 2020 than that in year 2019, and the retained earnings after profit and loss offset was greater than that in year 2019. 3. Other equity: It mainly refers to changes in the difference of exchange for the conversion of the financial statements of foreign operating institutions.				

2. The comparative analysis of financial performance

Unit: NTD \$thousands of

Items	Year	2019	2020	differences	
Operating income		5,264,937	4,882,864	(382,073).	- 7%
Operating margin		975,571	1,159,430	183,859	19%
Operating profit and loss		365,506	605,064	239,558	66%
Non-operating income (expenses)		(72,794)	140,782	213,576	- 293%
Pre-tax net profit		292,712	745,846	453,134	155%
Net profit of continuing business units for the current period		148,280	561,919	413,639	279%
Loss of the closed business unit		-	-		
Current net profit (loss)		148,280	561,919	413,639	279%
The net profit that belongs to the owner of the parent company		10,891	371,601	360,710	3312%
Net profit that is attributable to non-controlled Equity		137,389	190,318	52,929	39%
This is to explain the main reasons for the increase or decrease of 20% in all subjects as follows: 1. Operating profit and loss: there are two main reasons. ① For the decrease in the cost of goods sold in 2019 due to the recovery of the realized value of the inventory which has been mentioned for the loss of the reduced price of the inventory in the de-oxidized part. ②The company recognized that the allowance for bad debts in year 2020 was lower than that in year 2019, so the reversal of the recognition of expected credit impairment benefits meant that operating expenses were reduced. 2. Non-operating income (expenditure): It is generated by the interests of disposal of land utilization right due to land repurchase by the government of the Suzhou Factory and foreign currency due to exchange rate, which results in Exchange gains and losses. 3. Net profit before tax: the main reason is that the operating profit and loss of 2020 and non-operating income (expenses) are better than that of 2019. 4. Net profit of the current period, the owner of the parent company is of non-controlled equity, which is of the same reason of net profit before tax.					

3. Review and analysis of cash flow
(1) Changes in cash flow in the latest year

Unit: NTD \$thousands of

project \ Year	2019	2020	differences	
Business Operation	414,130	898,056	483,926	(1) Cash flow from operating activities: mainly due to the fact that the net profit for the period of 2020 was higher than that of 2019, which was approximately NTD\$450 million. (2) The cash flow of investment activities: the outflow in 2020 was about NTD\$ 590 million, and the outflow in 2019 was about NTD\$ 120 million, which was mainly caused by the purchase of Taichung office in 2021, the increase of long-term investment in INALWAYS (BVI) LTD., and the increase of the compensation account of the joint loan case. (3) The cash flow of financing activities: the inflow was about NTD\$ 160 million yuan in 2020, and the outflow was about NTD\$ 40 million yuan in 2019, mainly due to the increase of short-term loans from banks led by the Land Bank and the short-term notes obtained from Chunghwa Post in 2020. (4) The cash inflow from operating activities was greater than the cash outflow from investment and financing activities, so the net cash flow for year 2020 was an inflow of \$352,855 thousand.
Investment	(125,826).	(590,730).	(464,904).	
Financing	(45,870).	165,215	211,085	
Net cash flow	295,640	352,855	57,215	

(2) Cash liquidity analysis for the coming year

Unit: NTD \$thousands of

Beginning cash balance	Net cash inflow from operating activities	Net cash outflow from investment activities	Cash outflow from financing activities	Remedy for cash deficiency		Closing Cash Balance
				Investment plan	Financial planning	
1,561,036	550,000	650,000	100,000	-	300,000	1,661,036
1. Operating activities: the net inflow expected from net operating income, depreciation expense, net changes in assets and liabilities related to operating activities, after deducting interest payments and income taxes. 2. Investment: increased outflows from fixed assets, etc. 3. Financing: repayment of medium - and long-term loans and cash dividends of the Thai Factory. 4. Financial planning: bank loans.						

4. Impact of major capital expenditures on financial operations

(1) The utilization of major capital expenditures and the source of funds

Unit: NT \$thousands of

Location	Plan project	Total capital required	Actual or anticipated completion date	Actual or prospective sources of funds	instructions	Actual or expected use of funds				
						Before 2019	2020	2021	2022	2023
Thailand	Expand capacity and add equipment	600,000	2022	Its own capital	Expand inner and cover tire production capacity according to market demand	195,000	205,000	200,000	200,000	-
Taiwan	Tire production and testing equipment	900,000	2020	Own capital and bank loans	High - value R semi - steel tire products were amplified	116,000	134,000	300,000	350,000	-

(2) Expected results

Unit: NT \$thousands of

Year	Item	Revenue	Sales gross profit
2021	Rubber tire	180,000	34,200
2022	Rubber tire	320,000	67,200
2023	Rubber tire	675,000	148,500
2024	Rubber tire	1,000,000	220,000

5. The investment transfer policy of the latest year, the main reasons for the profit or loss, the improvement plan and the investment plan for the next year

Unit: NT \$1,000

Explanation Items	Investment gains (losses)	policy	The main cause of profit or loss	Improvement plan	Investment plan for the next year
Hwa Fong (Thailand)	193,564	Trade with ASEAN region	Well utilize international division of labor to gain cost advantage, strengthen international competitiveness, and obtain raw materials nearby.	Expand the market of ASEAN economies and expand the OEM of bicycle tires of well-known brands to increase revenue and profit.	No
Hwa Fong (Hong Kong)	(68,285)	Trade business with mainland China	Sales volume of Hwa Fong (China) and Hwa Fong (Suzhou) decreased.	No	No
Hwa Fong (China)	(28,800)	Investment business in mainland China	Sales continued to shrink due to the continued downturn in the mainland auto market and market competition factors, as well as COVID-19.	Plan international division of labor or cross-plant cooperation, maximize equipment turnover rate or provide nearby sales services to provide	No

				profitability of the company.	
Hwa Fong (Suzhou)	4,227	Investment business in mainland China	Sales continued to shrink due to the continued downturn in the mainland auto market and market competition factors, as well as COVID-19.	Plan international division of labor or cross-plant cooperation, maximize equipment turnover rate or provide nearby sales services to provide profitability of the company.	No
Hwa Fong distribution	7,740	Increase non-business income	Major increases in investment and large industrial corporations.	In the future, we will carefully evaluate the investment transfer of the subsidiary and strengthen the supervision subsidiary's compliance with the internal control system.	No

6. Risk management and assessment for the most recent year and up to the publication date of the annual report

(1) Impact of interest rate, exchange rate fluctuation and inflation on profit and loss of the Company and countermeasures in the future:

1. Interest rates:

The company engages in short-term and long-term borrowings, which are of floating-rate liabilities. Therefore, changes in market interest rates will cause changes in the effective interest rates of short-term and long-term borrowings, which will cause fluctuations in its future cash flows. The company evaluates that the operating environment in which the interest rate is stable in recent years should not lead to significant risk of interest rate. If interest rates increase or decrease by 0.125% basis points, with all other variables being held equal, net profit before tax for the years 2020 and 2019 will decrease or increase by \$2,444 thousand and \$2,476 thousand respectively.

2. The exchange rate:

The Company conducts transactions denominated in foreign currencies, mainly in US dollars and Euros. The Company's exchange rate risks mainly arise from cash and approximately cash, accounts receivable and other receivables, borrowings, accounts payable and other payables denominated in the functional currencies of the Group, resulting in foreign currency conversion gains and losses when converted. On December 31, 2019 and December 31, 2018, net profit before tax will increase or decrease by \$7,777 and \$6,919, respectively, if the New Taiwan dollar depreciates or appreciates by 1% against the United States dollar and the euro, given all other factors being held equal.

3. Inflation:

As for the recent global economic situation, the US government passed tax cuts and infrastructure expansion measures, and the European Central Bank continued to implement monetary easing policy, the above factors are expected to lead to gradual economic growth in the US and European countries. Rubber tire owner to raw materials: raw rubber, synthetic rubber price short-term affected by the adjusting of inventory, prices fluctuated slightly, affected by the supply and the global economic situation, the future price should experience fluctuations in a small scale, the company at any time to master low raw material sourcing and purchasing time, and continuously develop new products, a niche product, and engage in cost optimization.

(2) policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement guarantees, and derivative commodity trading, the main causes of profits or losses, and future countermeasures. In order to manage financial risks, the company has developed internal management methods and operating procedures, including "Endorsement Guarantee Operating Procedures", "Capital Lending and Operating Procedures of Others", "acquisition or disposal of assets processing procedures", the company is prohibited to engage in high-risk and highly leveraged investment, and the capital will not be lending to others. The endorsement guaranty is limited to the endorsement guaranty for the subsidiary. Derivative trading is primarily a hedging activity to avoid fluctuations in the exchange rate of net assets denominated in foreign currencies. In addition to complying with the provisions of laws and regulations, the future measures should be taken in accordance with the assessment and selection of good financial products by the designated units.

(3) Future R&D plans and estimated R&D costs: details of future major R&D plans are shown on page 2.

It is estimated that it will invest 54,935 thousand in research and development in 2011. It is responsible that its research and development units will carry out all the plans according to the schedule under sufficient funds and human resources for research and development.

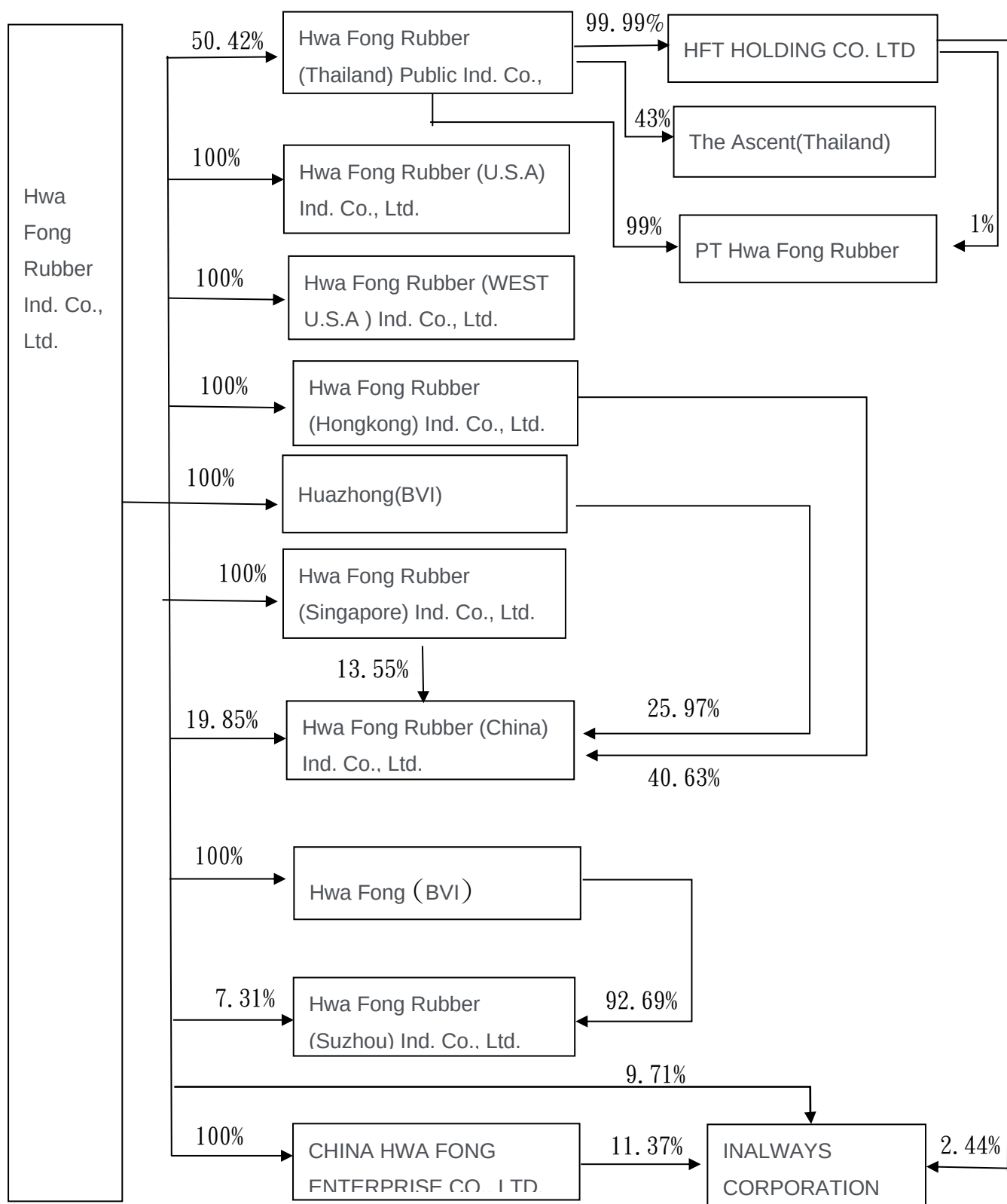
- (4) Impact of major policy and legal changes at home and abroad on the financial business of the Company and corresponding measures: none.
 - (5) Impact of technological change on financial business of the company and corresponding measures: not applicable.
 - (6) Impact of corporate image change on corporate crisis management and countermeasures: The company adheres to the business principles of professionalism and integrity, fulfils social responsibilities, attaches great importance to corporate image and risk control, and there are no foreseeable crises at present.
 - (7) Expected benefits, possible risks and countermeasures of the acquisition: none.
 - (8) Expected benefits and possible risks of plant expansion: increase turnover and increase operating profit.
 - (9) Risks with concentrated purchasing or selling and corresponding measures:
The production of tire main raw materials 80% concentrated in natural rubber, synthetic rubber, carbon smoke and curtain yarn, without diversified sources of purchase, good command over market demand, its suppliers such as Formosa Taffeta Co., Ltd., TSRC, CSRC, which are highly well known, of good reputation of the big manufacturers the company over the years to maintain a good supply relationship with, so there is no risk.
The company has a large customer base and it promotes the sales in North America through the United States subsidiary delivery warehouse, and does not significantly focus on a single customer or a single sales region for transactions, so there is no risk of abnormal concentration of sales customers.
 - (10) The impact, risk and countermeasures on the Company caused by the mass transfer or replacement of equity rights of directors, supervisors or shareholders holding more than ten percent of the shares: None.
 - (11) Impact, risks and countermeasures of the change of management right on the company: none.
 - (12) litigation and non-litigation
 1. Lawsuits, non-litigation or administrative disputes that have been decided or are currently pending in the Company during the most recent two years and as at the date of the Annual Report and whose outcome is likely to have a material effect on shareholders' equity or securities prices: No Lawsuits, non-litigation or administrative disputes that have significant impact.
 2. Directors, supervisors, general managers, substantive responsible persons, major shareholders holding more than 10% of the shares, in the last two years and as of the date of the publication of the annual report, the occurrence of the circumstances stipulated in Article 157 of the Securities and Exchange Law and the current situation of the Company: none.
 - (13) Other major risks and countermeasures: none.
7. Other important matters: none.

VIII. Special Records

1. Information of related enterprises

(1) Business report of combined affiliated enterprises

1. Enterprise organization chart



2. Basic information of related enterprises

December 31, 2020

Company name	The set up time	address	Paid-up capital	Main business or Production project
Hwa Fong Rubber (Thailand) public (stock) company	1991.02.19	317 SOI 6C MOO4 BANGPOO ESTATE SAMUTPRAKARN 10280 THAILAND	Considered a 658,434,300	Rubber products processing and trading
Hwa Fong Rubber (USA) Co., LTD.	1992.02.25	14290 LOCH RIDGE BLVD, COVINGTON, GEORGIA 30014 U.S.A	USD 12,500,000	The sale and sale of all kinds of tire products
Hwa Fong Rubber (Hong Kong) Co., LTD.	1992.04.18	UNIT 1805-6 18/F GREENFIELD TOWER CONCORDIA PLALA 1 SCIENCE MUSEUM RD TST KL	USD 30,000	Trade, manufacturing and investment
Hwa Fong Rubber (Singapore) Holding limited company	1996.12.18	190 MIDDLE ROAD #17-05 FORTUNE CENTRE SINGAPORE 188979	SGD 12,500	Investment, trade, manufacturing, sales and management planning, technology and other services
Hwa Fong Rubber (China) Co., LTD.	1993.04.28	1 Xingye Road, Yanjiang Industrial Zone, Changshu Economic Development Zone, Jiangsu Province, China	USD 53,900,000	Manufacturing, processing and trading of all kinds of tire products
Hwa Fong Rubber (Suzhou) Co., Ltd	2003.04.07	1 Xingye Road, Yanjiang Industrial Zone, Changshu Economic Development Zone, Jiangsu Province, China	USD 72,460,000	Production of various radial tires, sales of their products
HwaFong (Viking) Holding company limited by shares	1998.10.13	OMC CHAMBERS,P.O. BOX3152, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 70,000,000	Investment, trade, manufacturing, sales and management planning, technology and other services
Hwa Zhong(Viking) Holding company limited by shares	2004.04.08	OMC CHAMBERS,P.O. BOX3152, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 14,000,000	Investment, trade, manufacturing, sales and management planning, technology and other services
CHINA HWA FONG ENTERPRISE CO., LTD	2009.08.10	No. 300, Section 2, Zhongshan Road, Dacun Village, Changhua County	NTD 269,191,410	Cloth handicrafts, clothing, shoes, hats, umbrella, garment accessories, electrical appliances, tyres, electronic materials, Lord, alcohol and tobacco, beverage, food and other goods, fertilizer, cosmetics, building materials, computer and transactional machine equipment wholesale and retail trade, international trade, real estate sales leasing, b Gu Wenye medicine, no store retail trade, investment, management, landscape, interior design industry, biological technology services,Market research and public opinion survey, valuation or auction of monetary claims of financial institutions, repair of electrical and electronic products
HWA FONG Rubber (West U.S.A) Co., LTD.	2020.2.20	15348 VALLEY BLVD. CITY OF INDUSTRY, CA 91746	USD 1,000,000	The sale of all kinds of tire products

3. The same shareholder information of persons presumed to have control and affiliation: no presumed control and affiliation.

4. Industries covered by the business of the overall relationship enterprise:

- (1) Rubber, plastic products manufacturing and processing and domestic and foreign sales.
- (2) import and export business related to the above items.
- (3) Investment, trade, manufacturing, sales and management, planning, technology and other services.
- (4) Operation of the related business mentioned above.

The division of labor between the affiliated enterprises, if the businesses are related to each other:

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

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

December 31, 2020

An enterprise name	Title (Note 1)	Name or Representative	Holding shares (Note 2.3)	
			equity	stake
Hwa Fong Rubber (Thailand) Public (stock) company	DIRECTOR PRESIDENT	Shen Kuo-Jung, Chiu Shih-Chien, Wu Pin-Yi, Yan Ming-Shan, Yan Ya-Nan, Yan Zhi-Zhe, Zhuang Jing-Yao, Zhang Tai-Shan, Siu Jin-Long, Mr. Monsiam Sinworapun, Mr. Pornthep Suratroongrojkul, Mrs. Syuan Wen, Shen Kuo-Jung	332,000,000	50.42%
Hwa Fong Rubber (U.S.A.) Co., LTD.	DIRECTOR PRESIDENT	Shen Kuo-Jung Chiu Shih-Chien Yan Ming-Shan Wu Pin-Yi Lin Wen-Cheng Shen Kuo-Jung	500	100%
Hwa Fong Rubber (Hong Kong) Co., LTD.	DIRECTOR	Wu Pin-Yi Lin Wen-Cheng Lee Yuan-Chi	1,000,000	100%
Hwa Fong Rubber (Singapore) Holding limited company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	12,500	100%
Hwa Fong Rubber (China) Co., LTD.	Chairman/General Manager director director The supervisors	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
Hwa Fong Rubber (Suzhou) Co., LTD.	Chairman/General Manager director director The supervisors	Lee Qi-Ping Jiang Yan-Yang Wu Pin-Yi Xiao Jin-Long	— — — —	100%
Hwa Fong (Viking) A holding company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	35,000	100%
Hwa Zhong (Viking) A holding company	DIRECTOR	Shen Kuo-Jung Lee Yuan-Chi Wu Pin-Yi	32,000	100%
China Hwa Fong Enterprise Co., Ltd	Chairman of the board of directors director director The supervisors	Shen Kuo-Jung Chang Tai-shan Wu Pin-Yi Lee Yuan-Chi	26,919,141	100%
Hwa Zhong Rubber (West U.S.A) Co., LTD.	DIRECTOR PRESIDENT	Shen Kuo-Jung Shen Kuo-Jung	1,000,000	100%

Note 1: If the affiliated enterprise is a foreign company, the corresponding positions are listed.

Note 2: If the invested company is a joint stock limited company, fill in the shareholding ratio, if not then the amount of capital contribution and the proportion of capital contribution shall be filled in and indicated.

Note 3: if the director or supervisor is a legal person, the relevant information of the representative disclosed shall be added.

6. Operation Overview of the Affiliated Enterprises Unit: NT \$thousands of

An enterprise name	capital	Total cost of the asset	The total amount of liabilities	Net worth	Operating income	Business operation interests	Current profit and loss (after tax)	Earnings per share (after tax)	The current profits and losses note
Hwa Fong Rubber (Thailand) public . Co	618,471	3,617,906	570,812	3,047,095	2,477,494	435,294	383,664	0.62	The denomination is 1 baht per share
Hwa Fong Rubber (U.S.A.) Co., Ltd	5,160	812,986	161,993	650,993	782,121	54,836	47,227	-	
Hwa Fong Rubber (Hong Kong) Co., Ltd	799	459,011	552,818	- 93,807	31,019	1,801	- 68,286	-	
Hwa Fong Rubber (Singapore) co. Ltd	247	-	439,881	- 439,881	-	-	- 19,659	-	
Hwa Fong Rubber (China) Co., Ltd	1,621,790	376,224	674,119	- 297,895	129,777	- 164,561.	148,276	-	
Hwa Fong Rubber (Suzhou) Co., Ltd	2,060,038	594,648	337,207	257,441	0	- 45,944.	55,733	-	
Hwa Fong (Viking) holding Co., Ltd	1,990,100	466,246	0	466,246	-	- 56	56,734	-	
Hua Zhong (Viking) holding Co., Ltd	434,837	-	77,363	- 77,363	-	-	- 37,679	-	
China Hwa Fong Enterprise Co., Ltd	269,191	200,434	657	199,777	-	- 3,814.	7,740	-	
Hwa Fong Rubber (west U.S.A.) Co., Ltd	30,150	28,533	0	28,533	0	- 52	107		

Note 1: The assets and liabilities account is based on the year-end exchange rate (USD/TWD 28.43; RMB 4.352 / TWD; Considered a/TWD 0.9356)

The profit and loss accounts are based on the average exchange rate (USD/TWD 29.4997; RMB 4.2563 / TWD; Considered a/TWD 0.9297)

Note 2: Capital is calculated at the exchange rate at the time of investment.

(2) Consolidated Financial Statements of Affiliated Enterprises: Please refer to this annual report for details.

(3) Relationship report: none.

2. Private placement of securities for the most recent year and as of the publication date of the annual report: none.
3. For the most recent year and as of the date of the Annual Report, the Subsidiaries held or disposed of the Company's shares: None.
4. Other necessary supplementary notes: none.
5. For the most recent year and as of the date of publication of the annual report, if the occurrence of section 36, paragraph 3 & paragraph 2 of the Securities and Exchange Act Matters determined to have a major impact on shareholders' equity or securities prices: None.



Hwa Fong Rubber Industry Co. Ltd

Chairman Shen Kuo-Jung





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