



CHENG SHIN RUBBER IND. CO., LTD.

Stock Code:2105

Annual Report 2020



Published April 30, 2021

Official TWSE report online: <http://mops.twse.com.tw/>
Official company website: <http://www.cst.com.tw>

(I) Company Spokesman and Acting Spokesperson**Spokesperson**

Name: Lo, Yung-Li

Title: Vice President, Financial Department

Tel: 886-4-8525151-60

e-mail : ylo@mail.cst.com.tw**Deputy Spokesperson**

Name: Liao, Cheng-Yao

Title: Vice President, Domestic Sales Department

Tel: 886-4-8525151-60

e-mail: CYLIAO@mail.cst.com.tw**(II) Headquarters, Branches and Plants:**

COMPANY NAME	ADDRESS	TEL
Headquarters	No.215, Meigang Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8525151-60
2nd Plant	No.199, Sec. 1, Zhongshan Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8520133
3rd Plant	No.146, Sec. 2, Zhongshan Rd., Dacun Township, Changhua County 51542, Taiwan (R.O.C.)	886-4-8524146
Zhong Zhuang Plant	No.38, Sec. 1, Zhongshan Rd., Huatan Township, Changhua County 50343, Taiwan (R.O.C.)	886-4-7863779
Xizhou Plant	No.602, Sec. 2, Zhongshan Rd., Xizhou Township, Changhua County 52445, Taiwan (R.O.C.)	886-4-8893211-2
Douliu Plant	No.1, Kejia 2nd Rd., Douliu City, Yunlin County 64057, Taiwan (R.O.C.)	886-5-5529100
Taipei Office	World Trade Building, 8F, No.50, Sec. 1, Xincheng S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886-2-23937451-5

(III) Stock Transfer Agent

Name: Stock Transfer Agency Unit, Yuanta Securities Co., Ltd.

Address: B1, No.210, Sec. 3, Chengde Rd., Datong District, Taipei City

Tel: 886-2-2586-5859

Website: <http://www.yuanta.com.tw>**(IV) Contact Information of the CPAs for the Latest Financial Statements**

Name of the CPA Firm: PricewaterhouseCoopers, Taiwan

Name of the CPAs: Wang, Yu-Chuan and Zhou, Jian-Hong

Address: 27F, 333 Keelung Rd., Sec. 1, Songshan District, Taipei City

Tel.: 886-2-2729-6666

Website: <http://www.pwc.tw>**(V) Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None****(VI) Company Website: <http://www.cst.com.tw>**

Contents

Chapter 1 Letter to Shareholders	1
I. 2020 Operating Report.....	1
II. Highlights of Operating Plan for 2021	3
III. Future Development Strategy of the Company	4
IV. Impacts from External Competition and Overall Operating Environment	5
V. Impacts from Legal and Regulatory Environment.....	6
Chapter 2 Company Profile.....	7
I. Date of Establishment of the Company: January 1, 1967.....	7
II. Company History	7
Chapter 3 Corporate Governance Report.....	11
I. Organizational Structure	11
II. Information about Directors, Independent Directors, General Manager, Deputy General Managers, Assistants and Heads of Departments and Branches	13
III. Corporate Governance of the Company	30
IV. CPA Service Fee Information	74
V. CPA Change Information: The change is to follow the accounting firm's internal job rotation policy.....	75
VI. Disclosure of any of the Company's Chairman, General Manager, General Manager, Manager in charge of financial or accounting affairs who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year.....	75
VII. Transfer or Pledge of Shares by Directors, Managers, and Shareholders who hold 10% of the Company's shares or more during the current fiscal year and as of the date of the Annual Report	76
VIII. Information of the Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familiar Relationship within the Second Degree of Kinship:	78
IX. The number of shares held by the Company, directors, supervisors, managers, and entities directly or indirectly controlled by the Company in the reinvestment business as well as the consolidated shareholding ratio	79
chapter 4 Financing.....	80
I. Recordable items in capital and share	80
II. Issuance of corporate bonds	86
III. Issuance of preferred shares	87
IV. Issuance of overseas depository receipts.....	87

V. Issuance of stock subscription warrants to employees and restriction on employee right to obtain new shares.....	87
VI. Issuance of new shares in connection with the merger or acquisition of other companies.....	87
VII. Recordable items of the implementation status of capital utilization plan.....	87
chapter 5 Operation Overview	90
I. Business contents	90
II. Market, Production and Sales Overview.....	94
III. Analysis of the employees in the most recent two years.....	105
IV. Environmental protection expenditure.....	105
V. Labor relations:	106
VI. Important contracts.....	109
Chapter 6 Financial overview	110
I. Condensed balance sheet and income statement of the most recent five years	110
II. Financial analysis of the recent five years	114
III. Audit Report for the Financial Statements of the most recent years by Audit Committee	118
IV. Consolidated Financial Statements certified by the CPAs of the most recent years.....	119
V. Parent Company Financial Statements certified by the CPAs of the most recent years.....	204
VI. Facts regarding the Company and its affiliated enterprises that have suffered financial turnover difficulties in recent year and the period as of the Annual Report date.....	295
Chapter 7 Review and analysis of financial status and operating results as well as risk management	296
I. Comparative analysis of financial position	296
II. Analysis of operating results.....	297
III. Cash flow	298
IV. Impact of major capital expenditure on financial operations in recent years.....	298
V. Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:	299
VI. Investment plan for the next year	299
VII. Other Important Issues	308
Chapter 8 Other Specially Recorded Issues	309
I. Related Information on Affiliates	309
II. The Company's shares held or disposed of by subsidiaries in the most recent years as of the publication date of the Annual Report.....	319

III. Subsidiary's holding or disposal of shares in the Company in most recent years and up to the date of publication of the Annual Report	319
IV. Other Necessary Supplementary Statement	319
V. Any event occurred in the most recent years as of the publication date of the report which has material impact on shareholders' rights and interests or the price of securities against Item 3 of Paragraph 2 under Article 36 of the Securities and Exchange Act.....	319

Chapter 1 Letter to Shareholders

2020 was a very unusual year full of hardships and challenges. The COVID-19 pandemic swept across the world and forced us to accept and adapt to a new normal. However, in face of such a critical climate, Cheng Shin's operation team exerted its leadership and management expertise and achieved a challenging objective: The net profit in the full year of 2020 grew 70.7% over last year. Despite the outset of vaccines, it will still take some time before they make an effect in combating the pandemic, which will shadow the future with high uncertainty. Looking back to 2020, we observed the automotive industry faced challenges that have never come in the past, including a shortage of automotive chips and containers, revaluation of the New Taiwan Dollar due to the economic climate change, and exchange rate fluctuation of the US dollar. These external factors have further worsened the international trade environment.

The global economic situation and market environment, which is getting increasingly complex and volatile, is hard to forecast. However, a nine-story loft pavilion starts with a handful of earth. Only by consolidating our foundation, focusing our attention on top priorities, achieving the production and business objective with every possible effort, and accelerating the reform to improve the efficiency, can we tide over the plight we have known and meet those unknown challenges that will come in future.

Cheng Shin pursues the core value of "Integrity & Innovation", upholds "100% Quality, 100% Service and 100% Reliance" as the core of corporate culture and actively works on research, development, and innovation. We adhere to the concept of manufacturing high-quality tires and delivering better-quality products to customers having different requirements.

We appreciate all shareholders, customers, and colleagues for your support. In the future, we will work harder to create better results and values for you all!

I. 2020 Operating Report

(I) Implementation and Results of the business plan for 2019

1. Production and sales:

Unit: Thousand tires, %

Core Products \ Year	Production in 2020	Sales in 2020	Sales in 2019	Percentage of increase/decrease
PCR	34,875	35,594	39,150	-9.08%
TBR	4,364	4,415	4,794	-7.91%
MC	40,753	40,035	37,850	5.77%
BC	86,380	86,773	80,047	8.40%
TUBE	129,797	132,381	120,599	9.77%
OTHER TIRES	20,442	19,991	20,562	-2.78%

2. Operation Summary

IFRS Consolidated:

Unit: NT\$ thousand; %

Item	Year	2020	2019	Percentage of increase (decrease)
	Net Sales	96,209,056	109,507,773	-12.14%
	Cost of Goods Sold	72,220,406	85,548,240	-15.58%
	Operating Expenses	15,391,925	16,956,401	-9.23%
	Operating Profit	8,596,725	7,003,132	22.76%
	Net Profit	6,001,203	3,515,697	70.70%

IFRS Individual:

Unit: NT\$ thousand; %

Item	Year	2020	2019	Percentage of increase (decrease)
	Net Sales	18,926,294	19,497,888	-2.93%
	Cost of Goods Sold	14,228,603	15,805,867	-9.98%
	Operating Expenses	3,605,410	3,789,106	-4.85%
	Operating Profit	953,296	-56,880	1,775.98%
	Net Profit	5,988,702	3,466,827	72.74%

(II) Budget Execution Status

In 2020, the Company realized an actual operating revenue of NT\$96.2 billion, fulfilling 85% of the objective.

(III) Analysis of Financial Income and Expenditure and Profitability

IFRS Consolidated:

Unit: NT\$ thousand; %

Item	Year	2020	2019	Percentage of increase (decrease)	
Income Statement	Sales Revenue	96,209,056	109,507,773	-12.14%	
	Gross Profit	23,988,650	23,959,533	0.12%	
	Net Profit	6,001,203	3,515,697	70.70%	
Profitability	Return on Assets (ROA) (%)	4.33	2.89	49.83%	
	Return on Equity (ROE) (%)	7.55	4.46	69.28%	
	As a % of Paid-in Capital	Operating Profit	26.52	21.61	22.72%
		Pre-tax Profit	25.16	17.98	39.93%
	Net Profit Margin (%)	6.24	3.21	94.39%	
	Earnings Per Share (NT\$)	1.85	1.07	72.90%	

IFRS Individual:

Unit: NT\$ thousand; %

Item	Year	2020	2019	Percentage of increase (decrease)	
Income Statement	Sales Revenue	18,926,294	19,497,888	-2.93%	
	Gross Profit	4,697,691	3,692,021	27.24%	
	Net Profit	5,988,702	3,466,827	72.74%	
Profitability	Return on Assets (ROA) (%)	5.44	3.20	70.00%	
	Return on Equity (ROE) (%)	7.59	4.43	71.33%	
	As a % of Paid-in Capital	Operating Profit	2.94	-0.18	1,733.33%
		Pre-tax Profit	20.81	13.88	49.93%
	Net Profit Margin (%)	31.64	17.78	77.95%	
	Earnings Per Share (NT\$)	1.85	1.07	72.90%	

(IV) Research and Development Status

- Development of PCR silent tires
- Development of new MAXXIS PCR/LTR tires
- Development of new spare tire products
- Development of motorcycle tires --high performance product series
- Development of new motorcycle radial tire products
- Development of bicycle tires --high performance product series
- Development of new ATV tires
- Development of new truck steering shaft product
- Development of RV tires

II. Highlights of Operating Plan for 2021

(I) Operating Policy

Promote the core value of Cheng Shin's culture - Integrity & Innovation. We will set the objective based on the customer-centric concept and effectively lead and focus on execution. We will realize the 3B (better, quicker, and lower) objectives of human, machinery, material, process, quality, and other factors and avoid waste of resources. We will develop a self-disciplinary team, forge the growth engine of the Company in a systemic manner and achieve the operating objective.

- We will orient ourselves to profit, conduct innovative development, and avoid waste to improve the comprehensive operating efficiency.
- Integrity & Innovation, Leadership & Management, Objective & Execution
- Reinforce environmental, safety, health, and energy management

(II) Sales Volume Forecast and Basis

Below is the sales forecast of the Company for 2021:

IFRS Consolidated:

Unit: Thousand tires

Item	Year	Estimated Quantity in 2021	
		Quantity of Sale	
PCR			38,046
TBR			5,400
MC			54,212
BC			90,098
TUBE			117,884
OTHER TIRES			24,313
Total			329,953

IFRS Individual:

Unit: Thousand tires

Item	Year	Estimated Quantity in 2021
		Quantity of Sale
PCR		6,431
TBR		205
MC		6,975
BC		7,872
TUBE		5,175
OTHER TIRES		4,806
Total		31,464

Based on the assessment result announced at the sales meeting (January 20, 2021) of the Company.

(III) Key Production and Distribution Policy

With the pursuit of “Customer Satisfaction, Quality First”, the Company advocates the simplification of production to make the production process less complex and leverages existing scale to further improve production management and reduce the operating cost. As to sales, the Company follows the concept of customer orientation and seeks to establish a lifelong partnership with customers. The Company quickly responds to market changes, adjusts the production capacity in due course, and fully satisfies customer demands.

III. Future Development Strategy of the Company

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

1. Implement corporate governance: We will hold fast to the philosophy of Integrity & Innovation, focus on the principal operation to embrace new opportunities and practice the corporate culture of honesty, integrity, and continuous innovation as one of the critical factors staking sustainable and sound development of the Company. Moreover, we will also urge related members of the Company to follow the good tradition of honesty and integrity and should the principal operation when they perform duties.
2. Develop a sustainable environment: Actively respond to the tide of environmental protection, develop and design “green and environment-friendly tires” and pursue “Safety, Oil Economy, Quietness and Environmental Performance”. Additionally, the Company has strived to realize energy saving and carbon emission reduction in the workshop and manufacturing process to contribute our wisdom and force to the

earth's environment.

3. Safeguard employees' rights: We have built a learning environment with heart and enhanced the concept of corporate ethics among employees.
4. Participate in social philanthropy: We are dedicated to enhancing the social responsibility performance and realizing common harmony and prosperity with the society together with suppliers.

IV. Impacts from External Competition and Overall Operating Environment

To strengthen the competitive edges of our products and develop the most adequate products, besides the research and development centers in the US and the Netherlands Cheng Shin set up in the early years, Cheng Shin officially launched the second-phased R&D building in Shanghai in 2017. In addition, the strategy of recruiting talents is reinforced by gathering world-class professionals to develop global products and elevate the group's overall competitiveness.

Those latecomer competitors from the Chinese Mainland are now racing to build plants in America and America has levied the antidumping taxes against sedan and light-duty truck tires manufactured in four countries and regions, including Taiwan, Thailand, Korea, and Vietnam, which is undoubtedly a big challenge. In the American antidumping investigation against Taiwan, Cheng Shin has actively sought to become one of the investigated manufacturers and successfully won a further tariff cut. At the same time, the production bases in India, Indonesia, Thailand, and other countries can also respond anytime.

In the second half of 2020, the Novel Coronavirus Pneumonia pandemic tended to be alleviated and regional demands recovered and rebounded. However, global shipping companies reduced cargo voyages, leading to a serious deficiency of containers and shipping spaces, which further caused an abrupt rise of the export freight. In face of these challenges, Cheng Shin continuously designed the strategic planning for the delivery to global automakers, and with the delivery experience accumulated in the past, Cheng Shin hoped to establish business relations with more major automakers, thereby enhancing the scale and operating revenue of the Group. Cheng Shin has been closely monitoring the fluctuations of market supply and demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continued the process of integrating new and previous products and replacing the product portfolio with products of high added value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2021 and the next 3 to 5 years, we envisage even

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

V. Impacts from Legal and Regulatory Environment

The US Department of Commerce has declared an antidumping and anti-subsidy measure against light truck and passenger tires originating out of Taiwan, Korea, Thailand, and Vietnam. At present, Cheng Shin of Taiwan has been imposed a lower initial antidumping tax rate than those of other tire manufacturers in the region, and the final antidumping decision will be subject to the announcement of the US Department of Commerce in May 2021.

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

As environmental regulations become more stringent (e.g., air pollution control act and water pollution charges), business operating costs increase accordingly. While focusing on our core business value and developing new products, we also dedicate our efforts to environmental protection and research of green products. We have made great strides in our product development with increasing technical cooperation with multiple raw material suppliers, including Degussa and ExxonMobil. With the evolving of times and technology, we have included "durability and fuel efficiency", "safety and comfort" and "low rolling resistance" as the main features of our products to reduce carbon emissions from vehicles.

Finally, Cheng Shin practices the core value and the corporate culture with the core of "Three One Hundred Percent". Cherishing a heart of respect, care, and thanksgiving, Cheng Shin will invite all people to recognize and join the work to build the Maxxis brand and become a member of the Maxxis family.

Cheng Shin Rubber Industry Co. Ltd.

Chen, Yun-Hwa Chairman of the Board



Chapter 2 Company Profile

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

II. Company History

Year	Milestones
1967	The Company was established as a limited liability company with 178 employees and NT\$6,000,000 in capital, specializing in the production of motorcycle and bicycle tires. All products were approved by the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs to use the CNSⓈ symbol.
1969	The Company became a company limited by shares on December 19, and began the collaboration of technology and business with a Japanese corporation, Kyowa Ltd. The capital of the Company was increased to NT\$24,000,000, and the export business was expanded.
1971	Our product quality was approved by the US Department of Transportation to use the DOT symbol. The Company also developed an excellent reputation in the overseas markets. Employees increased to 600.
1972	Factory construction was completed at the current site at the time, and officially became part of the production process. The sales of the products went from domestic-oriented to export-oriented.
1973	The Company began planning and acquiring technical knowledge and adding equipment to manufacture automobile tires.
1974	The Company was awarded as the number one rubber exporter in the industry. The capital of the Company was increased to NT\$120,000,000. The Company began manufacturing and selling truck tires in June.
1975	The Company implemented strict product quality control, and purchased the latest equipment for quality control. The office in Los Angeles, USA was set up. Employees increased to 1,200.
1976	The Company, in accordance with new CNS standards, obtained further approval from BSMI to use the Ⓢ symbol for the outer tires of large trucks, small trucks, transport cars, agriculture vehicles, and motorcycles.
1977	The Taipei office, responsible for export business, was established in the Taipei World Trade Building. The capital of the Company was increased to NT\$220,000,000.
1980	The factory was awarded a product quality A rating by the Ministry of Economic Affairs. The capital of the Company was increased to NT\$420,000,000, and employees of the Company were increased to 2,200.
1981	The Zhong Zhuang Plant was completed, which specializes in the production of high quality bicycle tires. The capital of the Company increased to NT\$583,800,000.
1982	The Company signed a technical cooperation agreement with Toyo Tire & Rubber Co., Ltd., and established a factory for the latest radial tires for passenger cars. The capital of the Company increased to NT\$720,000,000.
1983	Total domestic and export sales reached NT\$2,708,000,000. The Company was awarded number one in the tire industry in Taiwan. Full efforts were made to research and develop passenger car radial tires. The capital of the Company increased to NT\$828,000,000.
1984	The Company received the Japanese government's approval to sue the Japanese Industrial Standard Symbol for bicycle and motorcycle tires and tubes. The Company began producing and marketing passenger car radial tires and expanded its export market. The capital of the Company increased to NT\$910,800,000. The total domestic and export sales turnover was NT\$2,890,000,000.
1986	Total domestic and export sales turnover of the Company reached NT\$3,770,000,000. The bicycle tire sales volume reached 20,000,000 pcs. The Company invested in new mixing machines in order to increase production.
1987:	The Xi Zhou Plant was built and scheduled to produce bicycle tires. The capital of the Company reached NT\$1,332,045,000. The Company and Toyo Rubber Co., Ltd. established Yang Industrial Co., Ltd. jointly to co-produce shock-proof rubber auto parts. The automobile tires and inner tubes, tires for industrial vehicles, and farming machinery manufactured by the Company received the Japanese Industrial Standards Symbol. The Company was listed on the Taiwan Stock Exchange on December 7.
1988	The Xi Zhou Plant officially began production of bicycle tires. The Company's Main Plant added radial tire production capacity. The capital of the Company increased to NT\$1,625,094,900. The Company and Kyowa Ltd jointly established a tire sales corporation in Osaka to expand output in Japan. The Company also invested in domestic Pacific Securities Co., Ltd. to diversify investment

	avenues.
1989	The Main Plant continued to expand facilities for the production of radial tire. The capital of the Company increased to NT\$2,031,368,630. The Company invested in the establishment of Cheng Shin Rubber (Hong Kong) Limited.
1990	The Company's sales turnover exceeded NT\$5,100,000,000. The paid-in capital increased to NT\$2,437,640,000. The Company invested in the establishment of Cheng Shin Rubber USA, Inc. and San Yueh Textile Company.
1991	Cheng Shin Germany was established in March. On September 16, Cheng Shin Germany relocated to the Netherlands and was renamed Cheng Shin Rubber (Europe) Ltd. in order to expand trade in Europe. The paid-in capital of the Company increased to NT\$2,632,653,750. On October 17, the Ministry of Economic Affairs approved that the Company may increase its capital by US\$20,000,000 through Cheng Shin Rubber Company (Hong Kong) Limited, and indirectly invest in the establishing of Xiamen Cheng Shin Rubber Industry Co., Ltd.
1992	The sales turnover exceeded NT\$6,000,000,000. The paid-in capital of the Company increased to NT\$3,159,184,500. The Company was active in the production of radial tire expansion plan. General Manager Chen, Yun-Hwa came onboard on August 1. The business license of Cheng Shin Rubber (Europe) Limited was revoked.
1993	Paid-in capital increased to NT\$3,633,062,180. Automated storage was completed and in use in July. The radial tire expansion plan was completed and began testing and production. CST Trading Ltd. was approved by the Investment Commission and established in November to indirectly invest in mainland China to set up Cheng Shin Tire & Rubber (China) Co., Ltd. We received the international standard quality assurance system ISO 9001 certification in December as the first company in the tire industry to obtain this qualification in the Republic of China.
1994	Paid-in capital increased to NT\$4,214,352,130. In August, the Investment Commission approved the US\$15,000,000 investment in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. The Ford F1 Quality Certification was awarded to the Company in November.
1995	Paid-in capital increased to NT\$5,015,079,030. The Investment Commission approved the US\$30,000,000 investment for increasing equity capital of Cheng Shin Rubber (China) Co., Ltd in April.
1996	Paid-in capital increased to NT\$5,515,079,000. In January, Toyo Rubber Co., Ltd. invested in Cheng Shin Rubber (China) Co., Ltd., to enable capital increase to US\$72,000,000, accounted for 30% of the equities. In August, the Investment Commission approved the US\$2,500,000 investment for the establishment of Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd. with a capital of US\$5,000,000 which was jointly invested with Toyo Tire & Rubber Co., Ltd.; the Company's investment accounted for 50% of the equities. The second phase of Cheng Shin Rubber (Xiamen) Ind. Ltd. was completed and formally entered into production.
1997	Paid-in capital increased to NT\$6,068,245,620. On May 29, the QS9000 quality certification was obtained. The Cheng Shin Tire & Rubber (China) Co., Ltd. factory construction was completed and formally began production in July. Investment Commission approval was obtained in July to establish Maxxis International Co., Ltd. in the Cayman Islands to indirectly invest in Cheng Shin Rubber (Xiamen) Ind. Ltd.
1998	Paid-in capital increased to NT\$6,796,435,090. In October, the Investment Commission approved an indirect investment via its subsidiary, MAXXIS International Co., Ltd. in Tianjin Tafeng Rubber Ind. Co., Ltd.; the capital of which is US\$12,000,000. On October 20, the Company's Xizhou Plant was awarded as a first class distinguished plant under Japan's Total Productive Maintenance (TPM).
1999	Paid-in capital increased to NT\$747607860. In November, a US technology center was set up by the US subsidiary.
2000	Paid-in capital increased to NT\$7,849,882,530. The Company won the ROC National Quality Award in October. In November, the Company received the National Industrial Waste Reduction Award from the Industrial Development Bureau, Ministry of Economic Affairs. In December, the Company was awarded the group gold medal by the ROC Proposal Association.
2001	Paid-in capital increased to NT\$8,360,124,890. The Xizhou Plant was awarded as the first class distinguished plant under Japan's Total Productive Maintenance (TPM).
2002	The Investment Commission approved an indirect investment in the capital increase of Cheng Shin Rubber (China) Co., Ltd. in the amount of US\$20,000,000 via the Company's subsidiary; CST Trading Ltd. MAXXIS tires won the Forbes Magazine 2002 Global Award for enterprise excellence. The Company's capital increased to NT\$8,861,732,380. On November 1, the Investment Commission approved the establishment of Cheng Shin Tire (Xiamen) Co., Ltd. through indirect investment in Xiamen Cheng Shin Swallow Tire Co., Ltd., and on December 31, approved the investment in establishing a new company, Maxxis International (Thailand) Co.,

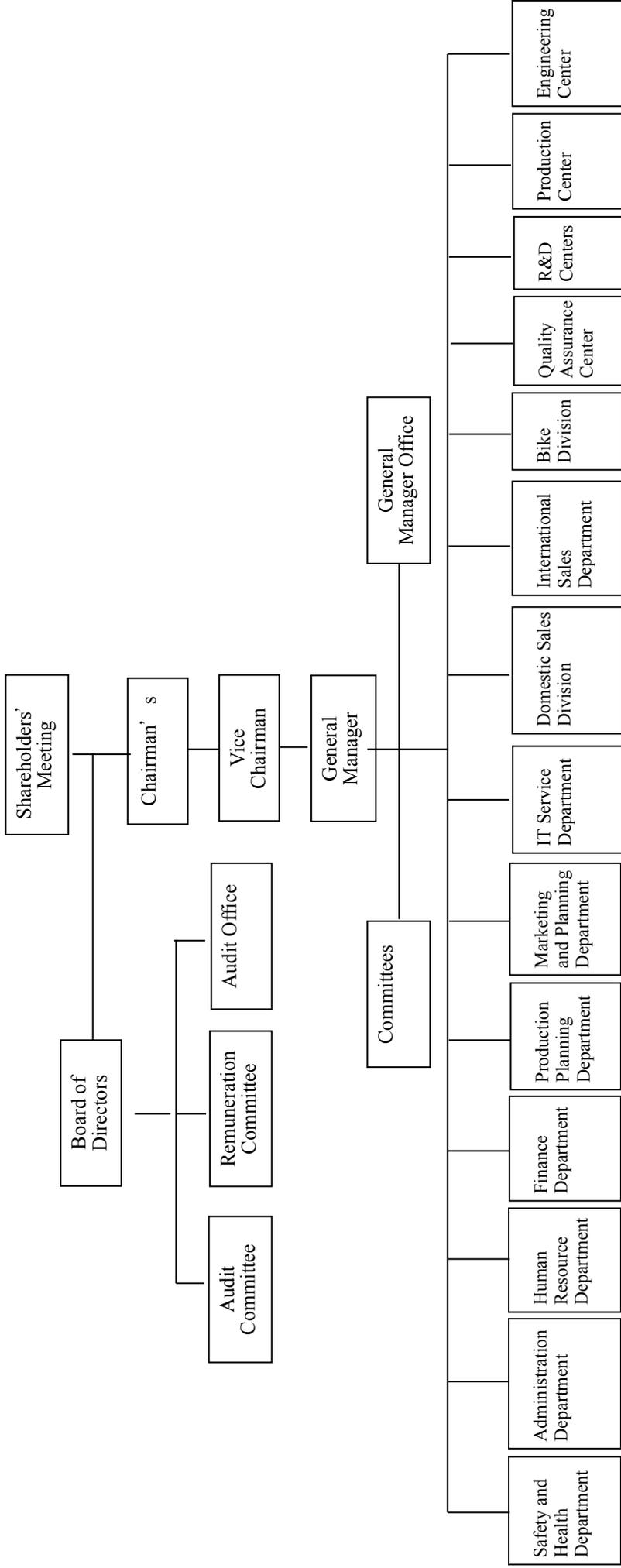
	Ltd.
2003	On March 6, Maxxis International (Thailand) Co., Ltd. officially started the construction of its plant. On September 23, the Company's MAXXIS brand was awarded by the Ministry of Economic Affairs and the international brand consultancy firm (INTERBRAND GROUP) as one of Taiwan's top twenty international brands, ranked fifth; the brand value was estimated at US\$256 million. In addition, the capital of the Company increased to NT\$9,570,670,970 by the end of 2003.
2004	Cheng Shin Tire (Xiamen) Co., Ltd. and Maxxis International (Thailand) Co., Ltd. completed the constructions and entered into vehicle testing and trial production stage. On October 4, the Company's MAXXIS brand won the 2004 Taiwan top twenty international brands, which was ranked sixth with a brand value of US\$264 million. Furthermore, the Company's paid-in capital increased to NT\$10,489,455,380.
2005	Maxxis International (Thailand) Co., Ltd. completed its first phase of all-round production, with daily production of 6,000 passenger car tires. Cheng Shin Tire (Xiamen) Co., Ltd.'s daily production was 700 all-steel radial tires. The European technology center was established. The Company's MAXXIS brand continued to be in Taiwan's top twenty international brands in 2005, with a brand value of US\$264 million. In addition, the Company's paid-in capital increased to NT\$11,381,059,080.
2006	Taiwan Cheng Shin R&D center was completed and soon opened for operations. Maxxis International (Thailand) Co., Ltd. and the expansion of production capacity of Cheng Shin Tire (Xiamen) Co., Ltd. were completed. Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. began construction. The MAXXIS brand was once again awarded as Taiwan's Top Twenty International Brand in 2006, with a brand value of US\$271 million. The company's paid-in capital increased to NT\$12,177,733,220.
2007	The first phase of construction of Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.'s factory was completed, and started trial production in March, which was projected to formally begin production in August. Xiamen Cheng Shin Enterprise Co., Ltd. began production in January. The Company's MAXXIS brand continued to be awarded as Taiwan's top twenty international brands in 2007, with a brand value of US\$309 million. The Company's paid-in capital increased to NT\$13,030,174,540.
2008	Construction of Plant B of Maxxis International (Thailand) Co., Ltd.; upgrade of production capacity of Cheng Shin Tire & Rubber (China) Co., Ltd. and Cheng Shin Tire (Xiamen) Co., Ltd.; Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. was all-round operational. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2008, with a brand value of US\$346 million. The Company's paid-in capital increased to NT\$14,984,700,720.
2009	Maxxis International (Thailand) Co., Ltd. completed the first phase of the construction of its Plant B and started trial production in March, and formally began production in May. On November 13, the Investment Commission approved an indirect investment of US\$20,000,000 to establish Cheng Shin (Xiamen) International Automobile Cultural Center Co., Ltd. via MAXXIS International Co., Ltd. On December 16, the Investment Commission approved the acquisition by the Company's subsidiary of 22.36% of the equity interest in Cheng Shin Rubber (China) Co., Ltd. (which was held by Toyo Tire & Rubber Co., Ltd.). The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2009, with a brand value of US\$345 million. The Company's paid-in capital increased to NT\$16,483,170,790.
2010	On April 16, the Investment Commission approved the Company to indirectly invest US\$30,000,000 in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary MAXXIS International Co., Ltd. On April 23, the Investment Commission approved an investment of US\$30,000,000 via the Company's subsidiary CST Trading Limited to establish Cheng Shin Rubber (Chong Qing) Co., Ltd., which began construction in June. In October, the Douliu Plant and Xiamen Jimei plant began construction. On November 30, the Investment Commission approved the Company to participate in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary, MAXXIS International Co., Ltd. in the amount of US\$45,000,000. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2010, with a brand value of US\$391 million. The Company's paid-in capital increased to NT\$20,603,963,490.
2011	On February 17, the Board of Directors approved an investment in the amount of US\$50,000,000 via the subsidiary Cheng Shin Rubber (China) Co., Ltd. to participate in the capital increase of Cheng Shin Rubber (Chong Qing) Co., Ltd. On August 11, the Investment Commission approved the Company's investment of US\$18,000,000 in the capital increase of the Cheng Shin Tire (Xiamen) Co., Ltd. via subsidiary, MAXXIS International Co., Ltd. On July 19, the Board of Directors approved the establishment of the Remuneration Committee of the Company. On October 20, the Investment Commission approved the Company's indirect investment in the

	amount of RMB17,000,000 in CST Rubber (Zhangzhou) Ind. Co., Ltd. via subsidiary MAXXIS International (HK) Ltd. On December 6, the Board of Directors approved a capital increase of US\$15,000,000 in Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. via subsidiary MAXXIS Trading Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2011, with a brand value of US\$335 million. The Company's paid-in capital increased to NT\$24,724,756,190.
2012	On March 1, the Board of Directors approved the investment of US\$20,000,000 in the capital increase of Cheng Shin Rubber (Chong Qing) Co., Ltd. through the Company's subsidiary Cheng Shin Rubber (China) Co., Ltd. Cheng Shin Tire & Rubber (China) Co., Ltd. tire testing plant began operations in November 2012. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2012, with a brand value of US\$331 million. The Company paid-in capital increased to NT\$28,186,222,060.
2013	On October 15, the Board approved the resolution to make an additional investment in Indonesia. On November 26, the Investment Commission approved the investment of RMB75,000,000 in the capital increase of CST Rubber (Zhangzhou) Ind. Co., Ltd. via its subsidiary MAXXIS International (HK) Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2013, with a brand value of US\$ 370 million. The Company was named the top 50 best listed companies in 2013 by Forbes Magazine. The Company's paid-in capital increased to NT\$32,414,155,360.
2014	On May 13, the Board approved the acquisition of the right to use lands in Indonesia's Greenland International Industrial Center. On November 11, the Board approved the increase of investment in India. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2014, with a brand value of US\$367 million.
2015	The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2015, with a brand value of US\$348 million.
2016	On November 9, the Board approved the incorporation of PT MAXXIS TRADING INDONESIA. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2016, with a brand value of US\$317 million.
2017	On June 15, the Company established its first Audit Committee. The Board approved the proposal to participate in the capital increase of MAXXIS Rubber India Private Limited in the amount of INR 1,799,985,410 using its own capital, which officially began production in August 2017. And PT MAXXIS International Indonesia began production in October 2017. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2017, with a brand value of US\$324 million.
2018	On January 24, the Board approved the proposal to participate in the capital increase of Maxxis Rubber India Private Limited in the amount of INR 999,991,890 and PT MAXXIS International Indonesia in the amount of US\$29,998,875 using its own capital. On March 29, the Board of Directors approved the establishment of European Sales Company. On November 8, the Board of Directors approved the establishment of Mexican Sales Company. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2018, with a brand value of US\$299 million.
2019	On July 3, the Board of Directors approved the establishment of Japanese Sales Company. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2019, with a brand value of US\$288 million.
2020	On October 11, the Board approved the proposal to participate in the capital increase of Maxxis Rubber India Private Limited in the amount of INR 2,249,981,760, and on November 12, the Board approved the proposal to participate in the capital increase of PT MAXXIS International Indonesia in the amount of US\$29,998,875 using its own capital. The Company was successively included in the component stocks of the FTSE4Good TIP Taiwan ESG Index. The Company won the Taiwan Excellence Award. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2020, with a brand value of US\$285 million.

Chapter 3 Corporate Governance Report

I. Organizational Structure

(I) Organizational Structure Chart



(II) Major Department Functions

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

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

(I) Information of Directors and Independent Directors

April 17, 2021

Position Name	Gender	Nationality/ Place of Registration	Election Date <Initial Election Date>	Tenure (Years)	Number of Shares Held at the Time of Election		Current Number of Shares Held		Shares Held By Spouse and Minor Children	Number of Shares	Shareholding ratio	Shares Held in Other's Name	Shareholding ratio	Major Experience (Education)	Current Posts in Cheng Shin and Other Companies	Executives, Directors or Supervisors who are spouses or within the second degree of kinship			Note	
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio								Position	Name	Relation		
Chairman's Chen, Yun-Hwa	Male	ROC	2020.06.16 <2020.06.16>	3	120,570,531	3.72%	120,570,531	82,492,443	2.54%	13,391,000	0.41%			Honorary Doctor of Management, National Yunlin University of Science and Technology	General Manager	Director	Chen, Shiu-Hsiung Lo, Tsai-Jen	Second-degree family member Second-degree family member	The General Managers of the Company are responsible for the domestic and international operations; their roles and responsibilities are clear and match our current operating status. At the same time, less than half of the directors also act as employees or officers, however the Company will adhere to the requirements of the related laws and regulations by 2023	
Vice Chairman Chen, Shiu-Hsiung	Male	ROC	2020.06.16 <2020.06.16>	3	67,819,456	2.09%	67,819,456	62,945,516	1.94%	31,280,000	0.97%			College of Chemical Industry, Shiizuoka University	General Manager of the Company and Chairman of Xiamen Cheng Shin	Director	Chen, Yun-Hwa Lo, Tsai-Jen Chen, Han-Chi	Second degree of kinship Second degree of kinship First degree of kinship		
Director Min Hsing Investment Co., Ltd, represented by Chen, Han-Chi	-	Taipei City	2020.06.16 <2017.06.15>	3	6,425,000	0.20%	6,425,000	0	0%	0	0%			N/A	N/A	N/A	N/A			
Director Xie Shun Investment Corporation, represented by Wu, Hsuan-Miao	Female	ROC	2020.06.16 <2017.06.15>	3	5,591,867	0.17%	5,891,867	67,921	0.00%	0	0.20%			Master of Accounting Science, University of Illinois at Urbana-Champaign	N/A	Director	Chen, Shiu-Hsiung	First-degree family member		
Director Hsieh Shuen Investment Co., Ltd., represented by Huang, Chung-Jen	-	Taipei City	2020.06.16 <2017.06.15>	3	13,391,000	0.41%	13,391,000	0	0%	0	0%			N/A	N/A	N/A	N/A			
Director Representative of Hong Jing Investment Corporation: Lo, Tsai-Jen	Male	ROC	2020.06.16 <2020.06.16>	3	10,882	0%	0	165	0%	0	0%			Department of Public Finance, Feng Chia University	Consultant of the Company	N/A	N/A	N/A	N/A	
Director Tseng, Sung-Ling	-	Changhua County	106.06.15 <2017.06.15>	3	33,331,000	1.03%	33,331,000	0	0%	0	0%			N/A	N/A	N/A	N/A			
	Male	ROC	2020.06.16 <2020.06.16>	3	283,225,502	8.74%	91,662,430	28,110,793	0.87%	0	0%			Department of Marketing and Materials Management, Newark College of Engineering	N/A	Director	Chen, Yun-Hwa Chen, Shiu-Hsiung	Second-degree family member Second-degree family member		
	Male	ROC	2020.06.16 <2020.06.16>	3	5,453,458	0.17%	5,453,458	0	0%	0	0%			Master of Business Administration at the Management Institute of C. W. Post., Long Island University, New	Director and Deputy Chairman of MERIDA INDUSTR	N/A	N/A	N/A		

Table 1: Major Shareholders of Institutional Shareholders

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

(II) Professional qualifications and independence analysis of directors and independent directors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chen, Yun-Hwa	No	No	Yes					V	V				V		V	V	N/A
Chen, Shiu-Hsiung	No	No	Yes					V	V				V		V	V	N/A
Min Hsing Investment Co., Ltd. (Representative: Cheng, Han-Chi)	No	No	Yes	V		V		V	V	V	V	V			V		N/A
Representative of Jiu Shun Investment Corporation: Wu, Hsuan-Miao	No	No	Yes			V	V	V	V	V	V	V	V	V			N/A
Xie Shun Investment Corporation, represented by Huang, Chung-Jen	No	No	Yes	V		V	V	V	V	V	V	V	V	V			N/A
Hong Jing Investment Corporation, represented by Lo, Tsai-Jen	No	No	Yes					V	V			V	V		V		N/A
Tseng, Sung-Ling	No	No	Yes	V		V	V	V	V	V	V		V	V	V	V	N/A
Hong Jing Zi Investment Corporation, represented by Lee, Chin-Chang	No	No	Yes			V	V	V	V			V	V	V	V		N/A
Chen, Tzu-Chen	No	Yes	Yes	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Hsu, En-De	Yes	Yes	Yes	V	V	V	V	V	V	V	V	V	V	V	V	V	2
Chen, Shuei-Jin	Yes	Yes	Yes	V	V	V	V	V	V	V	V	V	V	V	V	V	2

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship,

of any of the persons in the preceding three subparagraphs.

- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. However, the aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person.
- (7) Not a director (or governor), supervisor, or employee of other company or institutions who is the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. The aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director (governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, the aforementioned does not apply to the specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the public company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2: If the Company's independent director or independent supervisor is concurrently serving as an independent director or independent supervisor of another company, they shall explain their positions in the other companies.

(III) Implementation of Diversified Policies by Individual Directors

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

(III) Information on General Manager, Deputy General Manager, Assistants and Heads of Departments and Branches April 17, 2021

Position	Name	Gender	Nationality	Election Date	Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in Other's Name		Major Experience (Education)	Current Posts in Other Companies	Managers who are Spouses or Within the second degree of Kinship			Note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Position	Name	Relation	
General Manager	Chen, Yun-Hwa	Male	ROC	2020.07.07	20,570,53	3.72%	82,492,443	2.54%	13,391,000	0.41%	Honorary Doctor of Management, National Yunlin University of Science and Technology	N/A	General Manager	Chen, Shiu-Hsiung	Second-degree family member	The four General Managers of the Company are responsible for the domestic and international operations; their roles and responsibilities are clear and match our current operating status. At the same time, less than half of the directors of the company also act as employees or officers, however the Company will adhere to the requirements of the related laws and regulations by 2023
General Manager	Chen, Shiu-Hsiung	Male	ROC	1997.04.01	67,819,450	2.09%	62,945,516	1.94%	31,280,000	0.97%	College of Chemical Industry, Shizuoka University	N/A	General Manager Assistant Manager	Chen, Yun-Hwa Chen, Po-Chia	Second-degree family member First-degree family member	
General Manager	Lee, Chin-Chang	Male	ROC	2020.04.01	24,874	0%	5,725	0%	0	0%	Master of International Business Management Institute of Dayeh University	N/A	N/A	N/A	N/A	
General Manager	Hsu, Chih-Ming	Male	ROC	2020.04.01	300,844	0%	4,665,356	0.14%	0	0%	National Tsing Hua University Doctor in Motor Engineering	N/A	General Manager	Chen, Shiu-Hsiung	First-degree family member spouse	
Deputy General Manager	Lin, Hung-Yu	Male	ROC	2007.02.01	433	0%	7,553	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N/A	N/A	N/A	N/A	
Deputy General Manager	Peng, Wen-Hsing	Male	ROC	2007.02.01	4,326	0%	0	0%	0	0%	Department of Mechanical Engineering, Lunghwa Junior College	N/A	N/A	N/A	N/A	
Deputy General Manager	Huang, Chieh-Hsiang	Male	ROC	2008.07.01	233,322	0%	0	0%	0	0%	Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd.	N/A	N/A	N/A	N/A	

Deputy General Manage	Lin, Yu-Yu	Male	ROC	2012.08.01	2,242	0%	2,793	0%	0	0%	Department of Industrial Engineering, National Taipei Junior College	N/A	N/A	N/A	N/A
Deputy General Manage	Liao, Cheng-Yao	Male	ROC	2013.08.01	400	0%	0	0%	0	0%	Department of English Studies, National Taichung Business College	N/A	N/A	N/A	N/A
Deputy General Manage	Lee, Hung-Ko	Male	ROC	2016.07.01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Chin Yi Junior College	N/A	N/A	N/A	N/A
Deputy General Manage	Liu, Chao-Sheng	Male	ROC	2016.07.01	4,326	0%	0	0%	0	0%	Enterprise Management Institute of National Yunlin University of Science and Technology Master's	N/A	N/A	N/A	N/A
Deputy General Manage	Lai, Kuo-Ti	Male	ROC	2016.07.01	2,438	0%	0	0%	0	0%	Department of Accounting Statistics, Tamsui Institute of Business Administration	N/A	N/A	N/A	N/A
Deputy General Manage	Lo, Yung-Li	Male	ROC	2018.09.01	0	0%	0	0%	0	0%	Feng Chia University Department of Public Finance	N/A	N/A	N/A	N/A
Deputy General Manage	Chen, Shu-Yu	Male	ROC	2020.12.01	0	0%	0	0%	0	0%	Master, Food & Chemical Engineering, Da Yeh University	N/A	N/A	N/A	N/A
Assistant Manager	Lin, Chen-Chieh	Male	ROC	1994.04.01	5,000	0%	22,987	0%	0	0%	Department of Industrial Engineering, Chun Yuan Christian University	N/A	N/A	N/A	N/A

Position	Name	Gender	Nationality	Election Date	Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in Other's Name		Main Experience (Education)	Current Posts in Other Companies	Managers who are Spouses or Within the second degree of Kinship			Note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Position	Name	Relation	
Assistant Manager	Ho, Chin-Fang	Male	ROC	2008.07.01	0	0%	0	0%	0	0%	Department of Chemical Engineering Technically, National Taipei Institute of Technology	N/A	N/A	N/A	N/A	
Assistant Manager	Lin, Chin-Chuan	Male	ROC	2010.05.01	0	0%	0	0%	0	0%	National Chiao Tung University Master in Mechanical Engineering Institute	N/A	N/A	N/A	N/A	
Assistant Manager	Chang, Chuan-Shun	Male	ROC	2010.05.01	0	0%	0	0%	0	0%	Department of Industrial Management, National Chin Yi Junior College	N/A	N/A	N/A	N/A	
Assistant Manager	Huang, Kuo-Tsai	Male	ROC	2010.04.01	60,195	0%	53,243	0%	0	0%	National Chung Hsing University Chemical Department	N/A	N/A	N/A	N/A	
Assistant Manager	Huang, Yang-Hsun	Male	ROC	2010.04.01	0	0%	0	0%	0	0%	Taiwan University Political Science Institute Master's	N/A	N/A	N/A	N/A	
Assistant Manager	Chen, Ying-Kuang	Male	ROC	2010.09.13	27,884	0%	4,604	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N/A	N/A	N/A	N/A	
Assistant Manager	Chang, Ghi-Jung	Male	ROC	2012.08.01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Feng Chia University	N/A	N/A	N/A	N/A	
Assistant Manager	Chang, Chin-Lu	Male	ROC	2012.08.01	0	0%	1,000	0%	0	0%	Department of Mechanical Engineering, Oriental Industrial College	N/A	N/A	N/A	N/A	

Assistant Manager	Liu, Ching-Chung	Male	ROC	2012.08.01	0	0%	396	0%	0	0%	0%	0%	0%	Department of Industrial Engineering, Feng Chia University	N/A	N/A	N/A	N/A
Assistant Manager	Lo, Chen-Jung	Male	ROC	2012.08.01	189	0%	0	0%	0	0%	0%	0%	0%	Department of Electrical Engineering, Chienkuo Junior College	N/A	N/A	N/A	N/A
Assistant Manager	Chiang, Kui-Yung	Male	ROC	2016.07.01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Mechanical Engineering, National United University	N/A	N/A	N/A	N/A
Assistant Manager	Chang, Chin-Ming	Male	ROC	2016.07.01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Industrial Engineering, Nan Kai University of Technology	N/A	N/A	N/A	N/A
Assistant Manager	Hu, Ming-Te	Male	ROC	2016.07.01	10,000	0%	4,320	0%	0	0%	0%	0%	0%	Zhen Del High School	N/A	N/A	N/A	N/A
Assistant Manager	Ting, Iso-Lin	Male	ROC	2018.09.01	0	0%	0	0%	0	0%	0%	0%	0%	Diploma in Electrical Engineering, Tamkang University	N/A	N/A	N/A	N/A
Assistant Manager	Chen, Jin-Long	Male	ROC	2019.12.01	0	0%	0	0%	0	0%	0%	0%	0%	Spanish Lecture Department, Nanya Institute of Technology	N/A	N/A	N/A	N/A
Assistant Manager	Yang, Jin-Cheng	Male	ROC	2019.12.01	0	0%	25,177	0%	0	0%	0%	0%	0%	Textile Weaving Department Graduation, National Chin-Yi University of Technology	N/A	N/A	N/A	N/A
Assistant Manager	Lo, Yuan-Long	Male	ROC	2020.04.01	1,064,766	0.03%	0	0%	0	0%	0%	0%	0%	Department of Mechanical Engineering Graduation, PhD in Physics, University of Washington	N/A	N/A	N/A	N/A
Assistant Manager	Chen, Po-Chia	Male	ROC	2020.04.01	0	0%	0	0%	0	0%	0%	0%	0%	Master in Electrical	N/A	General Manager	Chen, Shiu-Hsiung	First-degree family

(IV) Remuneration of General Directors, Independent Directors, General Managers, and Deputy General Managers

1. Remunerations of General Directors and Independent Directors December 31, 2020 Unit: NT\$ thousand

Position	Name	Remuneration of Directors				Total Remuneration (A+B+C+D) to Net Income After Tax Ratio (%)		Relevant Remuneration Received by Directors Who are Also Employees				Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax Ratio (%)		Compensation from any Invested Company Other Than the Company's Subsidiary	
		Base Compensation (A)	Pension (B)	Directors (C)	Business Expense Allowances (D)	The Company	Companies in the financial statements	Salary, Bonuses, and Allowances (E)	Pension (F)	Profit Sharing- Employee Bonus (G)	The Company	Companies in the financial statements			
Chairman's Vice Chairman	Chen, Yun-Hwa														
Director	Mim Hsing Investment Co., Ltd, represented by Chen, Han-Chi	Companies in the financial statements													
		The Company													
Director	Xie Shun Investment Corporation, represented by Huang, Chung-Jen	Companies in the financial statements													
		The Company													
Director	Jiu Shun Investment Corporation, represented by Wu, Hsiuan-Miao	Companies in the financial statements													
		The Company													
Director	Hong Jing Investment Corporation, represented by Lo, Tsai-Jen	Companies in the financial statements													
		The Company													
Director	Tseng, Sung-Ling	Companies in the financial statements													
		The Company													
Director	Hong Jing Investment Corporation, represented by Lee, Chin-Chang	Companies in the financial statements													
		The Company													
Director	Lo, Tsai-Jen	Companies in the financial statements													
		The Company													
Director	Tseng, Shung-Chu	Companies in the financial statements													
		The Company													
Director	Representative of Jiu Shun Investment Corporation: Chen, Yun-Hwa	Companies in the financial statements													
		The Company													
Director	Representative of Hsieh Shuen Investment Co., Ltd.:	Companies in the financial statements													
		The Company													

	Horning Yih Investment Corporation Min Hsing Investment Co., Ltd; Tseng, Shung-Chu	Horning Yih Investment Corporation Min Hsing Investment Co., Ltd; Tseng, Shung-Chu	Horning Yih Investment Corporation Min Hsing Investment Co., Ltd; Tseng, Shung-Chu	Horning Yih Investment Corporation Min Hsing Investment Co., Ltd; Tseng, Shung-Chu	Horning Yih Investment Corporation Min Hsing Investment Co., Ltd; Tseng, Shung-Chu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	Lo, Tsai-Jen, Chen, Yun-Hwa and Chen, Shiu-Hsiung	Lo, Tsai-Jen, Chen, Yun-Hwa and Chen, Shiu-Hsiung	Lo, Tsai-Jen, Chen, Yun-Hwa and Chen, Shiu-Hsiung	Chen, Yun-Hwa and Chen, Shiu-Hsiung	Chen, Yun-Hwa and Chen, Shiu-Hsiung
NT\$30,000,00 (inclusive) ~ NT\$50,000,000	-	-	-	-	-
NT\$50,000,00 (inclusive) ~ NT\$100,000,000	-	-	-	Lo, Tsai-Jen	Lo, Tsai-Jen
Over NT\$100,000,000	-	-	-	-	-
Total	14 persons				

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

* After the reelection of the Company on June 16, 2020, the table of range of director's remuneration includes the list of directors before and after the reelection.

2. Remunerations of General Managers and Deputy General Managers

December 31, 2020 Unit: NT\$ Thousand

Position	Name	Salary(A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Total amount of A, B, C and D to after-tax net income ratio (%)		Compensation from any Invested Than the Company's Subsidiary	
		The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements		
General Manager	Chen, Yun-Hwa														
General Manager	Lo, Tsai-Jen														
General Manager	Chen, Shiu-Hsiung														
General Manager	Hsu, Chih-Ming														
General Manager	Lee, Chin-Chang														
Deputy General Manage	Lin, Hung-Yu														
Deputy General Manage	Huang, Chieh-Hsian														
Deputy General Manage	Peng, Wen-Hsing	28,866	28,866	40,309	40,309	39,041	39,041								
Deputy General Manage	Lin, Yu-Yu									1,156	0	1,156	0	1.83%	1.83%
Deputy General Manage	Liao, Cheng-Yao														
Deputy General Manage	Lee, Hung-Ko														
Deputy General Manage	Liu, Chao-Sheng														
Deputy General Manage	Lai, Kuo-Ti														
Deputy General Manage	Lo, Yung-Li														
Deputy General Manage	Chen, Shu-Yu														

* General Manager Lo, Tsai-Jen was removed from the position on July 7, 2020, General Manager Chen, Yun-Hwa was newly-appointed on July 7, 2020, and Deputy General Manager Chen, Shu-Yu was newly-appointed on December 1, 2020.

Table of Range of Remuneration

Range of remunerations paid to General Managers and Deputy General Managers of the Company	Name of General Manager and Deputy General Manager	
	The Company	Companies in the consolidated financial statements E
Under NT\$ 1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	Chen, Yun-Hwa	Chen, Yun-Hwa
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	Hsu, Chih-Ming; Peng Wen-Hsing; Huang Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Chen, Shu-Yu; Lee, Hung-Ko; Liu, Chao-Sheng ; Lai, Kuo-Ti; Lo, Yung-Li; Lin, Hung-Yu; Lee Chin-Chang	Hsu, Chih-Ming; Peng Wen-Hsing; Huang Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Chen, Shu-Yu; Lee, Hung-Ko; Liu, Chao-Sheng ; Lai, Kuo-Ti; Lo, Yung-Li; Lin, Hung-Yu; Lee Chin-Chang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Chen, Shiu-Hsiung	Chen, Shiu-Hsiung
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-
NT\$30,000,00 (inclusive) ~ NT\$50,000,000	Lo, Tsai-Jen	Lo, Tsai-Jen
NT\$50,000,00 (inclusive) ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	15	15

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

(V) Manager's Name and the Distribution of Employee Bonus:

December 31, 2020 Unit: NT\$ Thousand

	Position	Name	Stock Amount	Cash Amount	Total	Total Amount to After-Tax Net Income Ratio (%)
Manager	General Manager	Chen, Yun-Hwa	0	2,832	2,832	0.047%
	General Manager	Lo, Tsai-Jen				
	General Manager	Chen, Shiu-Hsiung				
	General Manager	Hsu, Chih-Ming				
	General Manager	Lee, Chin-Chang				
	Deputy General Manage	Lin, Hung-Yu				
	Deputy General Manage	Huang, Chieh-Hsiang				
	Deputy General Manage	Peng, Wen-Hsing				
	Deputy General Manage	Lin, Yu-Yu				
	Deputy General Manage	Liao, Cheng-Yao				
	Deputy General Manage	Lee, Hung-Ko				
	Deputy General Manage	Liu, Chao-Sheng				
	Deputy General Manage	Lai, Kuo-Ti				
	Deputy General Manage	Lo, Yung-Li				
	Deputy General Manage	Chen, Shu-Yu				
	Assistant Manager	Lin, Chen-Chieh				
	Assistant Manager	Wei, Chi-Chiang				
	Assistant Manager	Ho, Chin-Fang				
	Assistant Manager	Lin, Chin-Chuan				
	Assistant Manager	Chang, Chuan-Shun				
	Assistant Manager	Huang, Kuo-Tsai				
	Assistant Manager	Huang, Yang-Hsun				
	Assistant Manager	Chen, Ying-Kuang				
	Assistant Manager	Chang, Ghi-Jung				
	Assistant Manager	Chang, Chin-Lu				
	Assistant Manager	Liu, Ching-Chung				
	Assistant Manager	Lo, Chen-Jung				
	Assistant Manager	Chiang, Kui-Yung				
	Assistant Manager	Chang, Chin-Ming				
	Assistant Manager	Hu, Ming-Te				
	Assistant Manager	Ting, Tso-Lin				
	Assistant Manager	Chen, Jin-Long				
	Assistant Manager	Yang, Jin-Cheng				
Assistant Manager	Lo, Yuan-Long					
Assistant Manager	Chen, Po-Chia					
Chief Financial Officer	Lo, Yung-Li					
Accounting Supervisor	Yu, Ching-Tang					

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

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

Unit: NT\$ Thousand; %

Year/Item	Net Income After Tax	Total remuneration of Directors, General Managers and Deputy General Managers to net profit after tax ratio
2020 the Company	5,988,702	3.64%
2020 consolidated financial statements	6,001,203	3.63%
2019 the Company	3,466,827	3.94%
2019 consolidated financial statements	3,515,697	3.89%

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

To the extent that the Company has profit in the year, the Company shall set aside at least 2% of such profit as employee compensation and no more than 3% of such profit as director compensation, provided that the Company shall first offset the cumulative losses, if any. The independent directors may not participate in the distribution of the Company's director remuneration.

The compensation policy and payment were determined by the Remuneration Committee of the Company in accordance with the market average of each position, and the duties and responsibilities of such position, as well as personal contribution to the Company's operation target. Besides taking overall operating performance of the Company into consideration, personal achievements and contributions made to business operations are also evaluated during the remuneration determination process. The Board of Directors would then approve the remuneration that is fair and reasonable.

III. Corporate Governance of the Company

(I) Implementation of Board Meetings

1. The Board of Directors held 8 meetings in 2020 (as of December 31, 2020). The attendance of directors (including independent directors) is as follows:

Position	Name (Note 1)	Actual Attendance (B)	Attendance by Proxy	Ratio of Actual Attendance (%) 【B/A】 (Note 2)	Note
Chairman's	Chen, Yun-Hwa	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Chairman's	Lo, Tsai-Jen	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Vice Chairman	Chen, Shiu-Hsiung	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Min Hsing Investment Co., Ltd. (Representative: Cheng, Han-Chi)	8	0	100%	Reappointed consecutively on June 16, 2020
Director	Xie Shun Investment Co., Ltd. (Representative: Chen, Shiu-Hsiung)	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Director	Xie Shun Investment Corporation, represented by Huang, Chung-Jen	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Jiu Shun Investment Co., Ltd. (Representative: Chen, Yun-Hwa)	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Director	Representative of Jiu Shun Investment Corporation: Wu, Hsuan-Miao	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Hong Jing Investment Co., Ltd. (Representative: Chiu, Li-Ching)	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Director	Hong Jing Investment Corporation, represented by Lo, Tsai-Jen	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Tseng, Sung-Ling	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Hong Jing Zi Investment Corporation, represented by Lee, Chin-Chang	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Director	Horning Yih Investment Corporation (Representative: Lee, Chin-Chang)	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Director	Horning Yih Investment Corporation (Representative: Lin, Hung-Yu)	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Director	Tseng, Shung-Chu	4	0	100%	Removed on June 16, 2020 To attend 4 meetings
Independent Director	Hsu, En-De	8	0	100%	Reappointed consecutively on June 16, 2020
Independent	Too, Jui-Rze	4	0	100%	Removed on June 16,

Director					2020 To attend 4 meetings
Independent Director	Chen, Tzu-Chen	4	0	100%	Newly-appointed on June 16, 2020 To attend 4 meetings
Independent Director	Chen, Shuei-Jin	8	0	100%	Reappointed consecutively on June 16, 2020

Other Required Disclosures:

I. The date, session number of the Board meeting, proposal contents, opinions of all Independent Directors, and the Company's reactions towards Independent Director's opinions shall be recorded in case the following Board operation occurs:

- (1) Items specified in Article 14-3 of the Securities and Exchange Act: As stated in the table below.
- (2) Other than the matters mentioned above, the resolutions with records or written statements on which independent directors have dissenting opinions or qualified opinions: As stated in the table below.

Date	Proposal contents	Independent Director's Opinion	Company's Reaction towards Independent Director's Opinions
2020.01.13 (The 17th session of the 10th term)	(1) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration. (2) Amendment to the Rules of Board Self-Evaluation or Peer Evaluation of the Company. (3) Proposal for the Company's loan line (4) Proposal for endorsements/guarantees of the Company.	None	N/A
2020.03.24 (The 18th session of the 10th term)	(1) Proposal for the distribution of directors and employees' 2019 remuneration (2) Proposal for discussion of the Company's 2019 business report, consolidated financial statements and separate financial statements (3) Proposal for the distribution of The Company's 2019 earnings (4) Proposal to decide the date and location of the 2020 Annual Shareholders' Meeting as well as the reasons to convene the meeting (5) Proposal to accept shareholders' proposal right by the 2020 Annual Shareholders Meeting (6) Proposal to accept shareholders' nominations of independent directors by the 2020 Annual Shareholders Meeting (7) Proposal for the Review of Effectiveness of Internal Control System and the Statement of Internal Control System of the Company for 2019 (8) Proposal to appoint and change the certifying CPAs (9) Proposal for independent evaluation of the Company's certifying CPAs (10) Proposal for appointment and removal of the Company's personnel (11) Proposal for payment of the severance pay of the retired senior manager, Wei, Qi-Jiang (12) Proposal for discussion of the amendment to the Company's Article of Incorporation (13) Proposal for amendment to the Company's Audit Committee Organizational Rules (14) Proposal for amendment to the Company's Remuneration Committee Organizational Rules (15) Proposal for amendment to the Company's Board Meeting Procedural Rules (16) Proposal for amendment to the Company's Related	None	N/A

	<p>Party Transaction Operational Procedures</p> <p>(17) Proposal for amendment to the Company's Operational Procedures for Financial Statements Preparation Process</p> <p>(18) Proposal for amendment to the Company's Operational Regulations for Monitoring Subsidiaries</p> <p>(19) Proposal for amendment to the Company's Operational Regulations Applicable to International Accounting Standards</p> <p>(20) Proposal for amendment to the Company's Procedures for Professional Accounting Judgments, and Processes for Making Changes in Accounting Policies and Estimates</p> <p>(21) Proposal for amendment to the Company's Operational Procedures for Management of Liabilities, Commitments, and Contingencies</p> <p>(22) Proposal for the Company's loan line</p> <p>(23) Proposal for the Company's endorsements/guarantees and condolence letter</p>		
2020.04.23 (The 19th session of the 10th term)	<p>(1) Proposal to review the list of candidates for Independent Directors.</p> <p>(2) Proposal to elect directors (the independent directors included) of the Company.</p> <p>(3) Proposal to release the newly elected directors from non-competition restrictions.</p> <p>(3) Proposal to release the newly elected directors from non-competition restrictions.</p> <p>(5) Proposal for the Company's endorsements/guarantees.</p>	None	N/A
2020.05.12 (The 20th session of the 10th term)	<p>(1) Proposal to accept the Company's Q1 2020 Consolidated Financial Statements</p> <p>(2) Proposal for the distribution of directors' 2019 remuneration</p> <p>(3) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin Rubber (Xiamen) Ind., Ltd.</p> <p>(4) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin Rubber (Xiamen) Swallow Tire Co., Ltd.</p> <p>(5) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin (Xiamen) Ind., Ltd.</p> <p>(6) Proposal for the amendment to the Operating Procedures of Funds Lending to Others by Cheng Shin (Xiamen) Logistics., Ltd.</p> <p>(7) Proposal for the Company's loan line.</p>	None	N/A
2020.06.16 (The 1st session of the 11th term)	<p>(1) Proposal to elect the Chairman.</p> <p>(2) Proposal to elect the Deputy Chairman.</p>	None	N/A
2020.07.07 (The 2nd session of the 11th term)	<p>(1) Proposal to fix the ex-dividend base date.</p> <p>(2) Proposal to elect the Deputy Chairman.</p> <p>(3) Proposal for appointment and removal of the Company's General Manager</p> <p>(3) Proposal to release the newly elected directors from non-competition restrictions.</p> <p>(5) Proposal for review of the Independent Directors' remuneration</p>	None	N/A
2020.08.11 (The 3rd session of the 11th term)	<p>Amendment to the Code of Practice on Corporate Social Responsibility of the Company</p> <p>Amendment to the Company's Corporate Governance Best Practice Principles</p>	The responsible person under proposal 12	Resolution result of proposal 12: The Board of

	<p>Amendment to the Company's Board Meeting Procedural Rules.</p> <p>Amendment to the Company's Audit Committee Organizational Rules</p> <p>Proposal to establish the Seal Management Procedure of the Company</p> <p>Proposal to accept the Company's Q2 2019 Consolidated Financial Statements</p> <p>Proposal for capital injection into Maxxis Rubber India Private Limited</p> <p>Proposal to change the directors and supervisors of the Company's subsidiaries</p> <p>Proposal to appoint members of the Remuneration Committee of the Company</p> <p>Proposal to adjust the organizational structure of the Company.</p> <p>Prudential valuation of derivative commodities of the Company.</p> <p>Proposal to sign the Audit Report of the Company</p> <p>Proposal for the Company's loan line.</p> <p>Proposal for the Company's endorsements/guarantees.</p>	<p>submitted by the Independent Directors is not suitable to be the same person as proposal 11. Moreover, based on the current situation of the Company, the Chairman should participate more in the audit affairs of the Company.</p>	<p>Directors has decided to authorize Director Wu, Hsuan-Miao to sign the internal audit report and assess this proposal in half a year. This proposal is adopted by more than two-thirds of the directors present at the meeting.</p>
<p>2020.11.12 (The 4th session of the 11th term)</p>	<p>(1) Proposal to accept the Company's Q3 2019 Consolidated Financial Statements</p> <p>(2) Proposal to establish the Company's 2019 audit plan</p> <p>(3) Amendment to the Internal Audit Implementation Rules of the Company.</p> <p>(4) Amendment to the Regulations for Performance Evaluation of the Board and Functional Committees.</p> <p>(5) Amendment to the Management Procedure for Financial Information and Non-financial Information of the Company.</p> <p>(6) Proposal to establish the Control Procedure for Open Information Reporting Operation of the Company.</p> <p>(7) Proposal for capital injection into PT. Maxxis International Indonesia.</p> <p>(8) Proposal to issue unsecured general corporate bonds of the Company.</p> <p>(9) Proposal for appointment and removal of the Company's Accounting Controller</p> <p>(10) Proposal for personnel promotion of the Company.</p> <p>(11) Proposal for payment standard of the severance pay for the Company's General Manager Lo, Tsai-Jen.</p> <p>(12) Proposal for remuneration of directors serving as advisors of the Company.</p> <p>(13) Proposal for the Company's loan line.</p> <p>(14) Proposal for derivative commodity trading of the Company.</p> <p>(15) Proposal for the Company's endorsements/guarantees.</p>	<p>None</p>	<p>N/A</p>

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

Meeting Date	Name of Director	Proposal Contents	Reasons for recusal due to conflict of interests	Participation in vote
2020.04.23 (The 19th session of the 10th term)	Hsu, En-De Chen, Shuei-Jin	Proposal to review the list of candidates for Independent Directors	Review the recusal of the Independent Directors Hsu, En-De and Chen, Shuei-Jin due to conflict of interests pursuant to the provisions of Article 206 of the Company Act.	Approved by the other 9 directors
2020.07.07	Chen,	Proposal to	Recusal due to conflict of	The Independent

(The 2nd session of the 11th term)	Tzu-Chen Hsu, En-De Chen, Shuei-Jin	review remuneration of Independent Directors of the Company	interests in line with Article 15 of the Company's Board Meeting Procedural Rules	Directors Miss Chen, Tzu-Chen, Mr. Hsu, En-De and Mr. Chen, Shuei-Jin should abstain due to the involvement of interests and the other directors agreed unanimously with the recusal upon the Chairman's inquiry.
------------------------------------	-------------------------------------	---	---	---

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

* The performance evaluation result of the Company's Board and its functional committees in 2020 was reviewed and evaluated by the Remuneration Committee on March 17, 2021 and submitted to the Board on March 24, 2021.

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content	Comprehensive Comment
Once a year	Evaluate the performance of the Board from January 1, 2020 to December 31, 2020	Board of Directors' performance evaluation	Chairman's overall evaluation	1. Extent of participation in the Company's operation 2. Improvement in the quality of the Board's decision making 3. Composition and structure of the Board 4. Election and continuing education of the directors 5. Internal control	Made continuous progress and good performance.
Once a year	Evaluate the performance of the Board members from January 1, 2020 to December 31, 2020	Evaluation on the performance of Board members	Self-evaluation by the directors	1. Execution of the Company's goals and tasks 2. Understanding of the director's roles and responsibilities 3. Procedures for participating the Company's operation 4. Management and communication of the internal relations 5. Expertise and continuing education of the directors 6. Internal control	The Board's operation is good, normal and smooth
Once a year	Evaluate the performance of the Remuneration Committee from January 1, 2020 to December 31,	Evaluation on the performance of the Remuneration Committee	Self-evaluation by the Remuneration Committee members	1. Procedures for participating the Company's operation 2. Understanding of the Remuneration Committee's roles	It has effectively implemented the corporate governance and actively participated in the overall operation of the Company.

		2020			and responsibilities 3. Improvement in the quality of the Remuneration Committee's decision-making 4. Composition and member election of the Remuneration Committee	
Once a year	Evaluate the performance of the Audit Committee from January 1, 2020 to December 31, 2020	Evaluation on the performance of the Audit Committee	Self-evaluation by the Audit Committee members	1. Extent of participation in the Company's operation 2. Understanding of the Audit Committee's roles and responsibilities 3. Improvement in the quality of the Audit Committee's decision-making 4. Composition and member election of the Audit Committee 5. Internal control	It has effectively implemented the corporate governance, actively participated in the overall operation of the Company and assured good decision-making quality.	

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

- (1) The Company has independent directors on the Board and an audit committee in place, and holds Board meetings and Audit Committee meetings on a regular basis. We also invite accountants/auditors to sit in on the Board meetings to help the directors have a better understanding of the global market, industry trend, and financial, accounting and tax regulations, thereby benefiting the management and operations of the Company.
- (2) The Company has amended the Company's Rules for Election of Directors, Rules and Procedures for Board Meetings, and adopted corporate governance rules, which are made available on the corporate website and on the Market Observation Post System (MOPS).
- (3) All of the Company's directors including the independent directors must meet the training hours requirement of the annual continuing education.
- (4) The Company discloses information in respect of directors' continuing education, Board meeting attendance, and remuneration of directors on MOPS.
- (5) The Company posts important matters resolved by the Board of Directors, Board attendance, and director profiles (including independent directors) on the corporate website.

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

Note 2: (1) If a director or supervisor resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of board meetings held during his or her tenure and the number of such meetings attended.

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

2. The target of the Board of Director's functionality

The Company shall diversify Board composition and develop guidelines on diversity based on the operations, nature of business activities, and development needs of the Company, including but not limited to the following two aspects:

- Basic qualification and value: gender, age, nationality, and culture.
- Professional knowledge and skills: professional backgrounds (such as law, accounting, industry-specific, finance, marketing, or technology), professional skills, and working experience in the industry.

The directors should generally have the knowledge, skills, and self-cultivation required for performing their duties. In order to achieve the ideal targets of corporate governance, the general abilities that the Board of Directors should be equipped with are stated below:

- Capability to make business judgments.
- Accounting and financial analysis capabilities.
- Capability of operations management (including the management of subsidiaries)
- Crisis management capability.
- Industrial Knowledge.
- Global market viewpoint.
- Leadership.
- Capability to make decisions.

(II) Implementation of Audit Committee Operations

1. The Company appoints 3 independent audit committee members assisting the Board to supervise the Company's performance quality and credibility in accounting, audit, financial reporting process, and financial control.
2. The major tasks of the Audit Committee in 2020 include:

Financial reports, audit and accounting policy and procedures, policy and procedures related to internal control system, significant asset or derivatives transactions, significant endorsements and guarantees, increase of capital, qualifications and independency evaluation of the independent auditor, delegation and dismissal of the independent auditor, Performance Self-Evaluation Questionnaire of the Audit Committee, and legal and regulatory compliance.
3. The Audit Committee held 6 meetings (A) in 2020, the attendance status of independent directors was as follows:

Position	Name	Actual Attendance (B)	Attendance by Proxy	Actual attendance rate (%) (B/A) (Note)	Note
Independent Director	Hsu, En-De	6	0	100%	Reappointed consecutively on June 16, 2020
Independent Director	Too, Jui-Rze	4	0	100%	Removed on June 16, 2020, to attend 4 meetings
Independent Director	Chen, Shuei-Jin	6	0	100%	Reappointed consecutively on June 16, 2020
Independent Director	Chen, Tzu-Chen	2	0	100%	Appointed on June 16, 2020, to attend 4 meetings

Other Required Disclosures:

I. If Audit Committee has any of the following circumstances, the date and session number of the meeting of Board of Directors, proposal contents, the resolution made by Audit Committee, and the Company's reactions towards Audit Committee's opinions shall be specified:

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

Implementation status in 2020

Date of the Audit Committee meeting	Proposal contents	Resolution made by Audit Committee	The Company's reactions towards Audit Committee's opinions
2020.01.13 (The 14th session of the 1st term)	(1) Amendment to the Company's Rules of Board Self-Evaluation or Peer Evaluation. (2) Proposal for the Company's endorsements/guarantees.	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 17th session of the 10th term on January 13, 2020.
2020.03.24 (The 15th session of the 1st term)	(1) Proposal to discuss the Company's 2019 business report, consolidated financial statements, and separate financial statements. (2) Proposal for the distribution of the Company's 2019 earnings. (3) Proposal for the Company's Review of the Effectiveness of Internal Control System and Statement of Internal Control. (4) Proposal to appoint and change the certifying CPAs. (5) Proposal for the certifying CPAs' independence evaluation report. (6) Amendment to the Company's Article of Incorporation submitted for discussion. (7) Amendment to the Company's Audit Committee Organizational Rules. (8) Amendment to the Company's Remuneration Committee Organizational Rules. (9) Amendment to the Company's Board Meeting Procedural Rules. (10) Amendment to the Company's Related Party Transaction Operational Procedures. (11) Amendment to the Company's Operational Procedures for Financial Statements Preparation Process. (12) Amendment to the Company's Operational Regulations for Monitoring Subsidiaries. (13) Amendment to the Company's Operational	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 18th session of the 10th term on March 24, 2020.

	<p>Regulations Applicable to International Accounting Standards.</p> <p>(14) Amendment to the Company's Procedures for Professional Accounting Judgments, and Processes for Making Changes in Accounting Policies and Estimates.</p> <p>(15) Amendment to the Company's Operational Procedures for Management of Liabilities, Commitments, and Contingencies.</p> <p>(16) Proposal for the Company's endorsements/guarantees and condolence letter.</p>		
2020.04.23 (The 16th session of the 1st term)	(1) Proposal for the Company's endorsements/guarantees.	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 19th session of the 10th term on April 23, 2020.
2020.05.12 (The 19th session of the 10th term)	<p>(1) Proposal to accept the Company's Q1 2020 Consolidated Financial Statements</p> <p>(2) Proposal for amendment to the Operational Procedures for Lending Funds to Others by Cheng Shin Rubber (Xiamen) Ind., Ltd.</p> <p>(3) Proposal for amendment to the Operational Procedures for Lending Funds to Others by Cheng Shin Rubber (Xiamen) Swallow Tire Co., Ltd.</p> <p>(5) Proposal for amendment to the Operational Procedures for Lending Funds to Others by Cheng Shin (Xiamen) Ind., Ltd.</p> <p>(5) Proposal for amendment to the Operational Procedures for Lending Funds to Others by Cheng Shin (Xiamen) Logistics., Ltd.</p>	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 20th session of the 10th term on May 12, 2020.
2020.08.11 (The 1st session of the 2nd term)	<p>(1) Amendment to the Company's Board Meeting Procedural Rules.</p> <p>(2) Amendment to the Company's Audit Committee Organizational Rules.</p> <p>(3) Proposal to establish the Seal Management Procedure of the Company.</p> <p>(4) Proposal to accept the Company's Q2 2020 Consolidated Financial Statements.</p> <p>(5) Proposal for capital injection into Maxxis Rubber India Private Limited.</p> <p>(6) Proposal for prudential valuation of derivative commodities of the Company.</p> <p>(7) Proposal to sign the Audit Report of the Company.</p> <p>(8) Proposal for endorsements/guarantees for the Company.</p>	<p>* Resolution on proposal 7: The person is not be held by the same person as proposal 6. Moreover, based on the current situation of the Company, the Chairman should participate more in audit affairs of the Company.</p> <p>* The other proposals were unanimously approved by all the Audit Committee members present.</p>	<p>Resolution of * proposal 12 made by the Board at the 3rd session of the 11th term on August 11, 2020: The Board of Directors has decided to authorize Director Wu, Hsuan-Miao to sign the internal audit report and assess this proposal in half a year. This proposal is approved by more than two-thirds of the directors present at the meeting.</p> <p>* The other proposals were unanimously approved by all the directors present.</p>
2020.11.11 (The 2nd session of the 2nd term)	<p>(1) Proposal to accept the Company's Q3 2019 Consolidated Financial Statements</p> <p>(2) Proposal to establish the Company's 2019 audit plan</p>	Proposal 10 based on the hedging need and the Company's	Unanimously approved by all the directors present at the 4th session of

	<p>(3) Amendment to the Internal Audit Implementation Rules of the Company.</p> <p>(4) Amendment to the Regulations for Performance Evaluation of the Board and Functional Committees.</p> <p>(5) Amendment to the Management Procedure for Financial Information and Non-financial Information of the Company.</p> <p>(6) Proposal to establish the Control Procedure for Open Information Reporting Operation of the Company.</p> <p>(7) Proposal for capital injection into PT. Maxxis International Indonesia.</p> <p>(8) Proposal to issue unsecured general corporate bonds of the Company.</p> <p>(9) Proposal for appointment and removal of the Company's Accounting Controller</p> <p>(10) Proposal for derivative commodity trading of the Company.</p> <p>(11) Proposal for endorsements/guarantees for the Company.</p>	<p>holding of the US dollar position was unanimously approved by all the Audit Committee members present. The other proposals were unanimously approved by all the Audit Committee members present.</p>	<p>the 11th term on November 12, 2020.</p>
--	--	---	--

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors:

Date of the Audit Committee meeting	Proposal contents	Resolution made by Audit Committee	The Company's reactions towards Audit Committee's opinions
2020.08.11 (The 1st session of the 2nd term)	<p>(1) Amendment to the Company's Board Meeting Procedural Rules.</p> <p>(2) Amendment to the Company's Audit Committee Organizational Rules.</p> <p>(3) Proposal to establish the Seal Management Procedure of the Company.</p> <p>(4) Proposal to accept the Company's Q2 2020 Consolidated Financial Statements.</p> <p>(5) Proposal for capital injection into Maxxis Rubber India Private Limited.</p> <p>(6) Proposal for prudential valuation of derivative commodities of the Company.</p> <p>(7) Proposal to sign the Audit Report of the Company.</p> <p>(8) Proposal for endorsements/guarantees for the Company.</p>	<p>* Resolution on proposal 7: The person is not be held by the same person as proposal 6. Moreover, based on the current situation of the Company, the Chairman should participate more in audit affairs of the Company.</p> <p>* The other proposals were unanimously approved by all the Audit Committee members present.</p>	<p>Resolution result of * proposal 12 made by the Board on August 11, 2020: The Board of Directors has decided to authorize Director Wu, Hsuan-Miao to sign the internal audit report and assess this proposal in half a year. This proposal is approved by more than two-thirds of the directors present at the meeting.</p> <p>* The other proposals were unanimously approved by all the directors present.</p>

II. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of the proposal, and causes of abstention should be specified: None.

III. Communication between independent directors, internal chief audit officer and CPAs (which should include the important matters, methods, and results regarding the Company's finance and operations):

1. Summary of communication between independent directors and Internal Chief Audit Officer in 2020:

Meeting Date	Discussion Points	Method	Results
2020.01.13	Report of internal audit findings	Written report	Report acknowledged. No further opinions were given.
2020.03.24	1. Report of internal audit findings 2. Proposal to discuss the Company's 2019 Review of Effectiveness of Internal Control System and the issuance of the Statement of Internal Control.	Presentation	Report acknowledged. No further opinions were given.
2020.04.23	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
2020.05.12	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
2020.07.07	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
2020.08.11	1. Report of internal audit findings 2. Prudential valuation of derivative commodities of the Company. 3. Proposal to sign the Audit Report	Presentation	Report acknowledged. No further opinions were given.
2020.11.11	1. Report of internal audit findings 2. Report of the audit plan next year	Presentation	Report acknowledged. No further opinions were given.

2. Summary of separate communication between independent directors and the CPAs in 2020:

Meeting Date	Discussion Points	Method	Results
2020.03.24	1. Communication with the governance unit as well as the basis and opinion of the financial report audit 2. Material findings during the review 3. CPA independence 4. Latest law update and response	Written report	Report acknowledged. No further opinions were given.
2020.05.12	1. Material findings during the review	Oral report	Report acknowledged. No further opinions were given.
2020.08.11	1. Material findings during the review	Oral report	Report acknowledged. No further opinions were given.
2020.11.12	1. Communication plan 2. The roles and responsibilities of leading CPA 3. The roles and responsibilities of governance unit 4. 2020 audit plan report 5. CPA independence 6. Law update	Presentation	Report acknowledged. No further opinions were given.

Note:

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

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

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles according to Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established Corporate Governance Best Practice Principles, which is disclosed on the Market Observation Post System and our corporate website, in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. N/A
II. Shareholding structure & shareholders' interests	V		(I) For ensuring shareholder's interests, the Company has appointed dedicated staff to handle the suggestions, inquiries, and disputes of shareholders.
(I) Does the company establish an internal operating procedure to handle shareholders' suggestions, inquiries, disputes, and litigations and implement these procedures?	V		(II) The Company provides a shareholder list via a shareholder service agency and monitors the declaration system of shareholding changes of insiders.
(II) Does the company possess the list of its major shareholders as well as the ultimate beneficial owners of those shares?	V		(III) The personnel, assets, and financial management responsibilities of the Company and its affiliated companies are clearly separated. In addition to the subsidiary oversight procedures established and adopted by the Company, the internal auditors regularly monitor the implementation of such procedures.
(III) Does the company establish and execute the risk management and firewall mechanism between affiliated companies?	V		(IV) The Company has established the internal rules, Management Procedures for Preventing Insider Trading, and disclosed the rules on its corporate website.
(IV) Does the company establish internal rules against insiders trading on undisclosed information?	V		(I) The Corporate Governance Best Practice Principles of the Company requires that the Board composition should take into consideration divisiveness, gender equality, and the members of the Board shall be generally equipped with sufficient knowledge, skills, and competency to perform their duties. Currently, among the 11 directors serving on the Board, 18% of them are the Company's employees and two of them are female, which takes up 18%. The 3 independent directors have served in the office for less than 7 years. 4 directors are aged over 71; 3 directors are aged between 61-70; and 4 directors are aged under 60. Their areas of
III. Composition and responsibilities of the Board of Directors	V		(I) None
(I) Does the board develop and implement a diversity guideline for the composition of its members?	V		(I) None

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations																
	Yes	No																	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(II) The Company will establish other functional committees depending on future operation situation, scale and demand.																
(III) Does the company establish a standard to measure the performance of the board and perform the evaluation annually?	V		(III) None.																
			<p>expertise include business, finance, industry, law, and accounting. The Company pays attention to the diversified structure of the directors and expects to appoint directors with expertise other than the above-mentioned in the next election.</p> <p>(II) The Company currently has no other functional committees.</p> <p>(III) The Company has stipulated the Regulations for Performance Evaluation of the Board and Functional Committees and the evaluation is conducted once a year and completed at the end of December annually. The scope of the evaluation includes the performance of the entire Board, individual director, and the functional committee in the form of self-evaluation. The evaluation result of 2020 was submitted to the Remuneration Committee for review on March 17, 2021, and was then reported to the Board on March 24, 2021, as the reference for individual remuneration and nomination for the next term.</p> <p>The performance evaluation result of the Board and functional committee is as follows:</p> <p>I. The results of evaluation on the performance of the Board Subject to the integrated evaluation by the Chairman. The questionnaire contains a total of 5 dimensions and 45 questions, and the weighted average score is 96.</p> <table border="1"> <thead> <tr> <th>Score items/structure of questionnaire</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Extent of participation in the Company's operation (12 questions)</td> <td>4.67</td> </tr> <tr> <td>Improvement in the Board's decision making quality (12 questions)</td> <td>4.83</td> </tr> <tr> <td>Composition and structure of the Board (7 questions)</td> <td>4.86</td> </tr> <tr> <td>Election and continuing education of the directors (7 questions)</td> <td>4.71</td> </tr> <tr> <td>Internal control (7 questions)</td> <td>5.00</td> </tr> <tr> <td>Total average score</td> <td>4.80</td> </tr> <tr> <td>Weighted average score</td> <td>96.00</td> </tr> </tbody> </table> <p>Suggestion and improvement item: None</p> <p>Comprehensive Comment: Made continuous progress and good performance.</p> <p>II. Results of performance self-evaluation by the Board members There are a total of 11 directors and the self-evaluation questionnaires were collected from 11 directors. The questionnaire contains a total of 6 dimensions and 23 questions, and the weighted average score is 91.78.</p>	Score items/structure of questionnaire	Score	Extent of participation in the Company's operation (12 questions)	4.67	Improvement in the Board's decision making quality (12 questions)	4.83	Composition and structure of the Board (7 questions)	4.86	Election and continuing education of the directors (7 questions)	4.71	Internal control (7 questions)	5.00	Total average score	4.80	Weighted average score	96.00
Score items/structure of questionnaire	Score																		
Extent of participation in the Company's operation (12 questions)	4.67																		
Improvement in the Board's decision making quality (12 questions)	4.83																		
Composition and structure of the Board (7 questions)	4.86																		
Election and continuing education of the directors (7 questions)	4.71																		
Internal control (7 questions)	5.00																		
Total average score	4.80																		
Weighted average score	96.00																		
			(IV) None.																

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations																		
	Yes	No																			
		Summary																			
		<table border="1"> <thead> <tr> <th>Score items/structure of questionnaire</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Execution of the Company's goals and tasks (3 questions)</td> <td>4.73</td> </tr> <tr> <td>Understanding of the director's roles and responsibilities (3 questions)</td> <td>4.45</td> </tr> <tr> <td>Extent of participation in the Company's operation (8 questions)</td> <td>4.61</td> </tr> <tr> <td>Management and communication of the internal relations (3 questions)</td> <td>4.42</td> </tr> <tr> <td>Expertise and continuing education of the directors (3 questions)</td> <td>4.67</td> </tr> <tr> <td>Internal control (3 questions)</td> <td>4.61</td> </tr> <tr> <td>Total average score</td> <td>4.59</td> </tr> <tr> <td>Weighted average score</td> <td>91.78</td> </tr> </tbody> </table> <p>Suggestion and improvement item: None.</p> <p>Comprehensive Comment: The Board's operation is good, normal and smooth</p>	Score items/structure of questionnaire	Score	Execution of the Company's goals and tasks (3 questions)	4.73	Understanding of the director's roles and responsibilities (3 questions)	4.45	Extent of participation in the Company's operation (8 questions)	4.61	Management and communication of the internal relations (3 questions)	4.42	Expertise and continuing education of the directors (3 questions)	4.67	Internal control (3 questions)	4.61	Total average score	4.59	Weighted average score	91.78	
Score items/structure of questionnaire	Score																				
Execution of the Company's goals and tasks (3 questions)	4.73																				
Understanding of the director's roles and responsibilities (3 questions)	4.45																				
Extent of participation in the Company's operation (8 questions)	4.61																				
Management and communication of the internal relations (3 questions)	4.42																				
Expertise and continuing education of the directors (3 questions)	4.67																				
Internal control (3 questions)	4.61																				
Total average score	4.59																				
Weighted average score	91.78																				
		<p>III. Results of performance self-evaluation by the Audit Committee</p> <p>There are a total of 3 members of the Audit Committee and 3 self-evaluation questionnaires were collected.</p> <p>The questionnaire contains a total of 5 dimensions and 22 questions, and the weighted average score is 82.42.</p> <table border="1"> <thead> <tr> <th>Score items/structure of questionnaire</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Extent of participation in the Company's operation (4 questions)</td> <td>4.58</td> </tr> <tr> <td>Understanding of the Audit Committee's roles and responsibilities (5 questions)</td> <td>4.27</td> </tr> <tr> <td>Improvement in the Audit Committee's decision-making quality (7 questions)</td> <td>3.81</td> </tr> <tr> <td>Composition and member election of the Audit Committee (3 questions)</td> <td>4.00</td> </tr> <tr> <td>Internal control (3 questions)</td> <td>4.11</td> </tr> <tr> <td>Total average score</td> <td>4.12</td> </tr> <tr> <td>Weighted average score</td> <td>82.42</td> </tr> </tbody> </table> <p>Suggestion and improvement item: None.</p> <p>Comprehensive Comment: It has effectively implemented the corporate governance, actively participated in the overall operation of the Company and assured good decision-making quality.</p>	Score items/structure of questionnaire	Score	Extent of participation in the Company's operation (4 questions)	4.58	Understanding of the Audit Committee's roles and responsibilities (5 questions)	4.27	Improvement in the Audit Committee's decision-making quality (7 questions)	3.81	Composition and member election of the Audit Committee (3 questions)	4.00	Internal control (3 questions)	4.11	Total average score	4.12	Weighted average score	82.42			
Score items/structure of questionnaire	Score																				
Extent of participation in the Company's operation (4 questions)	4.58																				
Understanding of the Audit Committee's roles and responsibilities (5 questions)	4.27																				
Improvement in the Audit Committee's decision-making quality (7 questions)	3.81																				
Composition and member election of the Audit Committee (3 questions)	4.00																				
Internal control (3 questions)	4.11																				
Total average score	4.12																				
Weighted average score	82.42																				
		<p>IV. Results of performance self-evaluation by the Remuneration Committee</p> <p>There are a total of 3 members of the Remuneration Committee and 3 self-evaluation</p>																			

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations														
	Yes	No															
(IV) Does the company regularly evaluate the independence of CPAs?		<p>questionnaires were collected. The questionnaire contains a total of 4 dimensions and 19 questions, and the weighted average score is 82.81.</p> <table border="1"> <thead> <tr> <th>Score items/structure of questionnaire</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Extent of participation in the Company's operation (4 questions)</td> <td>4.50</td> </tr> <tr> <td>Understanding of the Remuneration Committee's roles and responsibilities (5 questions)</td> <td>3.87</td> </tr> <tr> <td>Improvement in the Remuneration Committee's decision-making quality (7 questions)</td> <td>4.10</td> </tr> <tr> <td>Composition and member election of the Remuneration Committee (3 questions)</td> <td>4.22</td> </tr> <tr> <td>Total average score</td> <td>4.14</td> </tr> <tr> <td>Weighted average score</td> <td>82.81</td> </tr> </tbody> </table> <p>Suggestion and improvement item: None.</p> <p>Comprehensive Comment: It has effectively implemented the corporate governance and actively participated in the overall operation of the Company.</p>	Score items/structure of questionnaire	Score	Extent of participation in the Company's operation (4 questions)	4.50	Understanding of the Remuneration Committee's roles and responsibilities (5 questions)	3.87	Improvement in the Remuneration Committee's decision-making quality (7 questions)	4.10	Composition and member election of the Remuneration Committee (3 questions)	4.22	Total average score	4.14	Weighted average score	82.81	
	Score items/structure of questionnaire	Score															
Extent of participation in the Company's operation (4 questions)	4.50																
Understanding of the Remuneration Committee's roles and responsibilities (5 questions)	3.87																
Improvement in the Remuneration Committee's decision-making quality (7 questions)	4.10																
Composition and member election of the Remuneration Committee (3 questions)	4.22																
Total average score	4.14																
Weighted average score	82.81																
	V	<p>(IV) The Company submitted the proposal to the Board of Directors on March 24, 2021, and the evaluation of its CPA's independence was approved with the below items:</p> <ol style="list-style-type: none"> 1. The CPAs of the Company have not worked in the Company during the two years before providing audit services. 2. The CPAs of the Company do not hold any shares of the Company. 3. The CPAs of the Company and the Company have no loan relationship. 4. The CPAs of the Company and the Company do not have any joint investments or profit sharing. 5. The CPAs of the Company do not hold any concurrent position in the Company nor receive any fixed salary. 6. The CPAs of the Company do not participate in the decision-making process in a management function of the Company. 7. The CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company. 8. The CPAs of the Company do not receive any business-related commissions from the Company. 9. The CPAs of the Company have signed the payment amount and method of the service fees in 															

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
		<p>advance.</p> <p>10. The CPAs of the Company do not charge fees on the condition that certain findings or results are achieved.</p>	
<p>IV. Has the TWSE/TPEX listed company established a department or position which is responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information necessary to carry out their duties, coordinating board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information and preparing minutes of the board meetings and shareholders' meetings)?</p>	V	<p>The Company has established a department to handle corporate governance related matters, and appointed Deputy General Manager Lo, Yung-Li from the Finance Department as the chief corporate governance officer and two other officers on March 21, 2019. Deputy General Manager Lo, Yung-Li had over three years' experience in the managerial roles of financial operations of public companies.</p> <p>(I) The working functions are as follows:</p> <ol style="list-style-type: none"> Inquire the opinions of the directors prior to a board meeting for the purpose of planning and drafting the meeting agenda, and notify all the directors of the meeting at least 7 days before the meeting and provide them with appropriate information regarding the meeting so that the directors may be aware of the proposals. If any of the proposals involve stakeholders that require refusal, a reminder shall be given to such persons prior to the meeting. Arrange the annual continuing education for the directors and share the internal legal and regulatory compliance matters with the directors quarterly and inform them of the amendments of the relevant laws and regulations on an ad hoc frequency. Register the date of the shareholders annually as required by the law, prepare and file meeting notice, handbook, and minutes within the prescribed period, and file for change of information when the Articles of Incorporation is amended or after a re-election of directors. Promote the quality of corporate governance practices for the sustainable development of the Company by formulating guidelines based on the indicators provided by the corporate governance evaluation system, thereby building a culture of corporate governance. <p>(II) The performance in 2020 is as follows:</p> <ol style="list-style-type: none"> Assisted the directors in business management and provided the information requested by the directors. Assisted the Board and the shareholder meeting in legal and regulatory compliance resolution matter and made filing for change to the competent authority within the time limit. Assisted the directors to arrange the directors' refresher courses in 2020. Communicated with the directors whenever required so that the directors understood the Company's operation. Completed the renewal of the directors' and important staffs liability insurance. Sought each director's opinion to draft the agenda before the Board meeting and 	N/A
			N/A

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
		<p>completed the Board meeting minutes and delivered them to the directors in accordance with the regulation.</p> <p>7. Filed for registration of the shareholder meeting date, the Annual Report, the notification of the shareholder meeting, the agenda handbook, and the meeting minutes in accordance with the regulations.</p> <p>(III) The annual continuing education is as follows:</p> <ol style="list-style-type: none"> 1. Attended the "Explanation of Director and Supervisor Liability and Case Studies under Corporate Governance" held by the Taiwan Corporate Governance Association from January 13, 2020 to January 13, 2020 with a total of 3 hours. 2. Attended the "Advanced Seminar for Directors, Supervisors (including Independent Directors, and Corporate Governance Officers - Company Financial Crisis Alert and Type Analysis)" held by the Securities and Futures Market Development Foundation on February 13, 2020 to February 13, 2020 with a total of 3 hours. <p>The Company has a "Corporate Social Responsibility" section and a "Stakeholders" section on our corporate website, and has been publishing and filing the corporate social responsibility report every year.</p> <p>In addition, we also post the corporate social responsibility activities on our Facebook page (https://www.facebook.com/MaxxisTaiwan/) and YouTube channel (https://www.youtube.com/channel/UCp4E54RFmqpXH0EdCdiPNvQ) in order to increase communications and interactions with stakeholders.</p> <p>Moreover, e-mail accounts have been created on the website for banks that we have regular transactions with, as well as other creditors, employees, customers, and suppliers; we maintain open communication channels and respect their lawful rights.</p>	N/A
V. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		
VI. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	V		N/A
VII. Information Disclosure			
(I) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance?	V		(I) None
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a	V		(II) None.

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
<p>spokesman system, and making the process of investor conferences available on the corporate website)?</p> <p>(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?</p>	V	<p>(III) The Company publicly announced and filed the first, second, and third quarterly financial reports of 2020 three to eight days ahead of the required deadline.</p>	(III) The Company will further improve the financial statements and operations announcement process to improve information transparency and to give earlier notice to shareholders.
<p>VIII. Is there any other important information that facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?</p>	V	<p>(I) Employee benefits and care:</p> <p>(1) The Employee Welfare Committee meets regularly and adopts and implements benefits and allowance programs. It is our commitment to look after the welfare of our employees. We also partner with various stores near our offices to provide special offers or employee discounts. Furthermore, we have set up a Food Committee to help our employees maintain a healthy lifestyle and to enhance our food safety management.</p> <p>(2) We also offer a variety of welfare programs to our employees, including: Mandatory insurance coverage; Regular physical examinations, health education and tips, and consolation payment to hospitalized employees; Recreation and fitness facilities and sports events; Convenience stores in the factories, company uniforms, free parking, and employee housing. Our overseas offices also offer free meals, pre-paid round trip plane tickets to Taiwan, and rides to and from the airport.</p> <p>(3) Onsite medical consultation: once a month, we have doctors and nurses onsite to provide employees health and medical services.</p> <p>(II) Status of directors' training records: Please refer to page 66-68 of this Annual Report.</p> <p>(III) Director attendance at the Board meetings: the Company complies with the relevant regulations and achieves the quorum required by the law. Please refer to page 30-31 of this Annual Report.</p> <p>(IV) The implementation status of risk management policy and risk evaluation standards: For the operational risks the Company may face, we implement thoroughly at the system level, and design emergency response mechanisms for specific situations. For details, please check pages 304-308.</p> <p>(V) The implementation status of consumer protection or client policy: the Company has an after-sales service department, and dedicated customer service area (website: http://www.cst.com.tw); nationwide distributor network to provide consumer related</p>	N/A

Evaluation Items	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
		<p>consultation and appeal channels.</p> <p>(VI) The implementation status of directors' abstention in proposals involving a conflict of interest: the directors of the Company uphold the principle of high self-discipline; if the directors have a conflict of interest in the proposals listed by the Board of Directors which would result in damages to the Company, such directors shall abstain from voting on the proposal. Please refer to page 33-34 of this Annual Report.</p> <p>(VII) Director liability insurance and social responsibilities: the Company has added a clause to the Articles of Incorporation in accordance with Articles 39 and 50 of Corporate Governance Practice Principles which provides that the Company shall purchase liability insurance to cover the liabilities incurred by the directors under the law while carrying out the duties during their tenures. The liability insurance for the directors in 2021 has been covered and reported to the Board of Directors on January 28, 2021.</p> <p>(VIII) Corporate Social Responsibilities: in addition to focusing on the business development, the Company has also made long-term investment in corporate social responsibilities such as consumer rights and public interest, and give back to the society as it sees fit.</p>	N/A
		<p>IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Not applicable for the excluded companies)</p> <p>The Company received a score of 79.3 in the seventh Annual Corporate Governance Evaluation released in April 2021, which was in the first 21-35 percentile among listed companies. Last year, the Company received a score of 76.68 in the 5th Annual Corporate Governance Evaluation released in April 2020, which was in the first 21-35 percentile among listed companies. We obtained external verification of the overall green house gas emissions data, our internal audit personnel obtained certification of internal auditor, all directors completed the continuing education requirements, as well as disclosure of the English version of the quarterly financial statements, Annual Report, and shareholders meeting handbook, and we also enhanced our corporate social responsibility practices. Under our corporate governance blueprint, we will continue working towards strengthening the following two areas: "Putting Corporate Social Responsibility into Practice" and "Enhancing Board Composition and Function" in order to enhance the overall level of our corporate governance.</p>	

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

1. The responsibilities of the Remuneration Committee of the Company: review directors and managers' annual and long-term performance targets and the policies, systems, standards, and compositions of salary and bonus on a regular basis; regularly evaluate the implementation status regarding directors and managers' performance targets, and determine individual contents and amount of salary and bonus.
2. Composition of the Remuneration Committee of the Company: The Remuneration Committee of the Company was established on July 19, 2011. As of March 31, 2021, information of the remuneration committee members are as follows:

ID (Note 1)	Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note (Note 3) End of document	
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Chen, Shuei-Jin	Yes	Yes	Yes	√	√	√	√	√	√	√	√	√	√	√	√	3	N/A
Independent Director	Chen, Tzu-Chen	No	Yes	Yes	√	√	√	√	√	√	√	√	√	√	√	√	0	N/A
Others	Lin, Chieh-Chung	No	Yes	No	√	√	√	√	√	√	√	√	√	√	√	√	0	N/A

Note 1: Please respectively specify whether the title is Director, Independent Director, or Other.

Note 2: Please check “√” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of Aurora or any of its affiliates.
- (2) Not a director or supervisor of Aurora or any of its affiliates (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, Aurora and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of Aurora or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of Aurora, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of Aurora under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, Aurora and its parent or subsidiary or a subsidiary of the same parent).

- (6) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of Aurora's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, Aurora and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of Aurora (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, Aurora and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with Aurora (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of Aurora and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at Aurora and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer, or spouse thereof that provides auditing service for Aurora or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer, or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

Note 3: If the member's title is a director, please explain if Article 6, Paragraph 5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" is complied with.

3. Operation Status of the Remuneration Committee:

The Remuneration Committee of the Company has a total of 3 members. The tenure of the current Remuneration Committee members is from August 11, 2020, to June 15, 2023. A total of 4 (A) Remuneration Committee meetings were held in 2019. The titles and attendance record of the Remuneration Committee members were as follows:

Position	Name	Actual Attendance (B)	Attendance by Proxy	Ratio of Actual Attendance (%) (B/A) (Note)	Note
Committee Member (Convener)	Hsu, En-De	3	0	100%	Removed from the position on June 14, 2020 To attend 3 meetings
Committee Member (Convener)	Chen, Shuei-Jin	4	0	100%	Reappointed consecutively on August 11, 2020
Committee Member	Lin, Chieh-Chung	4	0	100%	Reappointed consecutively on August 11, 2020
Committee Member	Chen, Tzu-Chen	1	0	100%	Newly-appointed on August 11, 2020 To attend 1 meetings

Other Required Disclosures:

- I. If the Board of Directors declines to adopt or amend the recommendations made by the Remuneration Committee, the date and session of the Board of Directors' meeting, proposal contents, details of the resolutions by the board of directors, and the Company's response to the opinions of the Remuneration Committee shall be specified:
Implementation status in 2020

Remuneration Committee	Proposal contents	Resolution result of the Remuneration Committee	The Company's Response to the opinions of the Remuneration Committee
2020.01.10 (The 10th session of the 3rd term)	(1) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration.	The original remuneration will be reduced by 15% from the payment standard of 2018. In order to inspire the morale of colleagues and hope the managers will exhaust every possible effort to promote a pre-tax net profit growth in 2020, the end-of-year bonus and remuneration of the managers will be reduced by only 8%, and the extent of implementation will be determined for the remaining 7% based on the pre-tax net profit status in following years. This proposal has been approved by all members present at the meeting.	Approved by the unanimous decision of the directors present at the seventeenth meeting of the Tenth Board on January 13, 2020, since the performance in December has shown growth and several reform measures have shown improvement, the entire directors present agreed the bonus and remuneration of the managerial officers would be lowered by 5%.
2020.03.19 (The 11th session of the 3rd term)	(1) Proposal for 2019 directors' and employees' remuneration distribution plans of the Company. (2) Proposal to appoint and change managerial officers of the Company. (3) Proposal for payment of the severance pay of the Company's retired senior	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 18th session of the 10th term on March 24, 2020.

	<p>manager, Wei, Qi-Jiang</p> <p>(4) Proposal for performance evaluation reports on the Board of Directors and the Audit Committee of the Company.</p> <p>(5) Amendment to the Company's Remuneration Committee Organizational Rules.</p>		
2020.05.11 (The 12th session of the 3rd term)	(1) Proposal for 2019 directors' remuneration distribution	Unanimously approved by all the Audit Committee members present.	Unanimously approved by all the directors present at the 20th session of the 10th term on May 12, 2020.
2020.11.09. (The 1st session of the 4th term)	<p>(1) Proposal for payment of the severance pay of the Company's retired General Manager Lo, Tsai-Jen.</p> <p>(2) Proposal to appoint and change managerial officers of the Company in 2020.</p> <p>(3) Proposal for recommendation on the remunerations of the Independent Directors of the Company.</p> <p>(4) Proposal for remuneration of directors of the Company serving as advisors of the Company.</p>	<p>Proposals (1), (2) and (4) were approved by the unanimous decision of the directors present.</p> <p>As for proposal (3), Mr. Chen, Shuei-Jin should abstain due to the involvement of interest, and the other directors agreed unanimously with the proposal; Mr. Chen, Tzu-Chen should abstain due to the involvement of interest, and the other directors agreed unanimously with the proposal. The discussion about the election of Director Hsu, En-De was approved by all members present at the meeting.</p>	It was approved by the unanimous decision of the directors present at the the 4th session of the 11th term on November 12, 2020.
<p>II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: .</p>			

Note:

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

(V) Implementation of Corporate Social Responsibility and deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
I. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V	<p>The Company established a "Dedicated Department for Corporate Social Responsibilities" in 2015, assigning the Planning Department as the dedicated department. Pursuant to the "Corporate Social Responsibility Best Practice Principles" adopted by the Company, the Company has exercised corporate governance, improved its risk management mechanism and proactively faced and controlled the risks that shall be considered in the operation process, and achieve sustainable business operation to create sustainable company development.</p> <p>Following the materiality principle regarding corporate social responsibilities, the Company has conducted risk assessment for relevant important topics and established various internal regulations based on the assessed risks. Based on the types of individual risk factors, the competent units within the Company have carried out risk management at different levels and developed various controls, and at the same time conduct these controls, in order to minimize the uncertainty of business operations. The Company has also paid attention on climate change, energy, resource and other relevant issues and set goals and regularly reviewed the results of the implementation.</p> <p>Please find the relevant established policies and procedures of risk management at pages 304-308.</p>	N/A
II. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V	<p>The Company has established and promoted a dedicated department for corporate social responsibility in 2015, assigning the Planning Department as the dedicated department, and has been publishing CSR Reports every year. A report on the content and plans of the 2019 CSR Report, as well as CSR activities planning for 2020 were submitted at the meeting of the Board of Directors on May 10, 2020.</p>	N/A
III. Environmental Topics (I) Has the Company set an environmental management system designed to industry characteristics?	V	<p>(I) The business of the Company in Taiwan received ISO-14001: 2015 Management System Conversion Certification from Metal Industries Research & Development Centre on November 14, 2020 and such certification will be valid until November 13, 2023. The business of the Company in Mainland China received ISO-50001: 2018 Energy Management System Conversion Certification from Wit-Int on December 2, 2020 and such certification will be valid until December 1, 2023. Through our actions, we meet the expectations and demands of our stakeholders. Energy saving, resources recycling, operation safety and pollution prevention are the Company's core</p>	N/A

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?		<p>principles. The Company also promotes the 5S management activities in every aspects and regularly examines the environmental performance of each department. The Safety and Health Department is responsible for implementing environmental management policies, promoting voluntary greenhouse gas reduction plans, establishing an enterprise environmental management system, committing to product designs that conform to environmental protection concepts, improving equipment and working environment to reduce exhaust gas, waste water, noise, waste generated in the process and save energy, properly proceeding with recycling, and strengthening industrial safety advocacy, and continuing the preventions and controls of various pollution. Additionally, each year, an external audit is conducted to ensure the effectiveness of our management system.</p> <p>(II) Since a tire's fuel efficiency is highly relevant to our environment, we use light-weight designs and implement material simplification to reduce the weight of tires and the amount of semi-finished materials when developing new products. These design methods not only enhance the fuel-efficiency of tires, but are also highly effective in reducing the waste produced during the manufacturing process. In light of these benefits, we have been promoting low rolling resistance tires and increasing production efficiency in our product development, thereby making contribution to environment sustainability. The materials we use fully comply with EU regulations and the requirements of major car assembly factories on environmental protection, and all of our manufacturers are required to submit third-party testing reports from REACH and ROHS. In addition, we only use eco-friendly process oils with reduced aromatic hydrocarbons, and any raw material (e.g., process oil, synthetic rubber) used in the production process should be accompanied by a third-party-issued PAHs testing report.</p>	N/A
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?		<p>(III) To respond to the risks and impact posed by the extreme climate, the Company has asked the corporate social responsibility work team to call on the responsible staff of each department to work in groups to identify the material climate risk issues related to the Company in accordance with the materiality principle and Task Force on Climate-Related Financial Disclosures (TCFD) and analyze the impact level and opportunities. Through the identification of the physics and transition risks, the matrix of climate change risks and opportunities is drawn and the climate change core actions and strategies aiming at the material risks are stipulated to take risk countermeasures, reinforce the Company's adaptability to the extreme climate and</p>	

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations												
	Yes	No													
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V	<p>lower the risks. Meetings are held regularly to review the effectiveness of the mitigating measures to stipulate standardized procedures and shorten the response time of handling similar risk in the future.</p> <p>(IV)1. Both the Company's main plant and Dou Liu plant have received the Energy Efficiency and Carbon Reduction Marks from the Environmental Protection Administration. In March 2017, Dou Liu 2nd plant became the 78th factory (and the first in the rubber product manufacturing industry) in Taiwan to have received the Clean Production Evaluation System Certification from the Industrial Development Bureau. In July 2018, we underwent a follow-up audit by the Industrial Development Bureau.</p> <p>2. Under the Greenhouse Gas Reduction and Management Act, the Company's main plant is the only manufacturing facility that is required to conduct greenhouse gas emission inspection and registration (with an annual fossil fuel emission of more than 25,000 t-CO2e). This year, the Company has participated in the greenhouse gas emission reduction initiative promoted by the Industrial Development Bureau, and received a certificate from a third-party validation and verification agency AFNOR. The agency verified the greenhouse gas emission from the main plant in the last three years: 71,662.370 -CO2e in 2020, which was 10.3% lower than 2018; 79,862.905-CO2e in 2019, which was 4.2% lower than in 2018; 83,399.892-CO2e in 2018, which was 1.1% less than in 2017. We will continue our efforts going forward.</p> <p>Under the Company's greenhouse gas emission reduction policy, the Company voluntarily discloses the annual greenhouse gas emission in accordance with ISO14064-1: 2006 Organizational Greenhouse Gas Examination Procedure. In 2020 the total emission was lowered by 7.38% compared to the previous year because each plant had consistently improved the facilities required for the manufacturing process.</p> <table border="1"> <thead> <tr> <th>Greenhouse Gas Emission (t-CO2e)</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Category I: Direct Emission</td> <td>56,428</td> <td>54,180</td> </tr> <tr> <td>Category II: Energy Indirect Emission</td> <td>128,773</td> <td>117,352</td> </tr> <tr> <td>Total</td> <td>185,201</td> <td>171,532</td> </tr> </tbody> </table> <p>3. The water management policy of the Company is made in accordance with</p>	Greenhouse Gas Emission (t-CO2e)	2019	2020	Category I: Direct Emission	56,428	54,180	Category II: Energy Indirect Emission	128,773	117,352	Total	185,201	171,532	N/A
Greenhouse Gas Emission (t-CO2e)	2019	2020													
Category I: Direct Emission	56,428	54,180													
Category II: Energy Indirect Emission	128,773	117,352													
Total	185,201	171,532													

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations																		
	Yes	No																			
		<p>Summary</p> <p>ISO14001 Environmental Management System: The boilers use RO purified water, the residual water is used by the manufacturing process, and the water used by the manufacturing process is recycled, with the goal of regulatory compliance in mind to reduce the water used by the manufacturing process and wastewater discharge. The source of water includes running water and groundwater. The wells extracting groundwater have all obtained the certificates of water right and their extraction follows the permitted volume. In 2019, as there were adjustments to production volume and the raising employees' awareness of water conservation, the total volume of water usage in 2020 was lowered by 11% compared to the previous year.</p> <table border="1"> <thead> <tr> <th>Water Resources Usage (ton)</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Running Water</td> <td>322,310</td> <td>455,954</td> </tr> <tr> <td>Groundwater</td> <td>893,491</td> <td>626,048</td> </tr> <tr> <td>Total</td> <td>1,215,801</td> <td>1,082,002</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Wastewater Discharge Volume</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Mainly Daily Life and Cooling Water</td> <td>531,384</td> <td>448,307</td> </tr> </tbody> </table> <p>Note: The wastewater volume of the plants in Taiwan is measured by the flowmeter on the facilities. The flowmeter is regulated by the environmental protection regulations in Taiwan and calibrated by the qualified verification third-party once a year.</p> <p>4. The waste management policy made by the Company is in accordance with the "business waste disposal proposal" permitted by the local environmental protection authority. A qualified waste disposal company verified by the competent authority is commissioned to handle the Company's waste disposal. The employees' awareness in recycling has been raised so that the waste items and containers are recycled to the extent possible to reduce the waste disposal types and volume. The recycling system has been properly set up. The recycling companies are commissioned according to categories defined by the public announcement to handle the Company's recyclable waste. The disposable tableware use has been reduced by giving the employees personal tableware and asking the restaurant to use the reusable stainless tableware. All items are maintained regularly to extend their use and the environmentally friendly</p>	Water Resources Usage (ton)	2019	2020	Running Water	322,310	455,954	Groundwater	893,491	626,048	Total	1,215,801	1,082,002	Wastewater Discharge Volume	2019	2020	Mainly Daily Life and Cooling Water	531,384	448,307	N/A
Water Resources Usage (ton)	2019	2020																			
Running Water	322,310	455,954																			
Groundwater	893,491	626,048																			
Total	1,215,801	1,082,002																			
Wastewater Discharge Volume	2019	2020																			
Mainly Daily Life and Cooling Water	531,384	448,307																			

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations																																	
	Yes	No																																		
		<p>Summary</p> <p>consumables and raw materials are introduced step by step. The waste disposal volume in 2020 was lowered by 10.7% compared to the previous year.</p> <table border="1"> <thead> <tr> <th>Waste Type (ton)</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Daily Life Business Waste</td> <td>344</td> <td>552</td> </tr> <tr> <td>General Business Waste</td> <td>6,224</td> <td>5,273</td> </tr> <tr> <td>Toxic Business Waste</td> <td>1</td> <td>41</td> </tr> <tr> <td>Total</td> <td>6,569</td> <td>5,866</td> </tr> </tbody> </table> <p>5. None The air pollutants in the tire industry mainly comes from the waste gas emission during the manufacturing process and the boiler use. With regard to the handling of VOCs and bad odor, we have added that water cleansing towers and photocatalyst system at the end of the mixture manufacturing process to effectively reduce the VOCs emission and the spread of odor, increased pipe end processing efficiency and conducted close monitoring, and upgraded the waste gas processing facilities. The air pollutant volume in 2020 increased 8.2% compared to the previous year.</p> <table border="1"> <thead> <tr> <th>Pollutant Type (ton)</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Oxysulfide</td> <td>-</td> <td>0.02</td> </tr> <tr> <td>Nitrogen Oxides</td> <td>46.97</td> <td>46.66</td> </tr> <tr> <td>Volatile Organic Compounds</td> <td>129.80</td> <td>126.1</td> </tr> <tr> <td>Particulates</td> <td>0.46</td> <td>0.93</td> </tr> <tr> <td>Total</td> <td>177.23</td> <td>173.69</td> </tr> </tbody> </table> <p>6. Energy conservation: The Company has established an energy management organization to set the energy conservation goals and action plans annually. Currently, the Company follows the energy-efficient settings recommended by the Ministry of Economic Affairs, which is aimed to reduce energy use by 1% from the year before. The energy conservation measures taken by the Company include replacing old models of motors with energy-efficient motors, selecting energy-efficient light fixtures, recovering waste heat from the water heating system, replacing the AC systems, etc. In 2020, we invested NT\$5,481,000 in energy conservation measures and reduced 129,350,000 kWh.</p>	Waste Type (ton)	2019	2020	Daily Life Business Waste	344	552	General Business Waste	6,224	5,273	Toxic Business Waste	1	41	Total	6,569	5,866	Pollutant Type (ton)	2019	2020	Oxysulfide	-	0.02	Nitrogen Oxides	46.97	46.66	Volatile Organic Compounds	129.80	126.1	Particulates	0.46	0.93	Total	177.23	173.69	N/A
Waste Type (ton)	2019	2020																																		
Daily Life Business Waste	344	552																																		
General Business Waste	6,224	5,273																																		
Toxic Business Waste	1	41																																		
Total	6,569	5,866																																		
Pollutant Type (ton)	2019	2020																																		
Oxysulfide	-	0.02																																		
Nitrogen Oxides	46.97	46.66																																		
Volatile Organic Compounds	129.80	126.1																																		
Particulates	0.46	0.93																																		
Total	177.23	173.69																																		
IV. Social Topics (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized	V	(I)	1. Below please find the Company's policies and procedures in compliance with regulations and internationally recognized human rights principles: * The Company																																	

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
human rights principles?		<p>follows the International Bill of Human Rights. In accordance with the "Responsible Business Alliance Code of Conduct," the Company sets its "Responsible Business Alliance Code of Conduct regarding Labor Profile and Business Ethics" and prescribes the following procedures in its management policy: "Prohibition of Child Labor and Misuse Remedy Management Procedure", "Anti-Discipline, Anti-Forced Labor, Anti-Prisoner Management Procedure", "Student, Interns and Part-Time Workers Management Procedure", "Anti-Discrimination Management Procedure", "Privacy and Confidentiality Management Procedure", etc. The Company regularly reviews and assesses the relevant policies and procedures, and incorporates these policies and procedures into the 3-hour training programs for the new employees. The Company did not hire any underage workers, and we have not received any reports of child labor. Under the Labor Standards Act in Taiwan, forced labor is prohibited; the same applies to expatriate employees. One of the items under our annual raw material supplier audit also prohibit suppliers from hiring child labor, and their employee recruiting and hiring process should comply with the Labor Standards Act. In 2020, there were no violations by our suppliers.</p> <p>2. To elevate work efficiency, improve work conditions and strengthen harmony between employees and employer, the Company has set up the labor union in accordance with the local regulations. The employees are all protected by the collective agreements signed by the Company and the labor union. Until the end of 2020, a total of 2,400 employees, 40.7% of the total employees, have joined the trade union.</p> <p>(II) None The Company has established a reasonable salary remuneration policy and, subject to the annual business performance, granted remuneration based on the achievement rate of individual employee's performance and the employees' evaluation results of his or her contribution to the Company's performance. The Company has regularly held educational training programs for the employees to enhance their understanding of corporate ethical values, in order to inspire employees to grow along with the Company. For the welfare of our employees, we provide benefits in addition to salaries to our employees that are more preferential than what's required under the law. For details, please check page 106.</p> <p>(III) 1. In order to implement the establishment and verification of the occupational safety and health management system, all units are invited to participate in the</p>	N/A
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and	V		

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
health training?		<p>implementation organization, in which the CEO serves as a chairman. Each department has to assign a person responsible for the implementation, and jointly forms an implementation team to incorporate the system requirements into daily management projects. Such team was established in October 2015, led by a management representative to declare the determination to establish a management system, and subsequently completed the implementation of the personnel education and training, the early risk assessment, the determination of the occupational safety and health management system goals and objectives, the document issuance for occupational safety and health management system, the verification and confirmation of the occupational safety and health management system performance (internal audit) and the external assessment and verification of the occupational safety and health management system. The Company received a third-party management system Certification OSHAS18001: 2007 from Metal Industry Research and Development Centre in March 2019 and such certification is valid as of March 11, 2021. ISO45001: 2018 was released in March 2018 and, accordingly, the Company began to proceed with the revision at the end of 2018 and completed the ISO45001: 2018 Conversion Certification in April 2019 and such Certification is valid as of March 2, 2022. The Company also successfully received Certification ISO45001 and Certification CNS45001.</p> <p>2. The safety devices of the machinery and equipment are inspected by the operators daily before operation. Dangerous machinery and equipment are routinely inspected each year. The health and safety officers daily perform onsite inspection and conduct auditing from time to time, and write up a checklist of safety improvements in the case of any violations. Every six months, the Company conducts an assessment on the operating environment.</p> <p>3. Each new employee is required to participate in a general health and safety educational training; an advanced training is also provided based on the type of machinery and equipment he/she will be operating once he/she arrives at the operating site. The Learning and Development Division under the HR Department have trainings and seminars regarding health and safety from time to time for employees to participate in. Regulations related to health and safety, environmental protection, training information, and SDS downloads are also made available by the Safety & Health Department on the Company's intranet.</p> <p>4. Each year in July, we offer health checkups to our employees pursuant to the</p>	N/A

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
		Summary	
		<p>Labor Health Protection Act at selected hospitals. Employee health checkups include general (for all employees) and specialized health checkups (for employees who work in hazardous environment). As from 2019, new health checkups have been added for long-term night shift employees. In 2020, the number of employees who received specialized health checkups were 617. Employees with abnormality found in their chest X-ray, or cholesterol level, blood pressure or blood sugar level above normal range will be notified for a follow-up appointment. In addition, the Company specially provide the logistics drivers with the annual checkups for night vision, visual field, electrocardiogram and heart-related functions, so as to prevent driving accidents caused by health factors.</p>	
(IV) Has the Company established effective career development training plans?	V	(IV) The Company is dedicated to creating a continuous and abundant learning environment. Each year, its employees participate in educational training regarding vocational development for enhancing their capabilities in respect of career development. Please refer to the relevant items of educational training and required hours on page 107-108 of the Annual Report.	N/A
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set polices to protect consumers' rights and consumer appeal procedures?	V	(V) "Quality first, customers satisfied" is the Company's core competitive strategy for its products. With respect to the internal regulations on the products' qualities, the Company implements Total Quality Management (TQM) from Japan and acquires ISO9001 and IATF16949 certifications for quality management systems, and establishes the Quality Department to promote Company's quality management. Automotive markets around the world have tire labeling requirements in order to help consumers pick out tires that are suitable for their use. Our products are sold around the world and are in compliance with applicable product labeling regulations in the countries/regions of distribution. Due to environmental and safety considerations, each region and country have adopted tire labeling regulations, mainly governing rolling noise, wet grip capacity, and rolling resistance of the tires. For passenger car, light truck and truck/bus tires, manufacturers must put a sticker on the tire tread that includes information of the tire's level of rolling noise, wet grip, and rolling resistance. Our tires sold to all the regions and countries are in compliance with applicable regulations. The Company has disclosed its advertisement and labeling information of the products and services on the corporate website, and all the certifications and awards received for regulatory compliance can be found in the "About Maxxis" section (http://www.cst.com.tw). The Company has a	

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V	<p>"Stakeholders" section as well as a post-sale service department and a customer service web page on our website (http://www.cst.com.tw). The Company's distributors nationwide also provide consumers with consultation and complaint channels.</p> <p>(VI) The Company has a rigorous review process for its suppliers, which include product verification, qualification review and on-site visits. Depending on the evaluation results, the suppliers would receive a rating of A, B+, B, or C, a total of 4 different evaluation ratings. In the environmental aspect, the Company places particular emphasis on compliance with EU chemical safety and material composition regulations (REACH) - Regulation (EC) No 1907/2006 European Union Special Mention Substance and Material Component (SHVC) (such as the International Material Data System (IMDS)). In the labor and human rights aspect, we strictly prohibit suppliers from hiring child labor and place emphasis on labor safety, health, and environment. In the second half of 2018, we joined the Responsible Business Alliance (RBA), conducting reviews based on the evaluation items required by all the international treaties of RBA and Taiwan's Labor Standards Act. In addition to this review process, the raw material suppliers are required to provide quality laboratories or third-party inspection reports for each batch of goods. After entering the factory, the Company will conduct batch inspections or random inspections to ensure the quality of raw materials. The Company specifies damages and termination clauses in contracts with the suppliers regarding the suppliers' breaches of their social responsibilities and ethical operations. If a breach occurs by any of the suppliers, the Company will no longer do business with such supplier.</p> <p>The Company requires all suppliers to observe the Responsible Business Alliance (RBA) standards, abide by RBA and sign the letter of commitment. The Company's internal employees should sign the Letter of Commitment on Clean Practice for Employees to prevent abuses and combat corruption.</p> <p>To ensure the timely raw material supply to production and operation, the Company has worked out the internal management procedure for the implementation of the Emergency Response Plan. Moreover, the Company decides an emergency topic based on the external climate change and organizes an emergency response drill. In 2020, the Company implemented 2 drills, they are: 1. Drill of manufacturers' business suspension due to the impact of COVID-19 pandemic; 2. Annual regular drill.</p>	

Evaluation Items	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
<p>V. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire third-party certification party verification or statement of assurance?</p>		V	<p>The company has followed the internationally accepted preparation guidelines (GRI Standard) to prepare the CSR report and the internal CSR working group has confirmed the correctness of the information in the CSR report with relevant units before the report is released. The Company has not acquired a verification or a statement of assurance from 3rd certification party.</p>
<p>VI. If the company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and differences: The Company has adopted and implemented the Corporate Social Responsibility Best Practice Principles. There is no difference between our corporate social responsibility practices and the Principles.</p>			<p>The Company will acquire a verification or a statement of assurance from third-party certification, as necessary.</p>
<p>VII. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Upholding the concept of "Building A Better Society", Cheng Shin commits itself to charity and social philanthropy, continues to integrate internal and external resources, and fulfills its corporate social responsibilities. We are involved in social philanthropy in multiple manners, through industry-academy cooperation, sports sponsorship, arts and cultural promotion, educational support, and community feedback, we actively participate in charity activities, caring for the community, and giving back to the society. With regards to the care for the underprivileged, we provided free meal boxes for the disadvantaged groups, poor families, and the elderly living alone. We donated the luggage trolleys at several airports and ports around Taiwan. As for education, we provided all kinds of scholarships and student aids to encourage students to realize their potential of continuing their educations. In addition, Cheng Shin's donation to the public can be seen on the community park benches and at the blood donation events. Cheng Shin also continues to annually hold public welfare lectures and sponsor all types of sports events in Taiwan such as the national tennis group championships with First Financial Holding Company and the national table tennis championships with Taiwan Cooperative Financial Holding Company. Cheng Shin also promotes all types of cycling sports and sponsor the cycling events around Taiwan such as Changhua Classic 100. Key performance - Public welfare donation: Key performance - Charity donations. The amount of the 2020 public welfare donation in Taiwan reaches NT\$13,442,165. The amount of the 2020 public welfare donation in the Mainland reaches RMB1,790,700. The amount of the 2020 public welfare donation in the Mainland reaches RMB1,790,700. Industry-academy cooperation. As of December 31, 2020, a total of 12 students have participated in the overseas apprentice plan in Taiwan Region. In 2019-2020, we organized a total of 92 MAXXIS University Recruitment Tours in the Mainland Region. In 2020, we initiated the University Apprentice Plan and a total of 70 students participated in the apprentice at the Company in the Mainland.</p>			

(VI) Implementation of Upright Operation, Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX

Listed Companies and Reasons for Deviations and Reasons:

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (II) Has the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? (III) Has the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V	V	(I) The Ethical Corporate Management Best Practice Principles and Corporate Governance Best Practice Principles have been adopted by the Company, which provide guidelines on business conduct for the Board and management to implement ethical corporate management. (II) The Company believes that a culture of ethical corporate management is one of the keys to the Company's sustainability and success. Its Ethical Corporate Management Best Practice Principles and other internal rules provide guidelines for the conduct of directors, managers and employees of the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties. Related rules are stipulated by clause 6 to 13 of the Ethical Corporate Management Best Practice Principles (III) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, into its Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting policies and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management.
II. Implementation of ethical corporate management (I) Does the company evaluate the ethical records of business counterparties and include clauses stipulating ethical conduct in business contracts? (II) Has the company established a business unit, which is supervised by the Board and is exclusively or concurrently dedicated to	V	V	(I) The Company has included clauses related to ethical conducts in the contractual agreements with its business counterparties, which allow the Company to terminate agreements and claim for damages or terminate partnerships due to the counterparties' violations of the clauses. (II) The Company has not yet established any business unit dedicated to business ethics and integrity.

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations	
	Yes	No		
<p>business ethics and integrity, to report to the Board on the implementation status regularly (at least annually)?</p> <p>(III) Has the company established policies to prevent conflicts of interest, provided appropriate communication channels, and implemented the policies?</p> <p>(IV) Has the company established an effective accounting system and internal control system to facilitate ethical corporate management, which are audited by either internal auditors or certified public accountants on a regular basis?</p> <p>(V) Does the company regularly hold internal and external trainings on business ethics?</p>	V		(III) The Company has a "Stakeholders" section on the corporate website providing a platform for its stakeholders to express their opinions and complaints. (IV) The internal auditors are appointed and authorized under the rules of the Company and revise the internal control system from time to time in accordance with applicable laws and regulations, implement the system under the law and regulations and routinely submit audit reports to the Board for review. (V) The Company provided 1,952 hours of business ethics training to the employees in 2019, which included awareness campaigns and written tests. In 2020, the Company recorded a total of 792 hours for upright operation education and training, which covered communication and test and was included in the annual performance evaluation.	
	V		(I) The Company has established a grievance system and whistleblowing procedures both on its intranet and on its website providing a channel for its employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the Company. (II) The Company's Workplace Rules stipulate the whistleblowing procedures and confidentiality measures, which enhance its code of conduct and ethics. (III) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any employee in violation of the Company's ethical standards will be subject to disciplinary actions according to the Company's rewards and disciplinary system.	
	V		The Company has made available its Ethical Corporate Management Best Practice Principles, corporate culture, missions and value, and other information on its website and the Market Observation Post System.	
<p>III. Grievance System</p> <p>(I) Has the company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?</p> <p>(II) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?</p> <p>(III) Does the company have proper measures in place to protect whistleblowers from reprisals?</p>	V		N/A	
<p>IV. Enhancing Information Disclosure</p> <p>Has the company disclosed its ethical corporate management policies and results of implementation on the company's website and the Market Observation Post System?</p>	V		N/A	
<p>V. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ("Best Practice Principles"), please describe any discrepancy between the policies and its practices: The Company has adopted the Ethical Corporate Management Best Practice Principles and implements its ethical corporate management accordingly. There is no discrepancy between</p>				

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
<p>our practices and the Best Practice Principles.</p> <p>VI. Other important information which facilitates a better understanding of the Company's ethical corporate management practices: The Company has made available on its website the Ethical Corporate Management Best Practice Principles, Rules and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading, and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business.</p>		Summary	

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

1. The Company's Handbook for the Annual General Meeting of Shareholders each year includes the Company's Articles of Incorporation, Ethical Corporate Management Best Practice Principles, Corporate Governance Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Rules and Procedures of the Shareholders' Meeting, Rules for Election of Directors, Procedures for Acquisition and Disposal of Assets and Rules Governing Fund Lending and Endorsement and Guarantee. The Handbook is available on the Market Observation Post System. [Please access through the following steps: Company Profile Electronic Book Annual Report and Other Information of the Shareholders' Meeting]
2. The Company also discloses related regulations for inquiry on the website. <http://www.cst.com.tw>

(VIII) Other important information regarding corporate governance that should be also disclosed together: None.

(IX) Director Training Records:

Position	Name	Period of training		Organizer	Course Title/Subject	Hours From	Total training hours in 2020
		From	To				
Director	Chen, Yun-Hwa	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Director	Chen, Shiu-Hsiung	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Representative of Corporate Director	Lo, Tsai-Jen	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Representative of Corporate Director	Chen, Han-Chi	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation	3	

				Association	Based on Honesty and Integrity		
Representative of Corporate Director	Lee, Chin-Chang	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Representative of Corporate Director	Wu, Hsuan-Miao	2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	3
Representative of Corporate Director	Huang, Chung-Jen	2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	3
Representative of Corporate Director	Chiu, Li-Ching	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	3
Representative of Corporate Director	Lin, Hung-Yu	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	3
Director	Tseng, Sung-Ling	2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Introduction to the Latest Trends of Corporate Governance Practice 3.0	3	9
		2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Viewing the Effect of Global Anti-avoidance Rules and Economic Substance Acts on Corporate Governance - A Perspective from Directors and Supervisors	3	
		2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Director	Tseng, Shung-Chu	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	3
Independent Director	Hsu, En-De	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	6
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Independent Director	Too, Jui-Rze	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	3
Independent Director	Chen, Tzu-Chen	2020/10/14	2020/10/14	Securities & Futures Institute	2020 Communicative & Explanatory Workshop on Preventing Insider Trading and Insiders' Equity Trading	3	9
		2020/10/23	2020/10/23	Taiwan Stock Exchange	2020 Directors and Supervisors Advocacy for Corporate Governance and Corporate Integrity	3	

		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	
Independent Director	Chen, Shuei-Jin	2020/01/13	2020/01/13	Taiwan Corporate Governance Association	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	18
		2020/09/04	2020/09/04	Securities & Futures Institute	2020 Communicative & Explanatory Workshop on Preventing Insider Trading and Insiders' Equity Trading	3	
		2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Introduction to the Latest Trends of Corporate Governance Practice 3.0	3	
		2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Viewing the Effect of Global Anti-avoidance Rules and Economic Substance Acts on Corporate Governance - A Perspective from Directors and Supervisors	3	
		2020/11/12	2020/11/12	Taiwan Stock Exchange	2020 Directors and Supervisors Advocacy for Corporate Governance and Corporate Integrity	3	
		2020/11/12	2020/11/12	Taiwan Corporate Governance Association	Risk Assessment and Case Analysis of Operation Based on Honesty and Integrity	3	

(X)Managers' participation in training and learning about corporate governance

Position	Name	Period of training		Organizer	Course Title/Subject	Hours From	Total training hours in 2020
		From	To				
Accounting Supervisor	Yu, Ching-Tang	2020/12/24	2020/12/25	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms, and the Securities Exchange	12	12
Chief Corporate Governance Officer	Lo, Yung-Li	2020/01/13	2020/01/13	Taiwan Corporate Governance Association Securities & Futures Institute	Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance Practice Studies for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers - Taipei	3	6
		2020/02/13	2020/02/13	Securities & Futures Institute Taiwan Corporate Governance Association	Securities & Futures Institute Advanced Seminar for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers - Company Financial Crisis Alert and Type Analysis Explanation of Directors and Supervisors' Liabilities and Case Studies under Corporate Governance	3	

(XI) Disclosure matters of the status of Internal Control

1. Internal Control Statement

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

Date: March 24, 2021

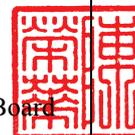
Based on the self-evaluation of the internal control system of the Company in 2020, we hereby state that:

- I. The Company understands that the Board and management of the Company are responsible for establishing, implementing, and maintaining adequate internal control. The Company has established an effective internal control system which aims to reasonably assure the operational results and effectiveness (including profitability, performance and assets security, etc.), the reliability, timeliness, and transparency of its report and the compliance with applicable laws and regulations.
- II. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Besides, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
- III. The Company has assessed the design and operating effectiveness of the internal control system in accordance with the criteria effectiveness assessment of internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the "Framework"). The criteria listed in the Framework divide the internal control system into five components based on management control process. The five components are i) Control environment, ii) Risk assessment, iii) Control activities, iv) Information and communication, and v) Monitoring. Each component comprises of several elements. For more information, please refer to the Framework.
- IV. We have assessed the design and operating effectiveness of the Company's internal control system based on the criteria listed in the Framework.
- V. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2019, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations and the status of goal achievement, reliability, timeliness and transparency of reporting, and compliance with applicable laws and regulations.
- VI. This statement will be included as an integral part of the Annual Report and the prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement has been unanimously approved by the Board of Directors on March 24, 2021, with 11 directors present at the meeting.



Cheng Shin Rubber Industry Co. Ltd.

Chen, Yun-Hwa Chairman of the Board



General Manager: Chen, Yun-Hwa



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

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

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

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

Year	Date	Proposal	Resolution	Implementation Status
2020 Annual General Meeting	2020.06.16	Approval of 2019 Business Report and Financial Statements.	The proposal was approved by votes of the shareholders. Number of votes cast for the proposal: 2,277,539,066 votes (642,408,170 of which were cast electronically), accounted for 95.56% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 1,068,121 (all of which were cast electronically); Abstentions via the electronic voting system: 104,609,553 votes; Invalid votes: 0. This proposal has been acknowledged as it is.	Completed as per the resolution announcement of the Shareholders' Meeting.
		Approval of 2019 Profit Distribution Plan.	This proposal was voted. Number of votes cast for the proposal: 2,281,452,538 votes (646,321,642 of which were cast electronically), accounted for 95.72% of the total voting shares present in person or by proxy; Number of votes cast against the proposal: 414,702 (all of which were cast electronically); Abstentions via the electronic voting system: 101,349,500 votes; Invalid votes: 0. This proposal has been acknowledged as it is.	The cash dividends were paid to the shareholders at NT\$1.1 per share on August 28, 2020.
		Proposal to discuss the amendment to the Company's "Articles of Incorporation".	The proposal was approved by votes of the shareholders. Number of votes cast for the proposal: 2,279,742,285 votes (644,611,389 of which were cast electronically), accounted for 95.65% of the total voting shares present in person or by proxy; Number of votes cast against the proposal: 378,196 (all of which were cast electronically); Abstentions via the electronic voting system: 103,096,259; Invalid votes: 0. This proposal has been acknowledged as it is.	The Company revised the Articles of Incorporation as per the resolution made by the Shareholders' Meeting, and completed the change of registration with the MOEA on June 22, 2020.
		Proposal	Election Result (Abstract)	Implementation Status
		Election of directors (the independent directors included)	List of elected general directors: Chen, Shiu-Hsiung and Chen, Yun-Hwa Representative of Min Hsing Investment Co., Ltd; Chen, Han-Chi, representative of Jiu Shun Investment Corporation; Wu, Hsuan-Miao, representative of Hsieh Shuen Investment Co., Ltd.; Huang, Chung-Jen, Representative of	The directors took office on June 16, 2020, and on the same day, they convened an extraordinary meeting of the Board of Directors to elect the Chairman.

		Hong Jing Investment Corporation; Lo, Tsai-Jen and Tseng, Sung-Ling, Representative of Hong Jing Investment Corporation; Lee, Chin-Chang, List of elected Independent Directors: Chen, Tzu-Chen, Hsu, En-De and Chen, Shuei-Jin	Director Lee, Chin-Chang elected Director Lo, Tsai-Jen to be the Chairman, and Director Wu, Hsuan-Miao, representative of Jiu Shun Investment Corporation, elected Director Chen, Yun-Hwa to be the Chairman. After voting, Director Lo, Tsai-Jen won four votes, Director Chen, Yun-Hwa won five votes, and Director Chen, Yun-Hwa was elected the Chairman.
	Proposal	Resolution	Implementation Status
	Proposal to release the newly elected directors from non-competition restrictions.	This proposal was voted. Number of votes cast for the proposal: 1,858,711,972 votes (223,582,076 of which were cast electronically), accounted for 77.99% of the total voting shares present in person or by proxy; Number of votes cast against the proposal: 286,846,461 votes (all of which were cast electronically) Abstentions via the electronic voting system: 237,658,307; Invalid votes: 0. This proposal has been acknowledged as it is.	It has been completed as per the resolution announcement of the Shareholders' Meeting.

2. Major Resolutions of Board of Directors

Meeting Date	Major Resolutions of Board of Directors	Note
2020.01.13 (The 17th session of the 10th term)	(1) Proposal for the Company's plan of distributing managers' year-end bonus and remuneration. (2) Amendment to the Rules of Board Self-Evaluation or Peer Evaluation of the Company. (3) Proposal for the Company's loan line (4) Proposal for endorsements/guarantees of the Company.	Resolution 1: Since the performance in December has shown growth and several reform measures have shown improvement, the entire directors present agreed the bonus and remuneration of the managerial officers would be lowered by 5%. Resolution 2 to 4: approved by the unanimous decision of the directors present.
2020.03.24 (The 18th session of the 10th term)	(1) Proposal for the distribution of directors and employees' 2019 remuneration (2) Proposal for discussion of the Company's 2019 business report, consolidated financial statements and separate financial statements (3) Proposal for the distribution of The Company's 2019 earnings (4) Proposal to decide the date and location of the 2020 Annual Shareholders' Meeting as well as the reasons to convene the meeting (5) Proposal to accept shareholders' proposal right by the 2020 Annual Shareholders Meeting (6) Proposal to accept shareholders' nominations of independent directors by the 2020 Annual Shareholders Meeting (7) Proposal for the Review of Effectiveness of Internal Control System and	They were unanimously approved by all the directors present.

	<p>the Statement of Internal Control System of the Company for 2019</p> <p>(8) Proposal to appoint and change the certifying CPAs</p> <p>(9) Proposal for independent evaluation of the Company's certifying CPAs</p> <p>(10) Proposal for appointment and removal of the Company's personnel</p> <p>(11) Proposal for payment of the severance pay of the retired senior manager, Wei, Qi-Jiang</p> <p>(12) Proposal for discussion of the amendment to the Company's Article of Incorporation</p> <p>(13) Proposal for amendment to the Company's Audit Committee Organizational Rules</p> <p>(14) Proposal for amendment to the Company's Remuneration Committee Organizational Rules</p> <p>(15) Proposal for amendment to the Company's Board Meeting Procedural Rules</p> <p>(16) Proposal for amendment to the Company's Related Party Transaction Operational Procedures</p> <p>(17) Proposal for amendment to the Company's Operational Procedures for Financial Statements Preparation Process</p> <p>(18) Proposal for amendment to the Company's Operational Regulations for Monitoring Subsidiaries</p> <p>(19) Proposal for amendment to the Company's Operational Regulations Applicable to International Accounting Standards</p> <p>(20) Proposal for amendment to the Company's Procedures for Professional Accounting Judgments, and Processes for Making Changes in Accounting Policies and Estimates</p> <p>(21) Proposal for amendment to the Company's Operational Procedures for Management of Liabilities, Commitments, and Contingencies</p> <p>(22) Proposal for the Company's loan line</p> <p>(23) Proposal for the Company's endorsements/guarantees and condolence letter</p>	
2020.04.23 (The 19th session of the 10th term)	<p>(1) Proposal to review the list of candidates for Independent Directors.</p> <p>(2) Proposal to elect directors (the independent directors included) of the Company.</p> <p>(3) Proposal to release the newly elected directors from non-competition restrictions.</p> <p>(3) Proposal to release the newly elected directors from non-competition restrictions.</p> <p>(5) Proposal for the Company's endorsements/guarantees.</p>	<p>Proposal 1 involved reviewing the qualifications of candidates Hsu, En-De and Chen, Shuei-Jin for the Independent Directors, and was approved by the other 9 directors after Independent Directors Hsu, En-De and Chen, Shuei-Jin abstained due to the conflict of interest according to Article 206 of the Company Act. This proposal involved reviewing the qualification of Chen, Tzu-Chen, a candidate for the Independent Director, and was approved by the unanimous decision of the directors present. The other proposals were unanimously approved by all the directors present.</p>
2020.05.12 (The 20th session of the 10th term)	<p>(1) Proposal to accept the Company's Q1 2020 Consolidated Financial Statements</p> <p>(2) Proposal for the distribution of directors' 2019 remuneration</p> <p>(3) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin Rubber (Xiamen) Ind., Ltd.</p> <p>(4) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin Rubber (Xiamen) Swallow Tire Co., Ltd.</p> <p>(5) Proposal for the amendment to the Operating Procedures for Funds Lending to Others by Cheng Shin (Xiamen) Ind., Ltd.</p> <p>(6) Proposal for the amendment to the Operating Procedures of Funds Lending</p>	<p>They were unanimously approved by all the directors present.</p>

	to Others by Cheng Shin (Xiamen) Logistics., Ltd. (7) Proposal for the Company's loan line.	
2020.06.16 (The 1st session of the 11th term)	(1) Proposal to elect the Chairman. (2) Proposal to elect the Deputy Chairman.	Proposal 1: Director Lee, Chin-Chang elected Director Lo, Tsai-Jen to be the Chairman, and Director Wu, Hsuan-Miao, representative of Jiu Shun Investment Corporation, elected Director Chen, Yun-Hwa to be the Chairman. After voting, Director Lo, Tsai-Jen won four votes, Director Chen, Yun-Hwa won five votes, and Director Chen, Yun-Hwa was elected the Chairman. Proposal 2: All directors made the resolution to hold another meeting of the Board of Directors for election based on the operation need in future.
2020.07.07 (The 2nd session of the 11th term)	(1) Proposal to fix the ex-dividend base date. (2) Proposal to elect the Deputy Chairman. (3) Proposal for appointment and removal of the Company's General Manager (3) Proposal to release the newly elected directors from non-competition restrictions. (5) Proposal for review of the Independent Directors' remuneration	Proposal 2: Upon unanimous vote from attending directors, Chen, Shiu-Hsiung has been voted as the Vice Chairman. Proposal 5: The Independent Directors Miss Chen, Tzu-Chen, Mr. Hsu, En-De, and Mr. Chen, Shuei-Jin should abstain due to the involvement of interest, and the other directors agreed unanimously with the recusal upon the Chairman's inquiry. The other proposals were unanimously approved by all the directors present.
2020.08.11 (The 3rd session of the 11th term)	(1)Amendment to the Code of Practice on Corporate Social Responsibility of the Company (2)Amendment to the Company's Corporate Governance Best Practice Principles (3)Amendment to the Company's Board Meeting Procedural Rules. (4)Amendment to the Company's Audit Committee Organizational Rules (5)Proposal to establish the Seal Management Procedure of the Company (6)Proposal to accept the Company's Q2 2019 Consolidated Financial Statements (7)Proposal for capital injection into Maxxis Rubber India Private Limited (8)Proposal to change the directors and supervisors of the Company's subsidiaries (9)Proposal to appoint members of the Remuneration Committee of the Company (10)Proposal to adjust the organizational structure of the Company. (11)Prudential valuation of derivative commodities of the Company. (12)Proposal to sign the Audit Report of the Company (13)Proposal for the Company's loan line. (14)Proposal for the Company's endorsements/guarantees.	* Resolution result of proposal 11: As resolved by the Audit Committee, the position should be assumed by an insider of the organization according to the principle of the internal control system. However, considering the current situation of the Company, it was approved with the unanimous decision of all directors present. * Resolution result of proposal 12: The Board of Directors has decided to authorize Director Wu, Hsuan-Miao to sign the internal audit report and assess this proposal in half a year. This proposal is

		adopted by more than two-thirds of the directors present at the meeting. * The other proposals were unanimously approved by all the directors present.
2020.11.12 (The 4th session of the 11th term)	(1) Proposal to accept the Company's Q3 2019 Consolidated Financial Statements (2) Proposal to establish the Company's 2019 audit plan (3) Amendment to the Internal Audit Implementation Rules of the Company. (4) Amendment to the Regulations for Performance Evaluation of the Board and Functional Committees. (5) Amendment to the Management Procedure for Financial Information and Non-financial Information of the Company. (6) Proposal to establish the Control Procedure for Open Information Reporting Operation of the Company. (7) Proposal for capital injection into PT. Maxxis International Indonesia. (8) Proposal to issue unsecured general corporate bonds of the Company. (9) Proposal for appointment and removal of the Company's Accounting Controller (10) Proposal for personnel promotion of the Company. (11) Proposal for payment standard of the severance pay for the Company's General Manager Lo, Tsai-Jen. (12) Proposal for remuneration of directors serving as advisors of the Company. (13) Proposal for the Company's loan line. (14) Proposal for derivative commodity trading of the Company. (15) Proposal for the Company's endorsements/guarantees.	They were unanimously approved by all the directors present.

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

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

Position	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Termination
Accounting Supervisor	Chang, Ya-Ching	2017.11.09	2020.11.12	Job adjustment

IV. CPA Service Fee Information

(I) Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Note
PricewaterhouseCoopers, Taiwan	Wang, Yu-Chuan	Chou, Chien-Hung	2020	

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

Fee Items		Audit Fees	Non-audit Fees	Total
Fee Range				
1	Under NT\$2,000,000	-	-	-
2	NT\$2,000,000 - NT\$3,999,999	-	-	-
3	NT\$4,000,000 - NT\$6,000,000	-	4,354	-
4	NT\$6,000,000 - NT\$8,000,000	7,000	-	-
5	NT\$8,000,000 - NT\$10,000,000	-	-	-
6	NT\$10,000,000 and above	-	-	11,354

Unit: NT\$ 1,000

1. Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm, and/or its affiliates account for 25% or more of the audit fees:

The audit fees are NT\$7,000,000 and the non-audit fees are NT\$4,354,000. The non-audit fees mainly include fees for tax consulting of country-by-country reporting, corporate social responsibility reporting, English translations of the Annual Report, meeting handbook and financial statements, and transfer pricing.

2. Disclosure of the amount, percentage, and reasons of decrease in audit fees where there has been a change of auditors and the audit fees are lower than the previous fiscal year: N/A
3. Disclosure of the amount, percentage, and reasons of decrease where the audit fees are lower than the previous fiscal year by 10% or more: N/A.

V. CPA Change Information: The change is to follow the accounting firm's internal job rotation policy.

(I) Information of Successor Auditor: Hung, Shu-Hua, Chou, Chien-Hung

(II) Information of Successor Auditor: Hung, Shu-Hua, Chou, Chien-Hung

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

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

(I) Changes in Share Ownership of Directors, Managers, and Major Shareholders (holding 10% shares or more)

Position	Name of Director or Major Shareholder	Change in Equity in 2020		As of April 17, 2021	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Chairman/Major Shareholder concurrently serving as General Manager	Lo, Tsai-Jen	0	0	0	0
Director	Hsieh Shuen Investment Co., Ltd.	0	0	0	0
Director Representative/Deputy General Manager	Chen, Shiu-Hsiung	0	0	0	0
Director	Jiu Shun Investment Corporation	(289,000)	0	0	0
Director Representative	Chen, Yun-Hwa	0	0	0	0
Director	Hong Jing Investment Corporation	0	0	0	0
Director Representative	Chiu, Li-Ching	0	0	0	0
Director	Min Hsing Investment Co., Ltd.	0	0	0	0
Director Representative	Chen, Han-Chi	1,150,000	0	0	0
Director	Tseng, Shung-Chu	(191,563,072)	0	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lee, Chin-Chang	0	(4,000,000)	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lin, Hung-Yu	0	0	0	0
Independent Director	Hsu, En-De	0	0	0	0
Independent Director	Too, Jui-Rze	118,000	0	182,000	0
Independent Director	Chen, Shuei-Jin	0	0	0	0
General Manager	Lee, Chin-Chang	0	0	0	0
General Manager	Hsu, Chih-Ming	0	0	0	0
Deputy General Manage	Peng, Wen-Hsing	0	0	0	0
Deputy General Manage	Huang, Chieh-Hsiang	0	0	0	0
Deputy General Manage	Lin, Hung-Yu	0	0	0	0
Deputy General Manage	Lin, Yu-Yu	0	0	0	0
Deputy General Manage	Liao, Cheng-Yao	0	0	0	0
Deputy General Manage	Lee, Hung-Ko	0	0	0	0
Deputy General Manage	Lai, Kuo-Ti	0	0	0	0
Deputy General Manage	Liu, Chao-Sheng	0	0	0	0
Deputy General Manage (Chief Financial Officer)	Lo, Yung-Li	0	0	0	0

Position	Name of Director or Major Shareholder	Change in Equity in 2020		As of April 17, 2021	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Assistant Manager	Lin, Chen-Chieh	0	0	0	0
Assistant Manager	Ho, Chin-Fang	0	0	0	0
Assistant Manager	Lin, Chin-Chuan	0	0	0	0
Assistant Manager	Chang, Chuan-Shun	0	0	0	0
Assistant Manager	Huang, Kuo-Tsai	0	0	0	0
Assistant Manager	Huang, Yang-Hsun	0	0	0	0
Assistant Manager	Chen, Ying-Kuang	0	0	0	0
Assistant Manager	Lo, Chen-Jung	0	0	0	0
Assistant Manager	Chang, Ghi-Jung	0	0	0	0
Assistant Manager	Chang, Chin-Lu	0	0	0	0
Assistant Manager	Liu, Ching-Chung	0	0	0	0
Deputy General Manager	Chen, Shu-Yu	0	0	0	0
Assistant Manager	Chiang, Kui-Yung	0	0	0	0
Assistant Manager	Chang, Chin-Ming	0	0	0	0
Assistant Manager	Hu, Ming-Te	0	0	0	0
Assistant Manager	Ting, Tso-Lin	(51,908,900)	0	0	0
Assistant Manager	Chen, Jin-Long	0	0	0	0
Assistant Manager	Yang, Jin-Cheng	0	0	0	0
Assistant Manager	Lo, Yuan-Long	0	0	0	0
Assistant Manager	Chen, Po-Chia	0	0	0	0
Assistant Manager	Lai Ming-Han	0	0	0	0
Accounting Supervisor	Yu, Ching-Tang	0	0	0	0
Major Shareholder	Lo, Ming-Han	0	0	0	0

Note: The Accounting Supervisor Yu, Ching-Tang was appointed on November 12, 2020, and Assistant Manager Lai Ming-Han was appointed on February 1, 2021.

(II) Information about Equity Transfer

Name (Note 1)	Reason for Equity Transfer (Note 2)	Transaction Date	Transaction Counterparty	Relationship Between the Transaction Counterparty and the Company, Directors, Supervisors, and Shareholders Who Hold More Than 10% of the Company's Shares	Number of Shares	Transaction Price
Lo, Tsai-Jen	Closed corporation with shares as share payments	109.07.16	Jye Luo Memory Co., Ltd.	Closed corporation with shares held	191,414,072	NT\$36 (Based on the closing price on June 10, 2020)
Lo, Yuan-Long	Closed corporation with shares as share payments	109.07.16	Jye Luo Memory Co., Ltd.	Closed corporation with shares held	51,908,900	NT\$36 (Based on the closing price on June 10, 2020)

Note 1: Please specify the names of directors, supervisors, managerial officers, and shareholders who hold more than 10% of the Company's shares.

Note 2: Please specify acquisition or disposal.

(III) Information about Equity Pledged Under Lien
Shares pledged to related parties: None

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

Relationship Among Top Ten Largest Shareholders

Name (Note 1)	Share Ownership		Shares Held By Spouse and Minor Children		Shares Held in Other's Name		Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familiar Relationship within the Second Degree of Kinship		Note
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relation	
Lo, Ming-Han	370,176,378	11.42%	0	0%	0	0%	Luo, Jye and Chen, Shiu-Hsiung Lo, Tsai-Jen and Lo, Ming-I Chen, Yun-Hwa and Lo, Min-Ling	Relative within the second degree of kinship	-
Jye Luo Memory Co., Ltd.	324,430,630	10.01%	0	0%	0	0%	Luo, Jye and Chen, Shiu-Hsiung Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa and Lo, Yuan-Yu Lo, Min-Ling	Relative within the second degree of kinship	-
Luo, Jye	224,163,978	6.92%	0	0%	0	0%	Lo, Ming-I and Chen, Shiu-Hsiung Lo, Tsai-Jen and Luo, Ming-Han Chen, Yun-Hwa and Lo, Yuan-Yu Lo, Min-Ling	Relative within the second degree of kinship	-
Chen, Yun-Hwa	120,570,531	3.72%	82,492,443	2.54%	13,391,000	0.41%	Luo, Jye and Chen, Shiu-Hsiung Lo, Tsai-Jen and Lo, Ming-I Lo, Ming-Han and Lo, Min-Ling	Relative within the second degree of kinship	-
Lo, Tsai-Jen	91,662,430	2.83%	28,140,793	0.87%	0	0%	Luo, Jye and Chen, Shiu-Hsiung Lo, Ming-Han and Lo, Ming-I Chen, Yun-Hwa and Lo, Min-Ling Lo, Yuan-Yu	Relative within the second degree of kinship	-
Fubon Life Insurance Co., Ltd.	86,153,000	2.66%	0	0%	0	0%	NA	NA	-
Lo, Ming-I	82,492,443	2.54%	120,570,531	3.72%	0	0%	Lo, Ming-Han and Chen, Shiu-Hsiung Lo, Tsai-Jen and Luo, Jye Chen, Yun-Hwa and Lo, Min-Ling	Relative within the second degree of kinship	-
Chen, Shiu-Hsiung	67,819,456	2.09%	62,945,516	1.94%	31,280,000	0.97%	Lo, Ming-Han and Lo, Ming-I Lo, Tsai-Jen and Luo, Jye Chen, Yun-Hwa and Lo, Min-Ling	Relative within the second degree of kinship	-
Lo, Ming-Ling	62,945,516	1.94%	67,819,456	2.09%	0	0%	Lo, Ming-Han and Chen, Shiu-Hsiung Lo, Tsai-Jen and Luo, Jye Chen, Yun-Hwa and Lo, Ming-I	Relative within the second degree of kinship	-
Lo, Yuan-Yu	57,500,889	1.77%	0	0%	0	0%	Luo, Jye and Lo, Tsai-Jen	Relative within the second degree of kinship	-

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

Note 2: Percentage in share ownership shall be the total shares held whether in the names of the individual, his/her spouse, children who are minors or under nominee accounts.

Note 3: Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

Affiliated Companies (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managers, and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Share-holding Ratio	Number of Shares	Share-holding Ratio	Number of Shares	Share-holding Ratio
MAXXIS International Co., Ltd.	35,050,000	100%	0	0%	35,050,000	100%
CST Trading Ltd.	72,900,000	100%	0	0%	72,900,000	100%
Cheng Shin Rubber USA, Inc.	1,800,000	100%	0	0%	1,800,000	100%
MAXXIS TRADING LTD.	237,811,720	100%	0	0%	237,811,720	100%
New Pacific Industry Company Limited	5,000,000	50%	0	0%	5,000,000	50%
Cheng Shin Rubber Canada, Inc.	1,000,000	100%	0	0%	1,000,000	100%
MAXXIS Tech Center Europe B.V.	1,000,000	100%	0	0%	1,000,000	100%
PT MAXXIS International Indonesia	139,994,750	99.99625%	5,250	0.00375%	140,000,000	100%
Maxxis Rubber India Private Limited	874,992,906	99.99919%	7,094	0.00081%	875,000,000	100%
Maxxis Trading Company Limited	10,000,000	100%	0	0%	10,000,000	100%
PT. MAXXIS TRADING INDONESIA	9,990	99.9%	10	0.1%	10,000	100%
Maxxis Europe B.V.	500,000	100%	0	0%	500,000	100%
MAXXIS RUBBER JAPAN CO., LTD.	5,0000	100%	0	0%	5,000	100%

Note: (1) Investments of the Company are accounted for using the equity method.

(2) As of 2020.

Chapter 4 Financing

I .Recordable items in capital and share

(I) Sources of Capital

Year/Month	Issuance Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Others
August 1988	10	162,509,490	1,625,094,900	162,509,490	1,625,094,900	Capital increase from retained earnings	N/A	-
August 1989	10	203,136,863	2,031,368,630	203,136,863	2,031,368,630	Capital increase from retained earnings	N/A	-
August 1990	10	243,764,236	2,437,642,360	243,764,236	2,437,642,360	Capital increase from retained earnings	N/A	-
May 1991	10	263,265,375	2,632,653,750	263,265,375	2,632,653,750	Capital increase from retained earnings	N/A	Jing (80) Shang No.118965 dated September 7, 1991
July 1992	10	315,918,450	3,159,184,500	315,918,450	3,159,184,500	Capital increase from retained earnings	N/A	Jing (81) Shang No.118426 dated August 31, 1992
July 1993	10	363,306,218	3,633,062,180	363,306,218	3,633,062,180	Capital increase from retained earnings	N/A	Jing (82) Shang No.115285 dated August 13, 1993
July 1994	10	421,435,213	4,214,352,130	421,435,213	4,214,352,130	Capital increase from retained earnings	N/A	Jing (83) Shang No.112989 dated September 2, 1994
August 1995	10	501,507,903	5,015,079,030	501,507,903	5,015,079,030	Capital increase from retained earnings	N/A	Jing (84) Shang No.111207 dated August 16, 1995
August 1996	10	551,658,693	5,516,586,930	551,658,693	5,516,586,930	Capital increase from retained earnings	N/A	Jing (85) Shang Zi No. 111479 dated August 12, 1996
July 1997	10	606,824,562	6,068,245,620	606,824,562	6,068,245,620	Capital increase from retained earnings	N/A	Jing (86) Shang Zi No.111867 dated July 18, 1997
December 1998	10	679,643,509	6,796,435,090	679,643,509	6,796,435,090	Capital increase from retained earnings	N/A	Jing (87) Shang Zi No. 087142412 dated December 29, 1998
August 1999	10	747,607,860	7,476,078,600	747,607,860	7,476,078,600	Capital increase from retained earnings	N/A	Jing (88) Shang Zi No. 088127496 dated August 4, 1999
August 2000	10	784,988,253	7,849,882,530	784,988,253	7,849,882,530	Capital increase from retained earnings	N/A	Jing (89) Shang Zi No. 089127105 dated August 1, 2000
August 2001	10	836,012,489	8,360,124,890	836,012,489	8,360,124,890	Capital increase from retained earnings	N/A	Jing (90) Shang Zi No.09001288800 dated August 22, 2001
August 2002	10	886,173,238	8,861,732,380	886,173,238	8,861,732,380	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09101319120 dated August 15, 2002
August 2003	10	957,067,097	9,570,670,970	957,067,097	9,570,670,970	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09201240400 dated August 8, 2003
August 2004	10	1,048,945,538	10,489,455,380	1,048,945,538	10,489,455,380	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09301149390 dated August 18, 2004
September 2005	10	1,138,105,908	11,381,059,080	1,138,105,908	11,381,059,080	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No.09401168800 dated September 5, 2005
September 2006	10	1,217,773,322	12,177,733,220	1,217,773,322	12,177,733,220	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09501191430 dated August 30, 2006
September 2007	10	1,303,017,454	13,030,174,540	1,303,017,454	13,030,174,540	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09601224190 dated September 14, 2007
September 2008	10	1,498,470,072	14,984,700,720	1,498,470,072	14,984,700,720	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09701236220 dated September 15, 2008

September 2009	10	1,648,317,079	16,483,170,790	1,648,317,079	16,483,170,790	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09801202660 dated September 4, 2009
August 2010	10	2,060,396,349	20,603,963,490	2,060,396,349	20,603,963,490	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 09901193360 dated August 25, 2010
August 2011	10	2,472,475,619	24,724,756,190	2,472,475,619	24,724,756,190	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 10001194070 dated August 22, 2011
August 2012	10	2,818,622,206	28,186,222,060	2,818,622,206	28,186,222,060	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 10101174280 dated August 27, 2012
August 2013	10	3,241,415,536	32,414,155,360	3,241,415,536	32,414,155,360	Capital increase from retained earnings	N/A	Jing Shou Shang Zi No. 10201172870 dated August 29, 2013

April 17, 2021 Unit: Share

Type of Shares	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
TWSE Listed Common Stock	3,241,415,536	0	3,241,415,536	N/A

(II) Shareholder structure

April 17, 2021

Shareholder structure and quantity	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Natural Persons	Individuals	Total
Number of shareholders	8	22	335	686	80,424	81,475
Number of Shares Held	60,773,225	201,851,726	699,818,652	524,885,353	1,754,086,580	3,241,415,536
Share-holding Ratio	1.87%	6.23%	21.59%	16.19%	54.12%	100.00%

(III) Share Distribution

NT\$10 per share April 17, 2021

Range of Shares	Number of Shareholders	Number of Shares Held	Share-holding Ratio
1 ~ 999	16,599	4,692,220	0.14%
1,000 ~ 5,000	45,567	100,685,640	3.11%
5,001 ~ 10,000	9,309	72,660,097	2.24%
10,001 ~ 15,000	3,198	40,585,552	1.25%
15,001 ~ 20,000	2,044	37,161,166	1.15%
20,001 ~ 30,000	1,649	41,983,584	1.30%
30,001 ~ 40,000	781	27,672,965	0.85%
40,001 ~ 50,000	499	23,099,227	0.71%
50,001 ~ 100,000	874	61,678,096	1.90%
100,001 ~ 200,000	419	58,460,007	1.80%
200,001 ~ 400,000	191	53,572,418	1.65%
400,001 ~ 600,000	82	40,760,774	1.26%
600,001 ~ 800,000	39	27,203,859	0.84%
800,001 ~ 1,000,000	27	24,354,075	0.75%
1,000,001 shares or more	197	2,626,845,856	81.05%
Total	81,475	3,241,415,536	100.00%

Note: The Company has not issued preferred shares.

(IV) List of Majority Shareholders

April 17, 2021

Name of major shareholder	Share	Number of Shares	Share-holding Ratio
Lo, Ming-Han		370,176,378	11.42%
Jye Luo Memory Co Ltd.		324,430,630	10.01%
Luo, Jye		224,163,978	6.92%
Chen, Yun-Hwa		120,570,531	3.72%
Lo, Tsai-Jen		91,662,430	2.83%
Fubon Life Insurance Co., Ltd.		86,153,000	2.66%
Lo, Ming-I		82,492,443	2.54%
Chen, Shiu-Hsiung		67,819,456	2.09%
Lo, Ming-Ling		62,945,516	1.94%
Lo, Yuan-Yu		57,500,889	1.77%

Note: The list of major shareholders includes shareholders with 1% or more share ownership and/or the top 10 largest shareholders.

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

Unit: Share, NT\$

Year Item		2019	2020	Current year ending on March 31, 2021	
Market Price per Share (Note 1)	Highest	48.8	45.75	48.30	
	Lowest	38.25	28.50	39.50	
	Average	42.28	37.20	43.71	
Net Value per Share (Note 2)	Before distribution	23.88	24.82	25.20	
	After distribution	23.88	24.82	-	
Earnings per share	Weighted Average of Shares		3,241,415,536	3,241,415,536	3,241,415,536
	Earnings per Share (Note 3)	Before Adjustment	1.07	1.85	0.56
		After Adjustment	1.07	1.85	-
Dividends Per Share	Cash dividends		1.00	1.2 (Note 8)	-
	Stock dividends	Paid out of Retained Earnings	-	-	-
		Paid out of Capital Surplus	-	-	-
	Accrued Unpaid Dividends (Note 4)		-	-	-
Return on Investment	P/E Ratio (Note 5)		39.51	20.11	-
	Price/Dividend Ratio (Note 6)		42.28	31.00	-
	Cash Dividend Yield (Note 7)		2.37%	3.23%	-

Note 1: List the highest and lowest market price in each fiscal year and calculate the average market price based on the trading value and volume.

Note 2: Please fill out the figures according to the number of outstanding shares at the end of the fiscal year and the resolution regarding distribution by the shareholders' meeting the following year.

Note 3: Please fill out basic and diluted earnings per share if retroactive adjustment is necessary due to stock dividend payout.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

Note 8: The distribution of earnings this year has not been approved by the annual general meeting of the shareholders.

(VI) Dividend Policy and Implementation

Our dividend policy is as follows:

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

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

2. Proposed Dividend Payment by the Shareholders' Meeting

After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from the previous year(s), was NT\$ 31,837,095,314 in the 2020 Fiscal Year. It is proposed that NT\$3,889,698,643 of cash dividends be paid to the shareholders (at NT\$1.2 per share) in accordance with the Articles of Incorporation of the Company.

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

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

(VIII) Remuneration for employees, directors, and supervisors

1. Percentage or Range of Employee Remuneration and Director Remuneration under the Articles of Incorporation

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

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

shareholders' meeting.

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

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

3. Distribution of Compensation to Employees Recommended by the Board

- (1) Employees' profit sharing bonus and remuneration to Directors distributed as cash and stocks. If there is any difference with the estimated amount of the recognized expenses in the year,

the difference, reason, and action should be disclosed:

The Company has allocated NT\$139,544,000 as cash compensation to employees and NT\$91,611,000 as compensation to directors in 2020. Comparing the revenues and profitability of the Company in 2020 to those in 2019 and taking into account the amount of payout in 2019, the proposal was reviewed by the Remuneration Committee and the Board has passed a resolution and recommends that NT\$139,544,000 to be paid out as cash compensation to employees and NT\$104,658,000 as compensation to directors. The differences in the estimated amounts are confirmed as the profit and loss in 2021.

- (2) Proposed employees' stock compensation in percentage of after-tax earnings and total employee bonus in the year:

The Company's 2020 profit distribution plan has been approved by the Board of Directors and no employees' stock compensation was declared.

- (3) The estimated earnings per share is NT\$1.85 after the compensation to employees and directors are paid out.

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

The following summarizes the employee remuneration and director and supervisor remuneration in the 2019 Fiscal Year:

Item	Approved Distribution (NT\$)	Deviation	Reason for Deviation
Employees' Remuneration	93,052,630	-	N/A
Directors' Remuneration	61,089,052	-	N/A

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

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

II. Issuance of corporate bonds

Type of Bonds	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2017	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018
Issuance Date	105.09.26	106.08.10	107.07.25
Par value	NT\$1 million	NT\$1 million	NT\$1 million
Location of Issuance and Transaction	N/A	N/A	N/A
Par Value	At Par	At Par	At Par
Total Amount	NT\$5 billion	NT\$7 billion	NT\$5 billion
Interest	0.71%	1.03%	0.87%
Maturity	5 Years Maturity Date: September 26, 2021	5 Years Maturity Date: August 10, 2022	5 Years Maturity Date: July 25, 2023
Guarantee Agency	N/A	N/A	N/A
Trustee	Mega International Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriters	Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.	Capital Securities Corp. Co., Ltd.
Certifying Lawyers	N/A	N/A	N/A
Certifying CPA	Hung, Shu-Hua and WU, DE-FENG, PricewaterhouseCoopers Taiwan	Hung, Shu-Hua and WU, DE-FENG, PricewaterhouseCoopers Taiwan	Hung, Shu-Hua and WU, DE-FENG, PricewaterhouseCoopers Taiwan
Redemption	50% of the principal will be paid at the end of the fourth year and the remaining 50% will be paid at the end of the fifth year from the issue date	50% of the principal will be paid at the end of the fourth year and the remaining 50% will be paid at the end of the fifth year from the issue date	50% of the principal will be paid at the end of the fourth year and the remaining 50% will be paid at the end of the fifth year from the issue date
Outstanding Principal	NT\$5 billion	NT\$7 billion	NT\$5 billion
Redemption or early repayment clause	N/A	N/A	N/A
Restrictions	N/A	N/A	N/A
Company's name, date, and corporate bonds of credit rating	Taiwan Ratings Rating Date: February 25, 2016 Corporate credit rating result twA+	Taiwan Ratings Rating Date: February 21, 2017 Corporate credit rating result twA+	Taiwan Ratings Rating Date: February 27, 2018 Corporate credit rating result twA+
Other rights	Converted (exchange or subscription) common stock, depository receipts, or other price of securities as of the Annual Report publish date.	N/A	N/A
	Regulations of Issuance and Conversion/Exchange/Subscription	N/A	N/A
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue	N/A	N/A	N/A
Name of Exchange	N/A	N/A	N/A

- III. Issuance of preferred shares: None
- IV. Issuance of overseas depository receipts: None
- V. Issuance of stock subscription warrants to employees and restriction on employee right to obtain new shares
- VI. Issuance of new shares in connection with the merger or acquisition of other companies: None
- VII. Recordable items of the implementation status of capital utilization plan

(I) Plan Contents

1. First Offering of Unsecured Ordinary Bonds of 2016

(1) Date of approval and approval document number: Zheng Gui Zhai Zi No.

10500276052 issued by the Taipei Exchange dated September 20, 2016

(2) Funds required for the project: NT\$5,000,000,000

(3) Source of financing: First offering of unsecured bonds of NT\$5,000,000,000

(4) Purpose of financing and progress of use Unit: NT\$ thousand

Plan Item	Estimated Completion Date	Funds Required	Estimated Progress of Use
			2016 Q3
Paying off Liabilities (improving financial structure)	Q3 2016	\$ 3,838,002	\$ 3,838,002
Strengthening the Operating Capital	Q3 2016	\$ 1,161,998	\$ 1,161,998
Total		\$ 5,000,000	\$ 5,000,000

2. First Offering of Unsecured Ordinary Bonds of 2017

(1) Date of approval and approval document number: Zheng Gui Zhai Zi No.

10600213862 issued by the Taipei Exchange dated August 7, 2017

(2) Funds required for the project: NT\$7,000,000,000

(3) Source of financing: First offering of unsecured bonds of NT\$7,000,000,000

(4) Purpose of financing and progress of use:

Unit: NT\$ thousand

Plan Item	Estimated Completion Date	Funds Required	Estimated Progress of Use
			2017 Q3
Paying off Liabilities (improving financial structure)	Q3 2017	\$ 4,910,001	\$ 4,910,001
Strengthening the Operating Capital	Q3 2017	\$ 2,089,999	\$ 2,089,999
Total		\$ 7,000,000	\$ 7,000,000

3. First Offering of Unsecured Ordinary Bonds of 2018

(1) Date of approval and approval document number: Zheng Gui Zhai Zi No.

10700196832 issued by the Taipei Exchange dated July 24, 2018

(2) Funds required for the project: NT\$5,000,000,000

(3) Source of financing: First offering of unsecured bonds of NT\$5,000,000,000

(4) Purpose of financing and progress of use Unit: NT\$ thousand

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

(II) Implementation Status

1. Status of Funds Used and Implementation

(1) First Offering of Unsecured Ordinary Bonds of 2018

Unit: NT\$ thousand

Plan Item	Implementation Status		105.12.31	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	3,838,002	Plan Completed
		Actual	3,838,002	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	
Strengthening the Operating Capital	Fund Used	Proposed	1,161,998	Plan Completed
		Actual	1,161,998	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	

(2) First Offering of Unsecured Ordinary Bonds of 2017

Unit: NT\$ thousand

Plan Item	Implementation Status		106.09.31	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	4,910,001	Plan Completed
		Actual	4,910,001	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	
Strengthening the Operating Capital	Fund Used	Proposed	2,089,999	Plan Completed
		Actual	2,089,999	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	

(3) First Offering of Unsecured Ordinary Bonds of 2018

Unit: NT\$ thousand

Plan Item	Implementation Status		107.12.31	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	3,258,666	Plan Completed
		Actual	3,258,666	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	
Strengthening the Operating Capital	Fund Used	Proposed	1,741,334	Plan Completed
		Actual	1,741,334	
	Implementation Status (%)	Proposed	100%	
		Actual	100%	

chapter 5 Operation Overview

I. Business contents

(I) Business scope:

1. Major contents of business

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

2. Proportion in business

Below are the proportions of major products in the business of the Company in 2020:

Unit: NT\$ thousand

Major Products	2020	
	Amount	%
PCR	38,851,536	40.38%
TBR	19,216,403	19.97%
MC	12,715,757	13.22%
BC	10,293,417	10.70%
TUBE	4,861,215	5.05%
Other tires	10,603,038	11.02%
Other products	613,353	0.64%
Return, allowance, freight and insurance costs, and others	-945,663	-0.98%
Total	96,209,056	100%

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

4. New Products in Development

- HONDA CIVIC in Thailand and development of new SUBARU XV tires in North America
- Motorcycle tires -- development of high performance series
- MCR Sport Touring Product Development
- Down Country tires
- BC Cargo Tire
- Development of new ATV RT Product
- Development of 4X4 Highway Terrain Product
- Development of Grand Touring A/S Product
- Development of LTR S/M Product
- Development of landing spare tire product for Ford in North America

- Development of New Truck Driver Axle Tire
- Development of New Low Floor Truck Steer Axle Tire
- Development of New LTS All Position Tire

(II) Industry Overview:

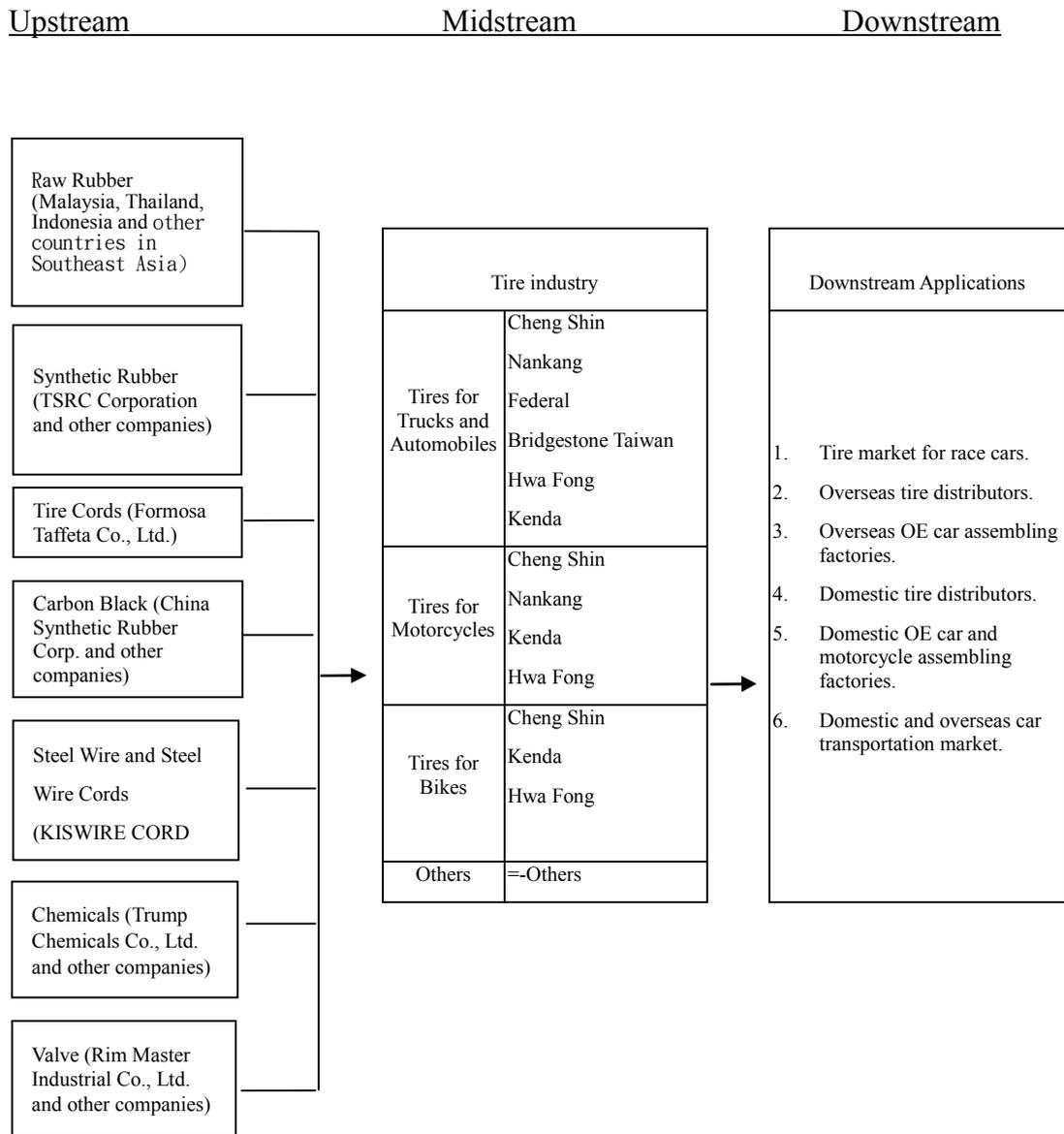
1. Industry Situation and Development

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

2. Relationship Among the Supply Chain

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

Diagram of Relationship Among Tire Industry in Taiwan



3. Information of The Development Trends And Competition of Products:

For the entire market of tire products, the traditional cross-ply tires have been replaced gradually by the radial tires and the main reason is that the radial tires are able to reduce the possibility of flat tires and would provide the effects of oil saving, abrasion resistance, and driving safety. Also, the development trend of tire products is low aspect ratio and high performance tires. Due to market needs and higher consumers' needs for environmental quality, the Company plans to manufacture and provide high performance tires, low rolling resistance tires, safety tires, intelligent tires, steel wire radial tires, and other new products. The Company would like to enhance its development power by

improving its technology and increasing product diversity and would also like to develop and dominate the market by continuously expanding leading products.

(III) Overview on Technology, Research and Development

1. Costs of Research and Development During the Current Fiscal Year and as of the Date of the Annual Report Unit: NT\$ thousand

Item \ Year	2020	As of March 31, 2021
Research and development expenses	4,578,667	1,136,819
Net Operating Income	96,209,056	27,566,210
Percentage of net operating income	4.76%	4.12%

Note: Above information is from the Company's consolidated financial statement.

2. Technology and Products Successfully Developed

- Development of new MAXXIS PCR/LTR tires
- Research project on the technology for various energy-saving tires
- Development of new spare tire products
- Motorcycle tires -- development of high performance series
- Development of new motorcycle radial tire products
- Development of bicycle tires --high performance product series
- Development of new ATV tires
- Development of new truck drive shaft product

(IV) Long Term and Short Term Business Development Plan

1.Short-term plans

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

2.Long-term plan:

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

II. Market, Production and Sales Overview

(I) Analysis of Market

1. Analysis of Market and Production and Marketing Situation

(1) Sales markets:

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

(2) Market Share:

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

(3) Future Market Supply and Demand and Prospect:

Cheng Shin is continuously dedicated to the development and innovation of new products. MAXXIS T Razr, a conceptual tire developed with the concept of electromagnetic deformation to target the electric vehicle market, has won the International Design Award of A' DESIGN AWARD. This is an event acknowledging and encouraging Cheng Shin's technical strength in tire research and development. It is also a witness that Cheng Shin's innovative design has won extensive acknowledgment in the international market. In December 2020, the Motor Trend magazine released the "2020 China Car of the Year" rating result worldwide. The rating was a comprehensive and systemic annual review of passenger tire products by the Chinese professional magazine. MAXXIS M36+ Runflat tire won the 2020 Safe Tire Award of the Year in the rating. It has been marketed to more than 30 countries from the Chinese plant and is highly acknowledged. MAXXIS HP5 extended its honor and good market comment as the best tire of the year in the Chinese market. In 2020, the Australian automotive media Wheels Australia selected the tires from ten manufacturers to perform subjective and objective performance tests, and MAXXIS HP5 ranked the first in the individual test items, including dry ground brake, wet ground brake, and wetland cornering test. The car magazine "ACE" in Germany released the latest test result of 2020 summer tires and MAXXIS HP5 won the first place being "highly recommendable" among the nine brands. The feedback by the media group participating in the test was "excellent performance both on the wet and dry land", which was a superb recognition of our products. In addition, in 2020 another car magazine in Germany "AUTO ZEITUNG" chose the tires from twenty different

brands in Europe, America, and Asia for tests. Once again MAXXIS HP5 was ranked No. 4 and obtained the rating of "highly recommendable". The feedback by the media group participating in the test is "very outstanding performance on the whole". Among the dry land test items, MAXXIS HP5 was the only one rated full marks in "safety" and the best summer tire in "quality-price ratio" recommended by the media group participants. It also won first place in the comprehensive performance in an Australian magazine test. VS5, the high-performance model aiming at the top car models, was highly acclaimed during a public field test in Spain and excelled all the other leading brands on the market in each tire performance-rating item. Its comfort and dry/wet land performance were also recognized and recommended by the British car magazine "evo". HP5 and VS5 both took part in the 2020 summer tire test rating held by TCS, an international testing institute in Switzerland and had won third place in the overall rating for two testing specifications and were rated as "strongly recommended." Furthermore, VS5 outperformed all the other tested products in comfort/noise. In 2020, MAXXIS RAZR MT772 obtained the highest rating score and was highly recommended by the editor team among the five 4X4 tire models tested and reviewed by the Australian magazine, 4X4 AUSTRALIA. Besides, Cheng Shin's first steel band ATV tire Razr XT won the champion in the King of Hammer event held in North America in January 2021, representing another breakthrough in the ATV field. The products provided by Cheng Shin demonstrate the continuous upgrade of quality as well as the world-class standard in performance.

Cheng Shin Group has actively sponsored sport and car race events worldwide for many years. After the sponsorship for 15 consecutive years, Cheng Shin has signed a new contract with the legendary New York Yankees to return to the billboard behind the home plate at the beginning of the 2021 season. In 2019, it was the official tire supplier of the MXGP FIM Motocross World Championship held by the FIM (International world Federation), and this cooperation greatly benefited Maxxis' brand reputation in the world and elevated Maxxis' professionalism and the image of having excellent quality among consumers. In addition, the 2020 Dakar Rally will be held in the Middle East and Maxxis' ATV tire, M8060, will be used by the world-class contestants with the goal to excel at this international event. Besides, in 2019, the Israel Start-Up Nation (ISN, a startup fleet in Israel), a top-ranking fleet partner of Cheng Shin MAXXIS tires for road vehicles, was invited to participate in the Giro d' Italia as a foreign fleet. At that time, the MAXXIS High Road Tire has created the record of zero burst at 21 stops and won great acknowledgment of its quality. In 2020, the Team ISN was promoted to first-level

fleet of the World Tour and continued its cooperation with MAXXIS. At the eighth stop of the 103rd Giro d' Italia in 2020, Alex Dowsett, a British driver of the Team ISN, equipped with MAXXIS HIGH ROAD Tubular, drove solo for 17km, and won the championship at the stop. This was a historic moment of the Team ISN and the first championship at a single stop Team ISN has achieved on its march towards a first-level fleet.

We have also made some breakthroughs in the development of our overseas market. Cheng Shin has successfully developed the tires for major models of Subaru and become a tire supplier of Subaru in North America. Besides, Cheng Shin has continuously supplied tires to RAV4 and Corolla, two best-seller models under the flag of Toyota. At the same time, in 2020, the Company has successfully entered the spare tire supply chain of Toyota Sienna, Lexus NS, and Nissan Rogue. As for the spare tire, the Company has successively undertaken the development of the Ford F150 tire, the best-seller model in the North America, and started supplying it in 2020Q3. Furthermore, the reach of assembling business has reached Mexico, several best-selling Nissan car models are equipped with Cheng Shin MAXXIS tires as well. ATV assembling business continued to receive orders from Polaris, Honda, and Kawasaki for their high-end models, and continued to rank first in market share in North America.

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

In terms of global operations, Cheng Shin Group has established a European sales company in the Netherlands, and expanded its business office in Mexico to strengthen the development of the local market and serve the needs of customers nearby.

Cheng Shin Group has 11 factories all over the world and a world-class proving ground in Kunshan, China, which is equipped with the most perfect testing equipment and site in Asia, a testament to our continuous strive for excellence in producing tires. Under the overall layout in Asia, our factory in India, which was

officially put into operation in August 2017, mainly focuses on India's annual sales market of 18 million motorcycles, and directly delivers the motorcycle tires to the assembly factories. Starting from the motorcycle tires, the Company will further enter India's tire market for cars and trucks. The first phase of Cheng Shin's factory in India has an annual capacity of 6 million motorcycle tires, which will increase to 18 million after the completion of the next third phase of expansion. Moreover, in 2018 the tires have been sold at more than 1,000 retailers, making it a great milestone. By December 2020, the daily capacity of the factory in Indonesia, which was put into production and shipped in October 2017, has exceeded 17,000 tires per day. In response to the estimated 6.9 million orders in 2021, the plant will continue to expand its production capacity and reach the milestone of 31,000 tires per day by the end of 2021. At the same time, in order to meet the global demand for ATV tires, the Company has made the construction plan of Douliu No. 3 plant, and the target is to put it into operation in the second half of 2022.

(4) Competitive Niches:

The Company will uphold the core value of “Integrity & Innovation”, “Honorable Brand” and “Safety First, Human First” advocated by Chairman Chen, Yun-Hwa as well as the operating concept of “Three One Hundred Percent” and aggregate suppliers, customers and employees again to call their cohesive force towards the MAXXIS grand family. We will follow the human resource concept based on talent, reinforce the strategic organization capacity with the effective capacity to integrate resources of the Group and enhance the technical force so that Cheng Shin will keep growing in the global tire industry.

In 2020, Cheng Shin is recognized as one of the Top 10 Global Brands in Taiwan with a brand value of USD285 million for the 18th consecutive year, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and Interbrand, a global brand consultancy. Cheng Shin adopts a global diversified brand-name strategy for its Cheng Shin, MAXXIS, and PRESA brand names with respect to different cultures. Marketed with English brand names and incorporate elements of the western cultures to cater to western consumers. Not only has Cheng Shin been widely known as tire brands in the Greater China region, but it also has been recognized as the best-selling brand under a well-known trademark in China. We aim to raise the brand name recognition in the market in the future by routinely participating in auto shows in Taiwan and overseas and sponsoring major sports events to grow consumers' appreciation of our brand names with a multi-faceted platform strategy. To strengthen the competitive edges of our products and develop the most adequate

products, besides the research and development centers in the US and the Netherlands Cheng Shin set up in the early years, Cheng Shin officially launched the second-phased R&D building in Shanghai in 2017. In addition, the strategy of recruiting talents is reinforced by gathering world-class professionals to develop global products and elevate the group's overall competitiveness.

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

(5) Advantages and Disadvantages for Developmental and Action Plans

Advantages:

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

With collaborations with global automakers, we have made significant progress in promoting our tires for some of the best-selling car models around the world. Recently, we have successfully entered the supply chain of General Motors and Nissan in Mexico. These are proofs of Cheng Shin's step-by-step progress towards increasing the product exposure and market share in new markets.

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

Disadvantages and countermeasures

Those latecomer competitors from the Chinese Mainland are now racing to build plants in America and America has levied the antidumping taxes against sedan and

light-duty truck tires manufactured in four countries and regions, including Taiwan, Thailand, Korea, and Vietnam, which is undoubtedly a big challenge. In the American antidumping investigation against Taiwan, Cheng Shin has actively sought to become one of the investigated manufacturers and successfully won a further tariff cut. At the same time, the production bases in India, Indonesia, Thailand, and other countries can also respond anytime. In the second half of 2020, the Novel Coronavirus Pneumonia pandemic tended to be alleviated and regional demands recovered and rebounded. However, global shipping companies reduced cargo voyages, leading to a serious deficiency of containers and shipping spaces, which further caused an abrupt rise of the export freight. In face of these challenges, Cheng Shin continuously designed the strategic planning for the delivery to global automakers, and with the delivery experience accumulated in the past, Cheng Shin hoped to establish business relations with more major automakers, thereby enhancing the scale and operating revenue of the Group. Cheng Shin has been closely monitoring the fluctuations of market supply and demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continued the process of integrating new and previous products and replacing the product portfolio with products of high added value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2021 and the next 3 to 5 years, we envisage even more drastic changes, therefore we must promptly strengthen our ability to adapt, our core capabilities, and our competitiveness. Only by possessing world-class capabilities and competitiveness will we be able to adapt to the complicated and highly changeable market from now on. Therefore, in the future we will take advantage of our capabilities in technology, sales and distribution, manufacturing and management to build our core operations, to achieve globalization, and to enhance the regional sales and technical support so that the global headquarters can work closely with different regions and utilize local manufacturing to strengthen ties.

2. Analysis of Domestic Market:

(1) 2020 Domestic Market Overview

In 2020, the COVID-19 pneumonia swept across the world, from daily life to the global economy, the pandemic has completely overturned the operating modes we human had been accustomed to. Now, these factors have deeply affected the economic operation status.

At the same, the US Department of Commerce announced the preliminary investigation result of the anti-dumping and anti-subsidy case at the end of the year and decided to impose an antidumping tax against the passenger and light truck tires imported from Taiwan, Korea, Thailand, and Vietnam. It is a surprise that the tire manufacturers in Taiwan have been imposed the highest tax rate among all the countries and regions. The antidumping tax rate is expected to impact tire manufacturers and affect the industrial development.

Looking back at the external factors such as the rising momentum of the appreciation of the new Taiwan dollar and the weakening exchange rate of the US dollar, the threat to international trade has increased. However, when the pandemic situation in Taiwan has become more stable, the purchasing power of consumers is expected to continue to rise. However, the competition among industries has become increasingly fierce, and the market demand has become faster and more diversified. Maxxis will then face various new challenges.

With the fierce competition in the market, MAXXIS adheres to the concept of "customer expectation value (CVP)" to develop products that meet the customer needs, and has introduced a high-end comfortable product - Waltz MS2, which is tailored to meet the needs of middle and high-end car users. It is specially designed for families and drivers who pay attention to "quiet" and "comfortable", and based on the actual road conditions and weather conditions in Taiwan, it strengthens the ability of driving in dry and humid areas. The "safe" performance of the wet road allows the car owner to enjoy a quiet and comfortable time on the driving journey.

(2) Business outlook to 2021:

Considering the severe external factors, not only the company but also the whole market will be affected. 2021 is a year of hard work. We should make continuous progress based on the triple3 structure (100% Quality, 100% Service and 100% Reliability), strengthen the culture of "Integrity & Innovation", preserve Cheng Shin's tradition, and maintain good quality. At the same time, research and innovate to meet market demand, and strive to improve customer-oriented service.

In order to provide tires that are more in line with the needs of consumers, Maxxis

is close to consumers through market research, and develops new products with a rigorous attitude in the face of various customer voices and investment in research and innovation, so that the direction of technology research and development is consistent with the direction of market demand. Only in this way can we actually understand the voice of customers and create customer value.

To abide by Cheng Shin's core value of "Integrity & Innovation", we should not only practice it, implement it quickly, be brave in breakthrough and innovation, and be happy to share, but also to pursue growth without forgetting our original intention. We should continue to cultivate and give back to the countryside, take it from the society and apply it to the society, do a good job in corporate social responsibility (CSR), and uphold honest management and sincere work, To provide high-quality products and high-level services, adhere to the production of the tire closest to consumer demand, ensure the safety of every pedestrian, guard the way home. We hope that Cheng Shin MAXXIS FAMILY will continue to grow and thrive, and provide the public with the highest quality of transportation.

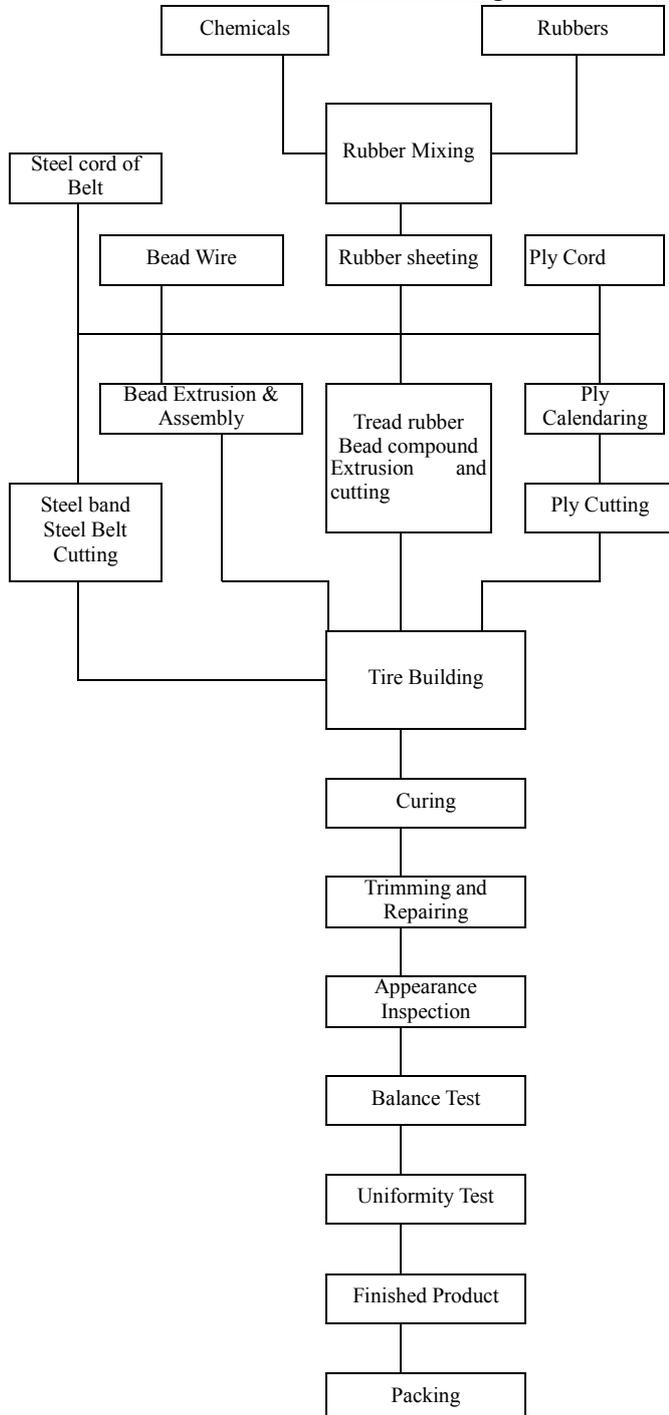
(II) Key Functions and Manufacturing Process of Core Products

Core Products: tires

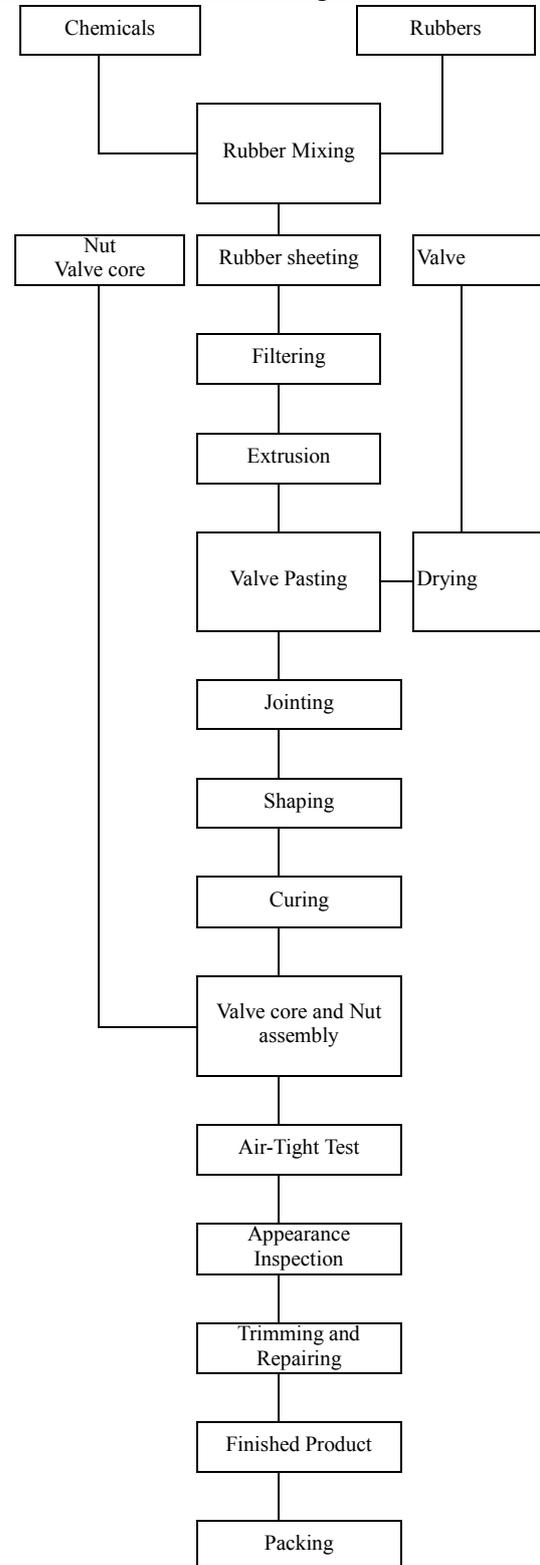
Application: transportation

Manufacturing Process:

PCR Tires Manufacturing Flowchart



Tubes Manufacturing Flowchart



(III) Supply of Key Materials

Materials	Quantity (ton)	Supplier
Rubber	227,080	SRI TRANG AGRO IND, PLC, etc.
Synthetic Rubber	226,614	TSRC Corporation, etc.
Fabric	48,573	FORMOSA TAFFETA Co., Ltd., etc.
Carbon black	211,066	Linyuan Advanced Materials Technology Co., Ltd., etc.
Steel Wire and Steel Wire Curtain Cloth	89,555	KISWIREARCELORMITTAL LTD, etc.
Chemicals	94,521	Trump Chemicals Corporation, etc.
Valve	147,042 (thousand sets)	Rim Master Industrial Co., Ltd., etc.

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

1. Suppliers with 10% or More of the Procured Amount:

Unit: NT\$ thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Supplied Amount	59,577,310	100.00	-	Net Supplied Amount	51,732,210	100.00	-	Net Supplied Amount	16,981,332	100.00	-

2. Customers with 10% or More of the Operating Revenue:

Unit: NT\$ thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Sales Amount	109,507,773	100.00	-	Net Sales Amount	96,209,056	100.00	-	Net Sales Amount	27,566,210	100.00	-

Note: Customer with more than 10% of the total sales (purchase) in any of the most recent two years, their purchase amount and their proportion, and specify the reason for their changes. Codes may be used for parties that may not be disclosed pursuant to a contract term or that are a non-related party individual.

(V) Production quantity of the last two years

Unit: Thousand tires

Amount: NT\$1000

Year Production Volume/Value Core Products	2019			2020		
	Production Capacity	Production Volume	Value of Production	Production Capacity	Production Volume	Value of Production
PCR	53,307	38,045	35,253,385	54,715	34,875	28,551,744
TBR	6,245	4,839	18,552,170	6,860	4,364	14,811,761
MC	50,090	37,898	9,419,276	58,720	40,753	9,282,934
BC	93,867	81,693	6,339,326	102,357	86,380	6,706,320
TUBE	161,473	121,371	3,514,906	166,817	129,797	3,260,660
Other tires	27,219	20,182	9,155,909	29,805	20,442	7,886,665
Other products (Note)	-	-	22,093	-	-	20,634
Total	392,201	304,028	82,257,065	419,274	316,611	70,520,718

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

(VI) Sales volume for the latest two years

Unit: Thousand tires

Amount: NT\$1000

Year Sales Volume/Value Core Products	2019				2020			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
PCR	24,252	27,976,677	14,899	17,975,119	24,834	27,309,496	10,760	11,542,041
TBR	4,151	20,382,728	642	3,219,306	3,910	16,919,663	505	2,296,739
MC	30,262	8,534,102	7,561	4,121,529	32,372	9,024,267	7,663	3,691,490
BC	60,249	6,369,440	19,799	3,152,569	66,357	6,898,434	20,416	3,394,982
TUBE	71,541	3,151,858	49,084	1,763,708	77,813	3,055,982	54,568	1,805,233
Other tires	13,873	7,054,947	6,689	5,373,580	16,034	7,717,896	3,957	2,885,143
Other products (Note)	-	694,216	-	75,056	-	559,266	-	54,087
Sales return and allowances	-	-2,057,832	-	-87,551	-	-2,141,969	-	-62,203
Transaction and insurance costs	-	-1,334,155	-	-178,399	-	-870,966	-	-241,551
Others	-	-	-	3,320,875	-	-	-	2,371,026
Total	204,328	70,771,981	98,674	38,735,792	221,320	68,472,069	97,869	27,736,987

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

Others: operating revenue not attributable to tire manufacturing business

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

Year		2019	2020	Current year ending on March 31, 2021
Number of Staff	Technicians	6,039	6,447	6,348
	Clerks	3,065	2,907	2,727
	Position	19,486	19,242	19,639
	Total	28,590	28,596	28,714
Average age		34	35	35
Average Service Year		7	7	7
Academic distribution ratio	PhD	17	17	17
	Master's	833	742	711
	Bachelor's (community college)	8,275	8,363	8,084
	High school	8,623	8,599	8,228
	Below high school	10,842	10,875	11,674

IV. Environmental protection expenditure:

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

(I) Compensation affair: None.

(II) Environmental protection audit result

Sanction Date	Sanction No.	Violated Regulation	Fact of Violation	Sanction Detail
2020.05.19	109-019	Subparagraph 2, Paragraph 1, Article 31 of the Waste Disposal Act	Quantity of waste declared by Douliu No. 1 Plant is inconsistent with the site	NT\$6,000
2020.09.17	40-109-090011	Subparagraph 1, Paragraph 1, Article 31 of the Waste Disposal Act	The amount of waste declaration of Xizhou Plant does not conform to the waste cleaning plan	NT\$6,000

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

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

V. Labor relations:

(I) Labor-management agreements and implementation

1. Key Employee Benefits:

The recruitment and employment of talents by the Company do not differ by race, gender, age, religion, nationality or political party. The total number of employees of the company at the end of 109 was 5904 in Taiwan head office. The ratio of female to male was 1:5.5. Due to the industrial characteristics, the proportion of female employees was relatively low; The number of regular employees exceeds 97% of the total number of employees, and the informal employees are all dispatched employees, work study students or outsourcing employees. There are 66 people with physical and mental disabilities in Taiwan, accounting for 1.12%, which meets the legal standard. The company's employees, including the senior management, accept the fair and rigorous performance appraisal mechanism, and take it as the basis for promotion and reward. In terms of employment, it aims to recruit talents and create a multi-cultural environment, and takes local employment and feedback as the principle.

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

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

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

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

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

Maternity/paternity leave: we also provide maternity/paternity benefits to our employees pursuant to the law. In 2020, the number of employees applied for maternity/paternity leave is as follows:

Item	Male	Female	Total
Employees applied for maternity/paternity leave in 2020	36	37	73
Employees expected to be on maternity/paternity leave in 2020(A)	24	23	47
Employees returning from maternity/paternity leave in 2020(B)	23	22	45
Rate of returning to work (B/A)	95.8%	95.7%	95.7%

2. Employee Education and Training:

We are committed to building a continuous and fulfilling learning environment for employee education and training purposes. Under this core value, we adopted "Rules Governing Education and Training" to plan training courses based on professional skills required for each department and offer developmental opportunities to the entity and individuals by way of internal and external trainings. We also provide general-knowledge, technical, and management training classes targeted at different job functions and levels of employees to enhance their professional and management skills. We invite outside experts to give lectures, and train speakers from within the Company as part of the conveyance of important knowledge and know-how of the Company, thereby sustaining our corporate culture and strengthening employee competitiveness.

In 2020, the Company started 1,797 vocational courses, 19 class courses, and 206 other courses, with a total of 2,022 courses. The total training hours were 52,171 hours, and the average training hours per employee was 8.84 hours.

(1) New employee training:	Aimed to provide new employees with an orientation to the training courses including the Company's corporate culture, safety training, quality concepts, policy and procedures to help them adapt to the new environment and fit into the culture of the organization. Once the orientation training is completed, employees still need to take the onsite training and obtain the qualification and capability for the job. The new employees will also be assigned mentors for assistance.
(2) Training by job level:	A series of topical courses designed for different job levels to improve employees' management skills and efficiency. The trainings will be given on topics such as presentation training and report writing for trainee level employees. The trainings will be given on topics such as presentation training and report writing for trainee level employees; communication skills, daily management and problem-solving steps to enhance the efficiency for junior management; policy management, leadership case study for officer level management. In recent years, we have optimized the learning roadmap, the project-based programs that are focused on elevating the capability of middle-top management are now conducted regularly on an annual basis to keep the management up to date and continue their learning. The training will also incorporate work safety program, corporate culture and risks mitigation, and cost management. Employees' training will start early before employees reach management level to cultivate their management skills from very early on.
(3) Special course:	For example, a series of courses, such as briefing skills and report writing, are offered for reserve personnel to help them integrate into the working environment and master the pace and efficiency of work; For grassroots cadres, courses such as interpersonal communication, daily management and problem solving steps are offered to improve their work efficiency; For supervisors, courses such as policy management and leadership case study are offered to improve their leadership and management skills. Plan different professional courses for each position, so that colleagues can get perfect training in each stage. For example, in the initial stage of entering the factory, provide job training according to the knowledge and skills required by each position; In addition, it provides professional functional training in the fields of production management, R & D, quality assurance and other professional departments to guide colleagues to focus on their own work, realize themselves and give full play to their potential; For the employees of special technical posts, such as maintenance electrician, electric welder, CNC lathe, etc., the training plan for special types of work is provided to help them obtain professional qualification certificate, so as to ensure that the employees have the professional ability required by the job; With the assistance of internal lecturer training and Twi teaching, the company's exclusive internal lecturers are trained to

	teach professional courses from and across units, so as to assist the transfer and inheritance of intellectual capital and become the hub of knowledge and model transfer within the organization.
(4) Project-based programs:	a variety of project-based programs designed to meet the employees' learning needs in different areas based on the annual training target. These programs include five core tools to elevate quality management, enhancing managerial skills for trainee management and R&D trainings.
(5) Personal development:	We provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws, and regulations.

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

3. Retirement Systems: We comply with the requirements of the Labor Standards Act and Labor Pension Act.

(1) Former pension system:	The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up the deficiency in one single appropriation before the end of March in the following year. As of December 31, 2020, the amount of pension funds recognized by the Company under the former pension system was NT\$20,416,000.
(2) New pension system:	The new pension system is available to all employees who came onboard as of July 1, 2005. If an employee chooses to be subject to the new pension system, the Company will appropriate a set amount of pension funds into such employee's personal bank account (appropriation by the Company). Alternatively, the employee may appropriate 1-6% as pension funds to his/her personal bank account (appropriation by the employees). As of December 31, 2020, the amount of pension funds recognized by the Company under the new person system was NT\$156,102,000.

4. Employee satisfaction:

The Company conducts employee satisfaction survey regularly. The survey includes the following areas: corporate system and culture, work environment, educational training, salary, and benefits. The employee satisfaction survey is one of the many measures we've taken to receive employee feedback. We take the results of the survey as a point of reference to improve company policies. In 2020, the questionnaire design continued to focus on the areas to be improved, and the improvement items related to staff computer equipment and parking facilities were continuously optimized and improved.

5. Other Material Contracts:

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

collective agreements signed by the Company and the labor union.

- (II) In the most recent year and up to the date of publication of the Annual Report, the losses incurred due to labor disputes (including no violation of the Labor Standards Law in the result of labor inspection, the date of punishment, the name of punishment, the provisions of violation of laws and regulations, the content of punishment) and the estimated amount and countermeasures that may occur in the future shall be listed. If it cannot be reasonably estimated, the fact that it can not be reasonably estimated shall be stated:

The Company is neither subject to any loss arising from labor disputes in the latest year and as at the date of this Annual Report, nor a party to any material labor dispute since incorporation. We do not expect any loss arising from labor disputes in the future.

VI. Important contracts: None

Chapter 6 Financial overview

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

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

Unit: NT\$ thousand

Year		Financial data over the past 5 years					Financial information as of March 31, 2021 (Note)
		2016	2017	2018	2019	2020	
Descriptions							
Current assets		58,153,934	66,663,624	63,023,450	58,929,975	52,902,892	52,197,249
Property, plant and equipment, net		103,156,284	105,007,683	103,254,578	95,889,585	89,547,273	86,934,991
Intangible assets, net		10,824	110,233	237,050	246,790	181,768	210,103
Other assets		6,843,684	7,302,715	8,247,690	8,973,879	8,693,220	8,674,876
Total assets		168,164,726	179,084,255	174,762,768	164,040,229	151,325,153	148,017,219
Current liabilities	Before distribution	39,786,698	42,078,364	44,487,184	43,404,174	34,395,009	32,068,805
	After distribution	49,510,944	47,912,912	48,052,741	46,645,590	-	-
Non-current liabilities		40,108,640	54,114,588	50,457,578	42,665,368	35,954,863	33,711,031
Total liabilities	Before distribution	79,895,338	96,192,952	94,944,762	86,069,542	70,349,872	65,779,836
	After distribution	89,619,584	102,027,500	98,510,319	89,310,958	-	-
Equity attributable to owners of parent		87,493,251	82,205,292	79,193,782	77,395,683	80,437,095	81,696,999
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital surplus		52,576	52,576	52,576	52,576	53,267	53,267
Retained earnings	Before distribution	58,334,342	54,168,622	51,927,349	51,833,197	54,580,969	56,394,644
	After distribution	48,610,096	48,334,074	48,361,792	48,591,781	-	-
Other equity interest		(3,307,822)	(4,430,061)	(5,200,298)	(6,904,245)	(6,611,296)	(7,165,067)
Treasury Stock		-	-	-	-	-	-
Non-controlling interest		776,137	686,011	624,224	575,004	538,186	540,384
Total equity	Before distribution	88,269,388	82,891,303	79,818,006	77,970,687	80,975,281	82,237,383
	After distribution	78,545,142	77,056,755	76,252,449	74,729,271	-	-

Note: Financial information regarding the first quarter of 2021 was prepared under IFRS and has been verified by independent auditors

Condensed Individual Balance Sheet – International Financial Reporting Standards (IFRS)

Unit: NT\$ thousand

Year		Financial data over the past 5 years				
		2016	2017	2018	2019	2020
Descriptions						
Current assets		17,330,482	19,434,044	19,892,507	14,363,866	12,343,254
Property, plant and equipment, net		16,052,715	15,747,604	16,326,183	16,668,254	16,234,596
Intangible assets, net		-	94,890	70,740	40,633	8,740
Other assets		89,435,797	85,207,137	82,548,279	81,783,205	86,397,260
Total assets		122,818,994	120,483,675	118,837,709	112,855,958	114,983,850
Current liabilities	Before distribution	9,408,116	7,778,876	13,044,084	11,168,216	13,385,944
	After distribution	19,132,362	13,613,424	16,609,641	14,409,632	-
Non-current liabilities		25,917,627	30,499,507	26,599,843	24,292,059	21,160,811
Total liabilities	Before distribution	35,325,743	38,278,383	39,643,927	35,460,275	34,456,755
	After distribution	45,049,989	44,112,931	43,209,484	38,701,691	-
Equity attributable to owners of parent		87,493,251	82,205,292	79,193,782	77,395,683	80,437,095
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital surplus		52,576	52,576	52,576	52,576	53,267
Retained earnings	Before distribution	58,334,342	54,168,622	51,927,349	51,833,197	54,580,969
	After distribution	48,610,096	48,334,074	48,361,792	48,591,781	-
Other equity interest		(3,307,822)	(4,430,061)	(5,200,298)	(6,904,245)	(6,611,296)
Treasury Stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Equity Total Amount	Before distribution	87,493,251	82,205,292	79,193,782	77,395,683	80,437,095
	After distribution	77,769,005	76,370,744	75,628,225	74,154,267	-

Note: Financial information regarding the fourth quarter of 2020 was prepared under IFRS and has been verified by independent auditors.

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

Unit: NT\$ thousand

Year Descriptions	Financial data over the past 5 years					Financial information as of March 31, 2021 (Note)
	2016	2017	2018	2019	2020	
Operating income	117,387,519	112,309,166	109,221,209	109,507,773	96,209,056	27,566,210
Gross operating profit	36,289,109	25,678,070	24,322,942	23,959,533	23,988,650	6,973,999
Operating profit and/or loss	18,671,413	8,398,492	7,415,189	7,003,132	8,596,725	3,035,270
Non-operating income and expenses	(776,427)	(16,623)	(1,505,548)	(1,175,833)	(440,019)	(447,754)
Profit before income tax	17,894,986	8,381,869	5,909,641	5,827,299	8,156,706	2,587,516
Net Income from Profit for the year	13,346,481	5,602,025	3,574,638	3,515,697	6,001,203	1,820,065
Loss from discontinued operations	-	-	-	-	-	-
Net profit of the period	13,346,481	5,602,025	3,574,638	3,515,697	6,001,203	1,820,065
Other consolidated profits and losses in the current period (net profit after-tax)	(5,305,431)	(1,255,864)	(813,387)	(1,755,905)	279,804	(557,963)
Total comprehensive income for the year	8,041,050	4,346,161	2,761,251	1,759,792	6,281,007	1,262,102
Net profit attributable to the owners of parent company	13,250,903	5,541,785	3,520,320	3,466,827	5,988,702	1,813,675
Net profit attributable to non-controlling interest	95,578	60,240	54,318	48,870	12,501	6,390
Total comprehensive income attributable to the owners of parent company	8,056,360	4,436,287	2,823,038	1,767,458	6,282,137	1,259,904
Total comprehensive income attributable to non-controlling interest	(15,310)	(90,126)	(61,787)	(7,666)	(1,130)	2,198
Earnings per share	4.09	1.71	1.09	1.07	1.85	0.56

Note: Financial information regarding the first quarter of 2021 was prepared under IFRS and has been verified by independent auditors

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

Unit: NT\$ thousand

Descriptions	Year	Financial data over the past 5 years				
		2016	2017	2018	2019	2020
Operating income		20,637,507	19,437,442	19,374,623	19,497,888	18,926,294
Gross operating profit		6,748,196	5,038,162	4,487,262	3,692,021	4,697,691
Operating profit and/or loss		2,845,044	1,338,775	648,205	(56,880)	953,296
Non-operating income and expenses		12,795,689	5,663,820	4,238,255	4,555,370	5,792,738
Profit before income tax		15,640,733	7,002,595	4,886,460	4,498,490	6,746,034
Net Income from Profit for the year		13,250,903	5,541,785	3,520,320	3,466,827	5,988,702
Loss from discontinued operations		-	-	-	-	-
Net profit of the period		13,250,903	5,541,785	3,520,320	3,466,827	5,988,702
Other consolidated profits and losses in the current period (net profit after-tax)		(5,194,543)	(1,105,498)	(697,282)	(1,699,369)	293,435
Total comprehensive income for the year		8,056,360	4,436,287	2,823,038	1,767,458	6,282,137
Net profit attributable to the owners of parent company		13,250,903	5,541,785	3,520,320	3,466,827	5,988,702
Net profit attributable to non-controlling interest		-	-	-	-	-
Total comprehensive income attributable to the owners of parent company		8,056,360	4,436,287	2,823,038	1,767,458	6,282,137
Total comprehensive income attributable to non-controlling interest		-	-	-	-	-
Earnings per share		4.09	1.71	1.09	1.07	1.85

Note: Financial information regarding the fourth quarter of 2020 was prepared under IFRS and has been verified by independent auditors.

Names and auditing opinions of CPA in recent five years

CPA Name	Year	Audit Opinion
Hung, Shu Hua, Wu, Der Feng	2016	Clean opinion after amendment
Hung, Shu Hua, Wu, Der Feng	2017	Clean opinion after amendment
Hung, Shu Hua, Wu, Der Feng	2018	Clean opinion after amendment
Hung, Shu Hua, Zhou, Jian-Hong	2019	Clean opinion after amendment
Wang, Yu-Chuan and Zhou, Jian-Hong	2020	Clean opinion after amendment

II. Financial analysis of the recent five years

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

Descriptions		Financial analysis of the recent five years					Financial information as of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	47.51	53.71	54.33	52.47	46.49	44.44
	Long-term working capital to real estate, plants and equipment ratio	119.10	126.04	121.82	120.74	125.54	128.20
Solvency %	Current ratio	146.16	158.43	141.67	135.77	153.81	162.77
	Quick ratio	106.58	107.13	94.83	91.62	99.42	101.21
	Interest coverage multiplicity	1945	735	403	434	874	1,810
Manageability	Accounts receivable turnover rate(Number of time)	9.37	9.27	8.77	8.62	7.14	7.91
	Average cash collection days	38.94	39.36	41.62	42.34	51.12	46.14
	Inventory turnover rate(Number of time)	5.98	5.23	4.40	4.57	4.05	4.53
	Accounts payable turnover rate(Number of time)	10.33	9.58	8.98	9.25	8.25	9.56
	Average days required for sales	61.08	69.74	82.95	79.87	90.12	80.57
	Real estate, plants and equipment turnover rate(Number of time)	1.12	1.08	1.05	1.10	1.04	1.25
	Aggregate total asset turnover rate(Number of time)	0.70	0.65	0.62	0.65	0.61	0.74
Profitability	Return on Assets (%)	8.45	3.84	2.83	2.89	4.33	1.29
	Return on Equity (%)	14.98	6.55	4.39	4.46	7.55	2.23
	Ratio of net profit before tax to paid-in capital (%)	55.21	25.86	18.23	17.98	25.16	7.98
	Net profit ratio (%)	11.37	4.99	3.27	3.21	6.24	6.60
	Earnings per share (EPS)(NT\$)	4.09	1.71	1.09	1.07	1.85	0.56
Cash flow	Cash flow ratio(%)	68.55	21.14	33.39	41.23	53.50	(Note 2)
	Cash flow adequacy ratio (%)	117.44	101.61	90.11	91.48	92.73	(Note 2)
	Cash reinvestment ratio (%)	8.54	-0.37	3.97	6.28	6.44	(Note 2)
Leverage	Operating Leverage	1.62	2.38	2.65	2.86	2.40	1.95
	Financial Leverage	1.05	1.18	1.32	1.33	1.14	1.05

Note1: Financial information regarding the first quarter of 2021 was prepared under IFRS and has been verified by independent auditors

Note2: Not applicable as these calculations are based on annual figures.

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

- (1) An increase in times interest earned (the denominator is interest expense) is mainly due to the decrease in interest expense and the increase in net profit before tax.
- (2) An increase in average cash collection days is mainly due to the decrease in net sales and an increase in accounts receivable for the period.
- (3) An increase in return on assets is mainly due to the increase in profit or loss after tax.
- (4) An increase in return on shareholders' equity is mainly due to the increase in profit or loss after tax.
- (5) An increase in percentage to paid-in capital ratio - net profit before tax increased is mainly due to the increase in net profit before tax.
- (6) An increase in net profit ratio is mainly due to the increase in profit or loss after tax.
- (7) An increase in earnings per share is mainly due to the increase in profit or loss after tax.
- (8) An increase in cash flow ratio is mainly due to the increase in net cash flow from operating activities and the decrease in current liabilities.

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

Descriptions (Note 2)		Financial analyses over the past 5 years				
		2016	2017	2018	2019	2020
Financial structure (%)	Ratio of liabilities to assets	28.76	31.77	33.36	31.42	30.04
	Long-term working capital to real estate, plants and equipment ratio	689.87	702.03	635.14	593.39	612.76
Solvency %	Current ratio	184.21	249.83	152.50	128.61	92.21
	Quick ratio	161.29	200.17	124.74	104.50	74.23
	Interest coverage multiplicity	4456	2171	1466	1567	2626
Manageability	Accounts receivable turnover rate(Number of time)	8.07	6.94	6.70	7.09	6.56
	Average cash collection days	45.26	52.62	54.50	51.48	55.64
	Inventory turnover rate(Number of time)	7.27	5.55	4.36	5.31	5.82
	Accounts payable turnover rate(Number of time)	14.19	12.38	11.06	12.97	10.31
	Average days required for sales	50.23	65.80	83.72	68.74	62.71
	Real estate, plants and equipment turnover rate(Number of time)	1.29	1.23	1.21	1.18	1.15
	Aggregate total asset turnover rate(Number of time)	0.17	0.16	0.16	0.17	0.17
Profitability	Return on Assets (%)	11.05	4.79	3.18	3.20	5.44
	Return on Equity (%)	15.00	6.53	4.36	4.43	7.59
	Ratio of net profit before tax to paid-in capital (%)	48.25	21.60	15.08	13.88	20.81
	Net profit ratio (%)	64.21	28.51	18.17	17.78	31.64
	Earnings per share (EPS)(NT\$)	4.09	1.71	1.09	1.07	1.85
Cash flow	Cash flow ratio(%)	105.33	96.82	55.46	46.66	44.61
	Cash flow adequacy ratio (%)	99.78	95.15	91.27	85.23	85.29
	Cash reinvestment ratio (%)	0.15	-1.78	1.19	1.43	2.35
Leverage	Operating Leverage	1.55	2.25	3.44	-26.65	2.91
	Financial Leverage	1.14	1.34	2.23	0.16	1.39

Note 1: Financial information regarding the fourth quarter of 2020 was prepared under IFRS and has been verified by independent auditors.

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

- (1) Quick ratio decrease: Mainly due to reduction of prepaid expenses and current liabilities.
- (2) Quick ratio: Mainly due to reduction of prepaid expenses and current liabilities.
- (3) Increase in interest coverage ratio: Mainly due to the reduced interest expense.
- (4) The accounts payable turnover increased by 28% due to the increase in the cost of sales of the period.
- (5) Return on assets: Mainly due to the increase in net income after tax.
- (6) Return on equity: Mainly due to the increase in net income after tax.
- (7) Decrease in Ratio of net profit before tax to paid-in capital: due to decrease in Net profit before tax.
- (8) Net profit ratio: Mainly due to the increase of net income after tax.
- (9) Increase in Cash reinvestment ratio: due to decrease in Cash dividend and Cash flow in operating

activities.

(10) Increase in Operating Leverage: due to decrease in Operating profit.

Formula to calculate the financial analyses:

Note 2: The formulas of the above table are as follows:

1. Financial structure

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

(2) Long-term working capital to real estate, plants, and equipment ratio = (Aggregate total of equity + Non-current liabilities) / Real estate, plants and equipment, net.

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets – Inventory – Expenses paid in advance) / Current liabilities.

(3) Interest coverage multiplicity = Net profit before income tax, interest and expenses / Interest expenditures this term.

3. Manageability

(1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = Net sales / Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms.

(2) Average cash collection days = 365 / Accounts receivable turnover rate.

(3) Inventory turnover rate = Sales costs / Average amount of inventory.

(4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = Sales costs / Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.

(5) Average days required for sales = 365 / Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales / Average net property, plant, and equipment.

(7) Aggregate total asset turnover rate = Net sales / Average aggregate total of assets.

4. Profitability

(1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)] / Average total assets.

(2) Equity return ratio = Profit and/or loss after tax / Average aggregate total of equity.

(3) Net profitability = Profit and/or loss after tax / Net sales.

(4) Earnings per share (EPS) = (Profit and/or loss belonging to parent company proprietor – Preferred shares dividend) / Weighted average number of outstanding shares.

5. Cash flow

(1) Cash flow ratio = Cash flow in operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Cash flow in operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.

(3) Cash reinvestment ratio = (Cash flow in operating activities – Cash dividend) / (Gross property, plant, and equipment + Long-term investment + Other assets + operating fund).

6. Leverage:

(1) Operating Leverage = (Operating revenues, net – Variable operating costs and expenses) / Operating interests.

(2) Financial Leverage = Operating interests / (Operating interests – Interest expenses).

Audit Committee's Report

Approved

The Board of Directors has prepared and submitted the Company's 2020 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Wang, Yu-Chuan and Chou, Chien-Hung of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2021 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

Hsu, En-De Chairman of the Audit Committee

Handwritten signature of Hsu, En-De in black ink, consisting of three characters: 許, 恩, 得.

Hsu, En-De
Chairman of the Audit Committee

Dated: March 24, 2021

IV. Consolidated Financial Statements certified by the CPAs of the most recent years

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

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

For the year ended December 31, 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. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20004276

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the "Group") as at December 31, 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 report of other auditors (please refer to the "other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the report of other auditors are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of sales revenue recognition, please refer to Note 4(31). For the detail of sales revenue, please refer to Note 6(21). For the year ended December 31, 2020, the sales revenue amounted to NT\$96,209,056 thousand.

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

How our audit addressed the matter

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

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

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

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2020, the unfinished construction and equipment under acceptance amounted to NT\$5,346,734 thousand.

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

How our audit addressed the matter

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

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

Changes of enterprise resource planning ERP system

Description

The ERP system of the Company's subsidiary, CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD., was changed from a self- developed system to the SAP system in October 2020. The SAP system would replace the operating platform initially used to record the subsidiary's operating activities. Since this involved changes in the information environment of primary operating platform, thus, we listed the change of ERP system as a key audit matter.

How our audit addressed the matter

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

1. Interviewed with management to discuss about the operating process which affected the new system, internal controls and introduction plan to assess the effectivity of the change in the system.
2. Obtained an understanding on the control of data transfer when the system changed, and checked the accuracy of account balances at the beginning date.
3. Obtained an understanding and tested the internal controls of primary operation and the system environment which was relied upon by the financial reporting to assess the effectiveness of internal controls after the data was transferred.

Other matter – Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$5,525,613 thousand and NT\$5,017,732 thousand, constituting 4% and 3% of the consolidated total assets as of December 31, 2020 and 2019, respectively, and the total liabilities of NT\$1,874,180 thousand and NT\$1,767,827 thousand, constituting 3% and 2% of the consolidated total liabilities as of December 31, 2020 and 2019, respectively, and total operating revenues of NT\$5,323,093 thousand and NT\$5,585,826 thousand, constituting 6% and 5% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement 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.

Wang, Yu-Chuan

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2021

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 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)	\$ 19,112,521	13	\$ 25,501,222	16
1110	Financial assets at fair value through profit or loss - current	6(2)	820	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	29,817	-	25,935	-
1150	Notes receivable, net	6(4)	4,544,057	3	3,761,453	2
1170	Accounts receivable, net	6(4)	9,472,839	6	8,938,927	5
1180	Accounts receivable - related parties	7	43,474	-	54,053	-
130X	Inventories	6(5)	17,563,439	12	17,949,870	11
1410	Prepayments		1,142,851	1	1,214,726	1
1470	Other current assets		993,074	1	1,483,789	1
11XX	Current Assets		<u>52,902,892</u>	<u>36</u>	<u>58,929,975</u>	<u>36</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	58,187	-	58,187	-
1550	Investments accounted for using the equity method	6(6)	172,981	-	157,489	-
1600	Property, plant and equipment, net	6(7)	89,547,273	59	95,889,585	59
1755	Right-of-use assets	6(8)	5,278,546	3	5,518,534	3
1760	Investment property, net	6(9)	531,097	-	550,156	-
1840	Deferred income tax assets	6(27)	1,921,209	1	1,986,139	1
1900	Other non-current assets	6(10)	912,968	1	950,164	1
15XX	Non-current assets		<u>98,422,261</u>	<u>64</u>	<u>105,110,254</u>	<u>64</u>
1XXX	Total assets		<u>\$ 151,325,153</u>	<u>100</u>	<u>\$ 164,040,229</u>	<u>100</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
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 borrowings	6(11)	\$ 7,222,391	5	\$ 16,843,366	10
2130	Current contract liabilities	6(21)	1,149,282	1	935,619	1
2150	Notes payable		157,811	-	1,122,276	1
2170	Accounts payable		8,442,030	5	7,793,330	5
2200	Other payables	6(12)	5,557,536	4	5,587,574	3
2230	Current income tax liabilities	6(27)	1,345,258	1	755,825	-
2280	Current lease liabilities		179,624	-	139,374	-
2300	Other current liabilities	6(13)(14)(15)	10,341,077	7	10,226,810	6
21XX	Current Liabilities		<u>34,395,009</u>	<u>23</u>	<u>43,404,174</u>	<u>26</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)	8,500,000	6	14,500,000	9
2540	Long-term borrowings	6(15) and 7	22,940,974	15	23,302,050	14
2550	Provisions for liabilities - non-current		144,918	-	141,841	-
2570	Deferred income tax liabilities	6(27)	1,076,640	1	1,313,834	1
2580	Non-current lease liabilities		534,727	-	569,553	-
2600	Other non-current liabilities	6(16)	2,757,604	2	2,838,090	2
25XX	Non-current liabilities		<u>35,954,863</u>	<u>24</u>	<u>42,665,368</u>	<u>26</u>
2XXX	Total Liabilities		<u>70,349,872</u>	<u>47</u>	<u>86,069,542</u>	<u>52</u>
Equity						
Equity attributable to owners of parent						
	Share capital	6(17)				
3110	Share capital - common stock		32,414,155	21	32,414,155	20
	Capital surplus	6(18)				
3200	Capital surplus		53,267	-	52,576	-
	Retained earnings	6(19)				
3310	Legal reserve		15,533,661	10	15,186,978	9
3320	Special reserve		6,904,245	5	5,200,298	3
3350	Unappropriated retained earnings		32,143,063	21	31,445,921	19
	Other equity interest	6(20)				
3400	Other equity interest	6(20)	(6,611,296)	(4)	(6,904,245)	(4)
31XX	Equity attributable to owners of the parent		<u>80,437,095</u>	<u>53</u>	<u>77,395,683</u>	<u>47</u>
36XX	Non-controlling interest		<u>538,186</u>	<u>-</u>	<u>575,004</u>	<u>1</u>
3XXX	Total equity		<u>80,975,281</u>	<u>53</u>	<u>77,970,687</u>	<u>48</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 151,325,153</u>	<u>100</u>	<u>\$ 164,040,229</u>	<u>100</u>

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 96,209,056	100	\$ 109,507,773	100
5000	Operating costs	6(5)	(72,220,406)	(75)	(85,548,240)	(78)
5900	Net operating margin		<u>23,988,650</u>	<u>25</u>	<u>23,959,533</u>	<u>22</u>
	Operating expenses	7				
6100	Selling expenses		(7,272,906)	(7)	(8,170,109)	(8)
6200	General and administrative expenses		(3,540,352)	(4)	(3,638,136)	(3)
6300	Research and development expenses		(4,578,667)	(5)	(5,148,156)	(5)
6000	Total operating expenses		(15,391,925)	(16)	(16,956,401)	(16)
6900	Operating profit		<u>8,596,725</u>	<u>9</u>	<u>7,003,132</u>	<u>6</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	259,135	-	295,566	-
7010	Other income	6(23)	1,005,988	1	598,662	1
7020	Other gains and losses	6(24) and 10	(697,239)	(1)	(356,865)	-
7050	Finance costs	6(25)	(1,026,423)	(1)	(1,719,849)	(2)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(6)	<u>18,520</u>	<u>-</u>	<u>6,653</u>	<u>-</u>
7000	Total non-operating income and losses		(440,019)	(1)	(1,175,833)	(1)
7900	Profit before income tax		8,156,706	8	5,827,299	5
7950	Income tax expense	6(27)	(2,155,503)	(2)	(2,311,602)	(2)
8200	Profit for the year		<u>\$ 6,001,203</u>	<u>6</u>	<u>\$ 3,515,697</u>	<u>3</u>

(Continued)

CHENG SHIN RUBBER IND. 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)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(16)			
		\$	1,267	-	\$ 4,820
8316	Unrealized gain on valuation of entity instruments at fair value through profit or loss	6(3)(20)	3,882	-	3,050
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(6)	(528)	-	722
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(253)	-	(964)
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,368	-	7,628
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	347,703	1	(2,190,282)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	(72,267)	-	426,749
8360	Components of other comprehensive income(loss) that will be reclassified to profit or loss		275,436	1	(1,763,533)
8300	Other comprehensive income(loss) for the year		\$ 279,804	1	(\$ 1,755,905)
8500	Total comprehensive income for the year		\$ 6,281,007	7	\$ 1,759,792
Profit attributable to:					
8610	Owners of the parent		\$ 5,988,702	6	\$ 3,466,827
8620	Non-controlling interest		12,501	-	48,870
			\$ 6,001,203	6	\$ 3,515,697
Comprehensive income attributable to:					
8710	Owners of the parent		\$ 6,282,137	7	\$ 1,767,458
8720	Non-controlling interest		(1,130)	-	(7,666)
			\$ 6,281,007	7	\$ 1,759,792
Earnings per share (in dollars)					
9750	Basic earnings per share	6(28)	\$ 1.85		\$ 1.07
9850	Diluted earnings per share	6(28)	\$ 1.85		\$ 1.07

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											
		Capital surplus					Retained earnings			Other equity interest			
		Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Capital surplus - donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
Year ended December 31, 2019													
Balance at January 1, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ -	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ 79,193,782	\$ 624,224	\$ 79,818,006
Profit for the year		-	-	-	-	-	-	3,466,827	-	-	3,466,827	48,870	3,515,697
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	-	4,578	(1,706,997)	3,050	(1,699,369)	(56,536)	(1,755,905)
Total comprehensive income (loss)		-	-	-	-	-	-	3,471,405	(1,706,997)	3,050	1,767,458	(7,666)	1,759,792
Appropriation and distribution of 2018 earnings:													
Legal reserve		-	-	-	-	352,032	-	(352,032)	-	-	-	-	-
Special reserve		-	-	-	-	770,237	-	(770,237)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(3,565,557)	-	-	(3,565,557)	-	(3,565,557)
Cash dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(41,554)	(41,554)
Balance at December 31, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ -	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ 77,395,683	\$ 575,004	\$ 77,970,687
Year ended December 31, 2020													
Balance at January 1, 2020		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ -	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ 77,395,683	\$ 575,004	\$ 77,970,687
Profit for the year		-	-	-	-	-	-	5,988,702	-	-	5,988,702	12,501	6,001,203
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	-	486	289,067	3,882	293,435	(13,631)	279,804
Total comprehensive income (loss)		-	-	-	-	-	-	5,989,188	289,067	3,882	6,282,137	(1,130)	6,281,007
Appropriation and distribution of 2019 earnings:													
Legal reserve		-	-	-	-	346,683	-	(346,683)	-	-	-	-	-
Special reserve		-	-	-	-	1,703,947	-	(1,703,947)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(3,241,416)	-	-	(3,241,416)	-	(3,241,416)
Cash dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(35,688)	(35,688)
Capital surplus arising from donated assets		-	-	-	691	-	-	-	-	-	691	-	691
Balance at December 31, 2020		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 691	\$ 15,533,661	\$ 6,904,245	\$ 32,143,063	(\$ 6,632,448)	\$ 21,152	\$ 80,437,095	\$ 538,186	\$ 80,975,281

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 8,156,706	\$ 5,827,299
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(26)	11,634,602	12,682,025
Depreciation expense on right-of-use assets	6(8)(26)	290,531	246,190
Depreciation on investment property	6(9)(26)	22,994	23,995
Amortisation expense	6(10)(26)	98,712	102,729
Expected credit loss	12(2)	46,173	29,461
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(18,520)	(6,653)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(24)	756	2,383
Loss on disposal of property, plant and equipment	6(7)(24)	35,960	66,705
(Reversal of)/Impairment loss on non -financial assets	6(7)	(956)	278,592
Interest expense	6(7)(25)	1,026,423	1,719,849
Interest income	6(22)	(259,135)	(295,566)
Deferred government grants revenue		(147,309)	(117,831)
Unrealized foreign exchange loss (gain) on long-term foreign currency loans		2,671	(343,657)
Disaster loss	6(5)(7)(24) and 10	279	-
Compensation revenue from levy of right-of-use		(13,982)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(782,604)	(1,087,910)
Accounts receivable		(580,917)	894,661
Accounts receivable - related parties		10,579	(6,077)
Inventories		375,519	1,412,359
Prepayments		65,684	239,607
Other current assets		556,348	127,023
Other non-current assets		(18,601)	161,965
Changes in operating liabilities			
Contract liabilities - current		213,663	188,548
Notes payable		(964,465)	498,861
Accounts payable		648,700	(1,159,872)
Other payables		588,523	31,528
Other current liabilities		249,526	67,971
Accrued pension liabilities		(135,633)	2,203
Other non-current liabilities		2,114	10,115
Cash inflow generated from operations		21,104,341	21,596,503
Interest received		255,502	292,320
Dividends received		2,500	2,500
Interest paid		(1,117,009)	(1,758,533)
Income tax paid		(1,904,517)	(2,440,090)
Income tax refund received		60,861	204,699
Net cash flows from operating activities		<u>18,401,678</u>	<u>17,897,399</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets and liabilities at fair value			
through profit or loss		(\$ 1,576)	\$ 860
Acquisition of property, plant and equipment	6(7)(29)	(6,595,878)	(8,587,584)
Payment for capitalized interests	6(7)(25)	(24,489)	(20,319)
Proceeds from disposal of property, plant and equipment		98,557	167,489
Acquisition of investment properties	6(9)	(82)	-
Acquisition of intangible assets	6(10)	(32,680)	(68,548)
(Increase) decrease in refundable deposits		(9,225)	33,102
Proceeds from disposal of right-of-use assets		32,515	-
Increase in other non-current liabilities		159,878	44,305
Net cash flows used in investing activities		(6,372,980)	(8,430,695)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(11)(30)	14,371,207	21,205,751
Decrease in short-term loans	6(11)(30)	(23,540,010)	(19,745,431)
Repayments of bonds	6(14)(30)	(2,500,000)	(4,800,000)
Increase in long-term loans	6(15)(30)	7,927,028	13,030,724
Decrease in long-term loans	6(15)(30)	(10,896,382)	(17,357,382)
Increase (decrease) in guarantee deposits received	6(30)	9,392	(6,828)
Repayments of principal portion of lease liabilities	6(8)(30)	(176,196)	(113,705)
Cash dividends paid	6(19)(30)	(3,241,416)	(3,565,557)
Cash dividends paid to non-controlling interests	6(30)	(35,688)	(41,554)
Capital surplus arising from donated assets		691	-
Net cash flows used in financing activities		(18,081,374)	(11,393,982)
Effect of exchange rate changes on cash and cash equivalents		(336,025)	(380,996)
Net decrease in cash and cash equivalents		(6,388,701)	(2,308,274)
Cash and cash equivalents at beginning of year	6(1)	25,501,222	27,809,496
Cash and cash equivalents at end of year	6(1)	\$ 19,112,521	\$ 25,501,222

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 24, 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9 and IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows :

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 financial condition and financial performance based on the Group’s assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference 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
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, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, '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 IFRS Standards 2018–2020	January 1, 2022

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

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) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT.MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS RUBBER JAPAN CO., LTD.	Import and export of tires	100	-	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Import and export of tires	20	-	Note 4
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK)	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER USA, INC.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Import and export of tires	80	-	Note 4

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

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

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

Note 4: In March 2019, the Company established MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. in Mexico, and remitted out investment in the amount of MXN 2,093 thousand with the subsidiary, CHENG SHIN RUBBER USA, INC., during the second quarter and third quarter of 2020, and jointly acquired 100% equity interest of MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. The subsidiary was included in the consolidated entity in the second quarter of 2020.

Note 5: In February 2020, the Company established MAXXIS RUBBER JAPAN CO., LTD. in Japan, and remitted out investment in the amount of JPY 50,000 thousand in April 2020, and acquired 100% equity interest. The subsidiary was included in the consolidated entity in the second quarter of 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:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

- (a) Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

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

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

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

(6) Cash equivalents

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

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

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

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

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

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

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

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

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

- (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- (9) Accounts and notes receivable
- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (10) Impairment of financial assets
- For accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs at each reporting date.
- (11) Derecognition of financial assets
- The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.
- (12) Leasing arrangements (lessor) – lease receivables/ operating leases
- Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.
- (13) Inventories
- Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.
- (14) Joint operation and investments accounted for using the equity method- joint ventures
- The Group accounts for its interest in a joint venture using the equity method. When the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- (15) Property, plant and equipment
- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
 - B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will

flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model.

Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 40 years.

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

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

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

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

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

(23) Bonds payable

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

(24) Derecognition of financial liabilities

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

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Non-hedging derivatives

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

(27) Provisions

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

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

C. Employees', directors' and supervisors' remuneration

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

(29) Income taxes

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions

where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Dividends

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

(31) Revenue recognition

A. Sales of goods:

- (a) The Group manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue of the Group, which mainly consists of sale of various tire and rubber products, was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer

of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

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

B. Property development and resale

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

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

(32) Government grants

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

(33) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 3,833	\$ 3,285
Checking deposit	1,217,460	1,439,563
Demand deposits	16,478,670	19,648,228
Time deposits	1,412,558	4,410,146
	<u>\$ 19,112,521</u>	<u>\$ 25,501,222</u>
Interest rate range		
Time deposits	<u>0.20%~2.90%</u>	<u>1.75%~3.15%</u>

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ <u>820</u>	\$ <u>-</u>

A. The Group recognised net loss amounting to \$756 thousand and \$2,383 thousand on financial assets mandatorily measured at fair value through profit or loss - derivative instruments for the years ended December 31, 2020 and 2019, respectively.

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

Derivative instruments	December 31, 2020	
	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2020/11/09~
USD exchange to NTD	USD <u>40,000 thousand</u>	2021/3/22
Foreign exchange swap		2020/10/20~
USD exchange to NTD	USD <u>60,000 thousand</u>	2021/11/8

The Group has no derivative instruments transaction on December 31, 2019.

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

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

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

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	<u>21,152</u>	<u>17,270</u>
Total	<u>\$ 29,817</u>	<u>\$ 25,935</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>

A. The Group has elected to classify equity instruments investment that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$88,004 thousand and \$84,122 thousand as at December 31, 2020 and 2019, respectively.

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

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Equity instruments at fair value</u> <u>through other comprehensive income</u> Fair value change recognised in other comprehensive income (loss)	\$ 3,882	\$ 3,050

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

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 4,553,334	\$ 3,770,730
Less: Loss allowance	(9,277)	(9,277)
	<u>\$ 4,544,057</u>	<u>\$ 3,761,453</u>
Accounts receivable	\$ 9,533,434	\$ 8,980,542
Less: Loss allowance	(60,595)	(41,615)
	<u>\$ 9,472,839</u>	<u>\$ 8,938,927</u>

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 8,285,062	\$ 4,553,334	\$ 7,376,434	\$ 3,770,730
Up to 30 days	880,500	-	1,099,362	-
31 to 90 days	212,594	-	282,247	-
91 to 180 days	67,641	-	83,960	-
Over 180 days	87,637	-	138,539	-
	<u>\$ 9,533,434</u>	<u>\$ 4,553,334</u>	<u>\$ 8,980,542</u>	<u>\$ 3,770,730</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,608,070 thousand.

C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$4,544,057 thousand and \$9,472,839 thousand; \$3,761,453 thousand and \$8,938,927 thousand, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,345,364	\$ -	\$ 5,345,364
Work in progress	2,497,417	(1,833)	2,495,584
Finished goods	6,312,629	(98,948)	6,213,681
Buildings and land held for sale	2,249,841	-	2,249,841
Inventory in transit	1,258,969	-	1,258,969
	<u>\$ 17,664,220</u>	<u>(\$ 100,781)</u>	<u>\$ 17,563,439</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,977,629	\$ -	\$ 5,977,629
Work in progress	2,508,792	-	2,508,792
Finished goods	6,525,220	(85,899)	6,439,321
Buildings and land held for sale	2,336,891	-	2,336,891
Inventory in transit	687,237	-	687,237
	<u>\$ 18,035,769</u>	<u>(\$ 85,899)</u>	<u>\$ 17,949,870</u>

The cost of inventories recognized as expense for the period:

	Year ended	Year ended
	December 31, 2020	December 31, 2019
Cost of goods sold	\$ 72,105,934	\$ 85,609,331
Unallocated overheads	185,460	-
Others	(70,988)	(61,091)
	<u>\$ 72,220,406</u>	<u>\$ 85,548,240</u>

On September 26, 2020, a plant located in Xizhou owned by the parent company of the Group absorbed some fire damage. The book value of the buildings and equipment which were damaged by the fire amounted to \$10,912 thousand. The Group has relevant property insurance and has filed a claim to the insurance company. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

(6) Investments accounted for using the equity method

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

As at December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial joint ventures amounted to \$172,981 thousand and \$157,489 thousand, respectively.

	Year ended	Year ended
	December 31, 2020	December 31, 2019
Share of profit of associates and joint ventures accounted for using the equity method	\$ 18,520	\$ 6,653
Other comprehensive (loss) income- net of tax	(528)	722
Total comprehensive income	<u>\$ 17,992</u>	<u>\$ 7,375</u>

(7) Property, plant and equipment, net

	Year ended December 31, 2020					
	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,610,898	\$ -	\$ -	\$ -	(\$ 35,118)	\$ 4,575,780
Buildings and structures	49,810,262	155,961	(28,042)	617,151	(263,656)	50,291,676
Machinery	102,641,974	852,113	(471,651)	2,347,868	(288,628)	105,081,676
Testing equipment	3,869,352	41,765	(4,378)	123,973	(16,091)	4,014,621
Transportation equipment	1,428,027	21,718	(37,577)	33,587	10,101	1,455,856
Office equipment	1,054,912	32,111	(1,710)	10,102	(7,861)	1,087,554
Other facilities	33,998,456	1,400,916	(393,213)	635,985	(174,630)	35,467,514
Unfinished construction and equipment under acceptance	5,563,842	3,595,334	(810)	(3,768,312)	(43,320)	5,346,734
	<u>\$ 202,977,723</u>	<u>\$ 6,099,918</u>	<u>(\$ 937,381)</u>	<u>\$ 354</u>	<u>(\$ 819,203)</u>	<u>\$ 207,321,411</u>
Accumulated depreciation						
Buildings and structures	(\$ 18,644,399)	\$ 1,929,244	\$ 10,920	\$ -	(\$ 31,342)	(\$ 20,594,065)
Machinery	(58,136,370)	(5,703,643)	327,741	(66)	158,412	(63,353,926)
Testing equipment	(2,888,108)	(280,281)	2,710	-	(2,457)	(3,168,136)
Transportation equipment	(1,061,464)	(98,753)	32,744	-	(3,123)	(1,130,596)
Office equipment	(710,600)	(130,741)	1,638	-	2,775	(836,928)
Other facilities	(25,364,441)	(3,491,940)	354,667	-	75,944	(28,425,770)
	<u>(\$ 106,805,382)</u>	<u>(\$ 11,634,602)</u>	<u>\$ 730,420</u>	<u>(\$ 66)</u>	<u>\$ 200,209</u>	<u>(\$ 117,509,421)</u>
Accumulated impairment						
Machinery	(\$ 256,534)	\$ -	\$ 19,781	\$ -	(\$ 3,638)	(\$ 240,391)
Testing equipment	(271)	(420)	425	-	(4)	(270)
Transportation equipment	(1,960)	-	22	-	(32)	(1,970)
Office equipment	(58)	-	13	-	(1)	(46)
Other facilities	(23,933)	(313)	2,525	-	(319)	(22,040)
	<u>(\$ 282,756)</u>	<u>(\$ 733)</u>	<u>\$ 22,766</u>	<u>\$ -</u>	<u>(\$ 3,994)</u>	<u>(\$ 264,717)</u>
	<u>\$ 95,889,585</u>					<u>\$ 89,547,273</u>

Year ended December 31, 2019

	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences		End of period
Cost							
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 27,431	\$ 27,431	\$ 4,610,898
Buildings and structures	49,684,022	479,057	(44,727)	796,905	(1,104,995)	(1,104,995)	49,810,262
Machinery	100,304,545	1,089,711	(496,950)	4,073,374	(2,328,706)	(2,328,706)	102,641,974
Testing equipment	3,729,686	58,799	(16,085)	180,298	(83,346)	(83,346)	3,869,352
Transportation equipment	1,369,500	81,522	(28,067)	48,438	(43,366)	(43,366)	1,428,027
Office equipment	954,368	97,107	(7,983)	36,538	(25,118)	(25,118)	1,054,912
Other facilities	31,361,160	2,247,633	(324,633)	1,171,035	(456,739)	(456,739)	33,998,456
Unfinished construction and equipment under acceptance	8,005,642	3,951,492	-	(6,350,367)	(42,925)	(42,925)	5,563,842
	<u>\$ 199,992,390</u>	<u>\$ 8,005,321</u>	<u>(\$ 918,445)</u>	<u>(\$ 43,779)</u>	<u>(\$ 4,057,764)</u>	<u>(\$ 4,057,764)</u>	<u>\$ 202,977,723</u>
Accumulated depreciation							
Buildings and structures	(\$ 17,052,347)	\$ 2,119,130	\$ 29,794	\$ -	\$ 497,284	(\$ 497,284)	(\$ 18,644,399)
Machinery	(53,074,452)	(6,312,299)	(324,739)	(97,106)	(1,022,748)	(1,022,748)	(58,136,370)
Testing equipment	(2,670,049)	(306,040)	(10,915)	(1,427)	(75,639)	(75,639)	(2,888,108)
Transportation equipment	(998,805)	(113,250)	(22,769)	-	(27,822)	(27,822)	(1,061,464)
Office equipment	(596,140)	(138,672)	(7,013)	(316)	(16,883)	(16,883)	(710,600)
Other facilities	(22,331,442)	(3,692,634)	(289,021)	(95,363)	(275,251)	(275,251)	(25,364,441)
	<u>(\$ 96,723,235)</u>	<u>(\$ 12,682,025)</u>	<u>\$ 684,251</u>	<u>\$ -</u>	<u>\$ 1,915,627</u>	<u>(\$ 1,915,627)</u>	<u>(\$ 106,805,382)</u>
Accumulated impairment							
Machinery	(\$ 12,651)	\$ 253,353	\$ -	\$ -	\$ 9,470	(\$ 9,470)	(\$ 256,534)
Testing equipment	-	(282)	-	-	(11)	(11)	(271)
Transportation equipment	-	(2,036)	-	-	(76)	(76)	(1,960)
Office equipment	-	(60)	-	-	(2)	(2)	(58)
Other facilities	(1,926)	(22,861)	-	-	(854)	(854)	(23,933)
	<u>(\$ 14,577)</u>	<u>(\$ 278,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,413</u>	<u>(\$ 10,413)</u>	<u>(\$ 282,756)</u>
	<u>\$ 103,254,578</u>						<u>\$ 95,889,585</u>

- A. On September 26, 2020, a plant located in Xizhou owned by the parent company of the Group absorbed some fire damage. The book value of the buildings and equipment which were damaged by the fire amounted to \$51,367 thousand. The Group has relevant property insurance and has filed a claim to the insurance company. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.
- B. The Group transformed TIANJIN TAFENG RUBBER IND CO., LTD. as logistics warehousing center since it was under the environmental protection restriction of China Government for the year ended December 31, 2019. The Group wrote down the carrying amount of certain equipment that are not qualified for operations based on the recoverable amount and recognised an impairment loss of \$278,592 thousand accordingly. The recoverable amount is computed based on the equipment's fair value less costs of disposal, estimated by the price of replacement cost and dismantling realisable value: (1) The replacement cost value is the evaluation value determined with reference to the market replacement value and the integrated depreciation rate of equipment; (2) The dismantling realisable value is the evaluation value based on the corresponding net weight of the equipment and market recovery unit price of waste and used items. The fair value is classified as a level 2 fair value.
- C. The Group recognised impairment loss for the year ended December 31, 2019 was \$278,592 thousand. Details of such loss are as follows:

	<u>Year ended December 31, 2019</u>	
	<u>Recognised in profit or loss</u>	
Impairment loss		
Machinery	\$	253,353
Testing equipment		282
Transportation equipment		2,036
Office equipment		60
Other equipment		22,861
	<u>\$</u>	<u>278,592</u>

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

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Amount capitalized	\$ 24,489	\$ 20,319
Range of the interest rates for capitalization	<u>3.83%~4.68%</u>	<u>2.20%~7.53%</u>

(8) Leasing arrangements — lessee

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 4,639,486	\$ 4,882,312
Buildings and structures	416,568	473,987
Machinery	17,917	22,208
Transportation equipment	172,707	98,075
Office equipment	6,645	6,257
Other equipment	25,223	35,695
	<u>\$ 5,278,546</u>	<u>\$ 5,518,534</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 104,850	\$ 116,628
Buildings and structures	91,907	64,611
Machinery	3,079	3,245
Transportation equipment	74,996	46,344
Office equipment	3,939	2,687
Other equipment	11,760	12,675
	<u>\$ 290,531</u>	<u>\$ 246,190</u>

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$215,312 thousand and \$494,845 thousand, respectively.

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

	<u>Year ended</u>	<u>Year ended</u>
<u>Items affecting profit or loss</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest expense on lease liabilities	\$ 14,440	\$ 13,869
Expense on short-term lease contracts	17,215	30,248
Expense on leases of low-value assets	3,268	3,158
Expense on variable lease payments	237,669	223,278
	<u>\$ 272,592</u>	<u>\$ 270,553</u>

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$448,788 thousand and \$384,258 thousand, respectively.

G. Variable lease payments

- (a) Some of the Group's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 42.21% and 43.21% of lease payments are on the basis of variable payment terms for the years ended December 31, 2020 and 2019 and are accrued based on the stored amount of tires. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.
- (b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$2,377 thousand and \$2,233 thousand for the years ended December 31, 2020 and 2019, respectively.

(9) Investment property, net

	Year ended December 31, 2020				
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost					
Land	\$ 336,339	\$ 82	\$ -	\$ -	\$ 336,421
Buildings and structures	455,023	-	-	7,145	462,168
	<u>\$ 791,362</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 7,145</u>	<u>\$ 798,589</u>
Accumulated depreciation					
Buildings and structures	(\$ 190,168)	(\$ 22,994)	\$ -	(\$ 3,292)	(\$ 216,454)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 550,156</u>				<u>\$ 531,097</u>
	Year ended December 31, 2019				
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	471,597	-	-	(16,574)	455,023
	<u>\$ 807,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 16,574)</u>	<u>\$ 791,362</u>
Accumulated depreciation					
Buildings and structures	(\$ 172,654)	(\$ 23,995)	\$ -	\$ 6,481	(\$ 190,168)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 584,244</u>				<u>\$ 550,156</u>

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

	Year ended December 31, 2020	Year ended December 31, 2019
Rental income from investment property	<u>\$ 28,144</u>	<u>\$ 30,287</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 22,994</u>	<u>\$ 23,995</u>

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$1,093,399 thousand and \$1,066,478 thousand, respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr./Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the

original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Intangible assets	\$ 181,768	\$ 246,790
Others	731,200	703,374
	<u>\$ 912,968</u>	<u>\$ 950,164</u>

Movements in intangible assets:

	<u>Year ended December 31, 2020</u>					
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at December 31
	Cost					
Computer software	\$ 514,464	\$ 32,680	(\$ 12,541)	(\$ 354)	(\$ 4,203)	\$ 530,046
Others	7,762	-	-	-	130	7,892
	<u>\$ 522,226</u>	<u>\$ 32,680</u>	<u>(\$ 12,541)</u>	<u>(\$ 354)</u>	<u>(\$ 4,073)</u>	<u>\$ 537,938</u>
Accumulated amortisation						
Computer software	(\$ 273,107)	(\$ 97,940)	\$ 12,541	\$ 66	\$ 5,427	(\$ 353,013)
Others	(2,329)	(772)	-	-	(56)	(3,157)
	<u>(\$ 275,436)</u>	<u>(\$ 98,712)</u>	<u>\$ 12,541</u>	<u>\$ 66</u>	<u>\$ 5,371</u>	<u>(\$ 356,170)</u>
	<u>\$ 246,790</u>					<u>\$ 181,768</u>
	<u>Year ended December 31, 2019</u>					
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost						
Computer software	\$ 420,716	\$ 68,548	(\$ 11,400)	\$ 47,230	(\$ 10,630)	\$ 514,464
Others	-	-	-	8,063	(301)	7,762
	<u>\$ 420,716</u>	<u>\$ 68,548</u>	<u>(\$ 11,400)</u>	<u>\$ 55,293</u>	<u>(\$ 10,931)</u>	<u>\$ 522,226</u>
Accumulated amortisation						
Computer software	(\$ 183,666)	(\$ 101,923)	\$ 11,400	(\$ 2,368)	\$ 3,450	(\$ 273,107)
Others	-	(806)	-	(1,613)	90	(2,329)
	<u>(\$ 183,666)</u>	<u>(\$ 102,729)</u>	<u>\$ 11,400</u>	<u>(\$ 3,981)</u>	<u>\$ 3,540</u>	<u>(\$ 275,436)</u>
	<u>\$ 237,050</u>					<u>\$ 246,790</u>

Details of amortisation on intangible assets are as follows:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Operating costs	\$ 10,611	\$ 9,955
Selling expenses	6,407	5,916
Administrative expenses	67,409	73,693
Research and development expenses	14,285	13,165
	<u>\$ 98,712</u>	<u>\$ 102,729</u>

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 7,222,391</u>	0.45%~5.95%	None

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 16,843,366</u>	0.55%~7.95%	None

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

(12) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Dividend payable	\$ 657	\$ 657
Wages and salaries payable	1,485,019	1,432,816
Payable on machinery and equipment	607,905	1,128,354
Employee compensation payable	249,834	209,476
Compensation due to directors and supervisors	101,019	67,093
Other accrued expenses	1,751,515	1,911,096
Others	1,361,587	838,082
	<u>\$ 5,557,536</u>	<u>\$ 5,587,574</u>

(13) Other current liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-term liabilities due within one year	\$ 9,765,552	\$ 9,900,811
Advance receipts	804	272
Refund liabilities	451,827	106,627
Others	122,894	219,100
	<u>\$ 10,341,077</u>	<u>\$ 10,226,810</u>

(14) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable -issued in 2016	\$ 2,500,000	\$ 5,000,000
Bonds payable -issued in 2017	7,000,000	7,000,000
Bonds payable -issued in 2018	5,000,000	5,000,000
	14,500,000	17,000,000
Less: Current portion	(6,000,000)	(2,500,000)
	<u>\$ 8,500,000</u>	<u>\$ 14,500,000</u>

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:

(a) Interest accrued/paid:

- The interest is accrued/paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/paid:
The interest is accrued/ paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/paid:
The interest is accrued/ paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- D. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was \$4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds was 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:
- (a) Interest accrued/paid:
The interest is accrued/ paid at a single rate annually from the issue date.
- (b) Redemption:
The corporate bonds will be redeemed in full amount at the maturity date.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until June 2027.	0.70%~ 4.50%	None	\$ 26,487,676
Other borrowings				
Unsecured borrowings	Principal is repayable in November 2022 at the maturity.	6.65%	None	<u>218,850</u>
				26,706,526
Less: Current portion				(<u>3,765,552</u>)
				<u>\$ 22,940,974</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until November 2026.	1.00%~ 4.76%	None	\$ 30,487,611
Other borrowings				
Unsecured borrowings	Principal is repayable in November 2022 at the maturity.	6.65%	None	<u>215,250</u>
				30,702,861
Less: Current portion				(<u>7,400,811</u>)
				<u>\$ 23,302,050</u>

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

B. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2020 and 2019.

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

<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
USD	\$ 13,731,157	\$ 16,339,100

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act,

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 1,278,916	\$ 1,351,590
Fair value of plan assets	(695,313)	(653,508)
Net defined benefit liability	<u>\$ 583,603</u>	<u>\$ 698,082</u>

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

	<u>2020</u>		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 1,351,590	(\$ 653,508)	\$ 698,082
Current service cost	15,530	-	15,530
Interest expense (income)	9,461	(4,575)	4,886
	<u>1,376,581</u>	<u>(658,083)</u>	<u>718,498</u>
Remeasurements:			
Change in financial assumptions	47,926	-	47,926
Experience adjustments	(25,410)	-	(25,410)
Return on plan asset (excluding amounts included in interest income or expense)	-	(23,783)	(23,783)
	<u>22,516</u>	<u>(23,783)</u>	<u>(1,267)</u>
Pension fund contribution	-	(125,044)	(125,044)
Paid pension	(120,181)	111,597	(8,584)
Balance at December 31	<u>\$ 1,278,916</u>	<u>(\$ 695,313)</u>	<u>\$ 583,603</u>

2019

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 1,389,880	(\$ 680,510)	\$ 709,370
Current service cost	18,362	-	18,362
Interest expense (income)	13,899	(6,805)	7,094
	<u>1,422,141</u>	<u>(687,315)</u>	<u>734,826</u>
Remeasurements:			
Change in financial assumptions	39,375	-	39,375
Experience adjustments	(18,760)	-	(18,760)
Return on plan asset (excluding amounts included in interest income or expense)	-	(25,435)	(25,435)
	<u>20,615</u>	<u>(25,435)</u>	<u>(4,820)</u>
Pension fund contribution	-	(23,824)	(23,824)
Paid pension	(91,166)	83,066	(8,100)
Balance at December 31	<u>\$ 1,351,590</u>	<u>(\$ 653,508)</u>	<u>\$ 698,082</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2020 and 2019, the actual return on plan assets was \$28,358 thousand and \$32,240 thousand, respectively.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	<u>0.30%</u>	<u>0.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 30,281)</u>	<u>\$ 31,415</u>	<u>\$ 27,471</u>	<u>(\$ 26,674)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 32,934)</u>	<u>\$ 34,189</u>	<u>\$ 30,116</u>	<u>(\$ 29,219)</u>

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$18,853 thousand.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

Within 1 year	\$	127,492
2-5 years		278,072
Over 6 years		320,250
	\$	<u>725,814</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading Co., Ltd. for the years ended December 31, 2020 and 2019 were \$153,133 thousand and \$150,789 thousand, respectively.
- C. (a) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2020 and 2019 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$236,303 thousand and \$336,288 thousand, respectively.
- (b) Other overseas entities contribute to the statutory pension insurance or pension fund for their employees based on their wages and salaries in compliance with local laws and regulations. Other than the annual contributions, the entities have no further obligations. The pension costs under the defined contribution pension plan of the Group for the years ended December

31, 2020 and 2019 were \$73,898 thousand and \$55,989 thousand, respectively.

(17) Share capital

As at December 31, 2020, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. The Company recognized dividends distributed to shareholders amounting to \$3,241,416 thousand and \$3,565,557 thousand (\$1.0 (in dollars) and \$1.1 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On March 24, 2021, the Board of Directors that total dividends for the distribution of earnings for the year of 2020 was \$3,889,699 thousand at \$1.2 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(26).

(20) Other equity items

	2020			
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income		Total
At January 1	(\$ 6,921,515)	\$	17,270	(\$ 6,904,245)
Valuation adjustment – Group	-		3,882	3,882
Currency translation differences:				
– Group	361,334		-	361,334
– Tax on Group	(72,267)		-	(72,267)
At December 31	<u>(\$ 6,632,448)</u>	<u>\$</u>	<u>21,152</u>	<u>(\$ 6,611,296)</u>
	2019			
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income		Total
At January 1	(\$ 5,214,518)	\$	14,220	(\$ 5,200,298)
Valuation adjustment – Group	-		3,050	\$ 3,050
Currency translation differences:				
– Group	(2,133,746)		-	(2,133,746)
– Tax on Group	426,749		-	426,749
At December 31	<u>(\$ 6,921,515)</u>	<u>\$</u>	<u>17,270</u>	<u>(\$ 6,904,245)</u>

(21) Operating revenue

	Year ended	Year ended
	December 31, 2020	December 31, 2019
Revenue from contracts with customers	<u>\$ 96,209,056</u>	<u>\$ 109,507,773</u>

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2020				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 6,048,080	\$ 50,584,199	\$ 8,012,544	\$ 31,564,233	\$ 96,209,056
Inter-segment revenue	4,838,759	7,331,527	6,079,698	1,667,934	19,917,918
Total segment revenue	<u>\$ 10,886,839</u>	<u>\$ 57,915,726</u>	<u>\$ 14,092,242</u>	<u>\$ 33,232,167</u>	<u>\$ 116,126,974</u>
	Year ended December 31, 2019				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 6,456,620	\$ 57,452,960	\$ 8,468,030	\$ 37,130,163	\$ 109,507,773
Inter-segment revenue	4,190,726	6,478,507	5,704,178	2,358,715	18,732,126
Total segment revenue	<u>\$ 10,647,346</u>	<u>\$ 63,931,467</u>	<u>\$ 14,172,208</u>	<u>\$ 39,488,878</u>	<u>\$ 128,239,899</u>

B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities:			
Advance sales receipts	\$ 1,118,360	\$ 895,825	\$ 694,413
Customer loyalty programmes	<u>30,922</u>	<u>39,794</u>	<u>52,658</u>
Total	<u>\$ 1,149,282</u>	<u>\$ 935,619</u>	<u>\$ 747,071</u>

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

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Advance sales receipts	\$ 658,762	\$ 518,325
Customer loyalty programmes	<u>38,763</u>	<u>47,937</u>
	<u>\$ 697,525</u>	<u>\$ 566,262</u>

(22) Interest income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Interest income from bank deposits	\$ 259,135	\$ 295,566

(23) Other income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Grant revenue	\$ 596,256	\$ 318,593
Other income	<u>409,732</u>	<u>280,069</u>
	<u>\$ 1,005,988</u>	<u>\$ 598,662</u>

(24) Other gains and losses

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Net currency exchange (loss) gain	(\$ 556,186)	\$ 103,735
Casualty loss	(279)	-
Loss on disposal of property, plant and equipment	(35,960)	(66,705)
Net loss on financial assets and liabilities at fair value through profit or loss	(756)	(2,383)
Impairment loss recognised in profit or loss, property, plant and equipment	-	(278,592)
Other expenses	<u>(104,058)</u>	<u>(112,920)</u>
	<u>(\$ 697,239)</u>	<u>(\$ 356,865)</u>

(25) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense:		
Bank borrowings	\$ 879,365	\$ 1,527,461
Corporate bonds	146,383	187,554
Provisions-discount	10,724	11,284
Lease liability-interest expense	14,440	13,869
	<u>1,050,912</u>	<u>1,740,168</u>
Add: Reversal of capitalisation of disqualifying assets	-	16,581
Less: Capitalisation of qualifying assets	(24,489)	(36,900)
Finance costs	<u>\$ 1,026,423</u>	<u>\$ 1,719,849</u>

(26) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense		
Wages and salaries	\$ 11,815,866	\$ 12,393,523
Labour and health insurance fees	681,402	712,076
Pension costs	483,750	574,522
Directors' remuneration	105,099	63,228
Other personnel expenses	753,841	816,749
	<u>\$ 13,839,958</u>	<u>\$ 14,560,098</u>
Raw materials and supplies used	<u>\$ 46,278,620</u>	<u>\$ 55,692,735</u>
Depreciation expense on property, plant and equipment	<u>\$ 11,634,602</u>	<u>\$ 12,682,025</u>
Depreciation expense on right-of-use assets	<u>\$ 290,531</u>	<u>\$ 246,190</u>
Depreciation expense on investment property	<u>\$ 22,994</u>	<u>\$ 23,995</u>
Amortisation expense on intangible assets	<u>\$ 98,712</u>	<u>\$ 102,729</u>

Note: As at December 31, 2020 and 2019, the Company had 28,596 and 28,590 employees, of which 9 and 7 directors were not the Company's employees, respectively.

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

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$139,544 thousand and \$93,053 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$91,611 thousand and \$61,089 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.313% of distributable profit of current year for the year ended December 31, 2020.

Employees' compensation and directors' and supervisors' remuneration for 2019 amounting to

\$93,053 thousand and \$61,089 thousand, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2019 financial statements. The employees' compensation for 2019 will be distributed in the form of cash. As of March 24, 2021, the employees' compensation for 2019 has not yet been distributed.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Current tax:		
Current tax on profits for the period	\$ 2,569,514	\$ 2,530,760
Prior year income tax overestimation	(169,227)	(157,499)
Total current tax	<u>2,400,287</u>	<u>2,373,261</u>
Deferred tax:		
Origination and reversal of temporary differences	(244,784)	(61,659)
Total current tax	<u>(244,784)</u>	<u>(61,659)</u>
Income tax expense	<u>\$ 2,155,503</u>	<u>\$ 2,311,602</u>

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

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Generated during the period :		
Currency translation differences	(\$ 72,267)	\$ 426,749
Remeasurement of defined benefit obligations	(253)	(964)
Total generated during the period	<u>(\$ 72,520)</u>	<u>\$ 425,785</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 2,964,638	\$ 2,589,648
Effect from items disallowed by tax regulation	83,540	49,969
Income from investing overseas subsidiaries not recognized as deferred tax liabilities	(820,398)	(545,723)
Temporary differences not recognized as deferred tax regulation	550,979	694,213
Tax exempt income by tax regulation	(296,807)	(317,062)
Effect from investment tax credits	(156,295)	-
Prior year income tax overestimation	(169,227)	(157,499)
Impact of change in the tax rate	(927)	(1,944)
Income tax expense	<u>\$ 2,155,503</u>	<u>\$ 2,311,602</u>

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

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	\$ 146,333	\$ 9,901	\$ -	\$ 156,234
Remeasurement of defined benefit obligations	165,802	-	(253)	165,549
Exchange differences on translation of foreign financial statements	1,209,061	-	(72,267)	1,136,794
Deferred government grant revenue	271,284	2,312	-	273,596
Unrealised exchange loss	64,214	4,604	-	68,818
Others	129,445	(9,227)	-	120,218
Subtotal	<u>\$ 1,986,139</u>	<u>\$ 7,590</u>	<u>(\$ 72,520)</u>	<u>\$ 1,921,209</u>
-Deferred tax liabilities:				
Gain on foreign long-term investments	(738,159)	288,875	-	(449,284)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Others	(60,942)	(51,681)	-	(112,623)
Subtotal	<u>(1,313,834)</u>	<u>237,194</u>	<u>-</u>	<u>(1,076,640)</u>
Total	<u>\$ 672,305</u>	<u>\$ 244,784</u>	<u>(\$ 72,520)</u>	<u>\$ 844,569</u>

	2019			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Unrealised gain on inter				
-affiliated accounts	\$ 169,527	(\$ 23,194)	\$ -	\$ 146,333
Remeasurement of defined benefit obligations	166,766	-	(964)	165,802
Exchange differences on translation of foreign financial statements	782,312	-	426,749	1,209,061
Deferred government grant revenue	287,131	(15,847)	-	271,284
Unrealised exchange loss	19,289	44,925	-	64,214
Others	101,604	27,841	-	129,445
Subtotal	<u>\$ 1,526,629</u>	<u>\$ 33,725</u>	<u>\$ 425,785</u>	<u>\$ 1,986,139</u>
-Deferred tax liabilities:				
Gain on foreign long-term investments	(767,625)	29,466	-	(738,159)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Others	(59,410)	(1,532)	-	(60,942)
Subtotal	<u>(1,341,768)</u>	<u>27,934</u>	<u>-</u>	<u>(1,313,834)</u>
Total	<u>\$ 184,861</u>	<u>\$ 61,659</u>	<u>\$ 425,785</u>	<u>\$ 672,305</u>

- D. (a) The China subsidiary that was consolidated in the financial statements was a productive foreign enterprise and established in People's Republic of China and is eligible for local tax incentives. In line with local tax law, the tax rate and applicable tax rate was 15% and 25%, respectively.
- (b) For the years ended December 31, 2020 and 2019, the Company's subsidiary, Cheng Shin (Thailand) eligible to avail of the local tax incentives.
- E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2020 and 2019 were \$47,546,817 thousand and \$42,638,273 thousand, respectively.
- F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Supplemental cash flow information

Investing activities with partial cash payments :

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 6,099,918	\$ 8,005,321
Add: Opening balance of payable on equipment	1,128,354	1,730,936
Less: Ending balance of payable on equipment	(607,905)	(1,128,354)
Cash paid during the year	<u>\$ 6,620,367</u>	<u>\$ 8,607,903</u>

(30) Changes in liabilities from financing activities

	2020						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 16,843,366	\$ 30,702,861	\$ 17,000,000	\$ 657	\$ 708,927	\$ 248,381	\$ 65,504,192
Changes in cash flow from financing activities	(9,168,803)	(2,969,354)	(2,500,000)	(3,277,104)	(176,196)	9,392	(18,082,065)
Interest paid	-	-	-	-	(14,440)	-	(14,440)
Additions	-	-	-	3,277,104	209,121	-	3,486,225
Amortisation of interest expense	-	-	-	-	14,440	-	14,440
Impact of changes in foreign exchange rate	(452,172)	(1,026,981)	-	-	(27,501)	-	(1,506,654)
At December 31	<u>\$ 7,222,391</u>	<u>\$ 26,706,526</u>	<u>\$ 14,500,000</u>	<u>\$ 657</u>	<u>\$ 714,351</u>	<u>\$ 257,773</u>	<u>\$ 49,401,698</u>
	2019						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 15,569,136	\$ 35,526,041	\$ 21,800,000	\$ 657	\$ 339,938	\$ 255,209	\$ 73,490,981
Changes in cash flow from financing activities	1,460,320	(4,326,658)	(4,800,000)	(3,607,111)	(113,705)	(6,828)	(11,393,982)
Interest paid	-	-	-	-	(13,869)	-	(13,869)
Additions	-	-	-	3,607,111	490,578	-	4,097,689
Amortisation of interest expense	-	-	-	-	13,869	-	13,869
Impact of changes in foreign exchange rate	(186,090)	(496,522)	-	-	(7,884)	-	(690,496)
At December 31	<u>\$ 16,843,366</u>	<u>\$ 30,702,861</u>	<u>\$ 17,000,000</u>	<u>\$ 657</u>	<u>\$ 708,927</u>	<u>\$ 248,381</u>	<u>\$ 65,504,192</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

Note: This company was established on September 24, 2020.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Sales of goods:		
-Other related parties	\$ 243,746	\$ 314,438

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

B. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
-Other related parties	\$ 43,474	\$ 54,053

C. Loans to / from related parties: shown as long-term borrowings

	December 31, 2020	December 31, 2019
Payables due to related parties :		
-Other related parties	\$ 218,850	\$ 215,250

The Group obtained financing from other related parties and financial institutions for capital needs. Please refer to Note 6(15) for interest rates, borrowing periods and repayment methods.

D. Lease transactions - lessee

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

(b) Acquisition of right-of-use assets

	Year ended December 31, 2020	Year ended December 31, 2019
Key management personnel	\$ -	\$ 5,785
(c) Lease liabilities		
i. Outstanding balance	December 31, 2020	December 31, 2019
Key management personnel	\$ 41,546	\$ 55,136
ii. Interest expense		
	Year ended December 31, 2020	Year ended December 31, 2019
Key management personnel	\$ 385	\$ 503
(3) <u>Key management compensation</u>		
	Year ended December 31, 2020	Year ended December 31, 2019
Short-term employee benefits	\$ 239,434	\$ 212,253
Post-employment benefits	2,038	2,561
	\$ 241,472	\$ 214,814

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 3,634,056	\$ 2,990,369

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

	December 31, 2020	December 31, 2019
Amount of letter of credit that has been issued but not yet used	\$ 22,886	\$ 45,524

10. SIGNIFICANT DISASTER LOSS

On September 26, 2020, a fire damaged a plant located in Xizhou owned by the parent Company of the Group and destroyed some buildings, equipment and inventories in the plant. The book value of the damaged properties amounted to \$62,279 thousand, including buildings and equipment as well as inventories of \$51,367 thousand and \$10,912 thousand, respectively. The Company has relevant property insurance and has filed a claim to the insurance company and the estimated insurance claims that can be obtained amounted to \$62,000 thousand. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

To meet the requirements of business development and production capacity improvement of the parent Company of the Group, the construction project to engage others to build the ATV plant on its own land

in the Douliu 3rd plant was resolved at the meeting of the Board of Directors on January 28, 2021. The total estimated cost for the project is NT\$2.34 billion, of which the construction cost of the plant, machinery and equipment and utility was \$663 million, \$1.508 billion and \$169 million, respectively.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2020, the Group's strategy was unchanged from 2019. The gearing ratios as at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 70,349,872	\$ 86,069,542
Total equity	\$ 80,975,281	\$ 77,970,687
Less : Intangible assets	(181,768)	(246,790)
Tangible equity	\$ 80,793,513	\$ 77,723,897
Debt-equity ratio	<u>87%</u>	<u>111%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss - current		
Financial assets mandatorily measured at fair value through profit or loss	\$ 820	\$ -
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	29,817	25,935
Financial assets at fair value through other comprehensive income - non-current		
Designation of equity instrument	58,187	58,187
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	19,112,521	25,501,222
Notes receivable, net	4,544,057	3,761,453
Accounts receivable (including related parties)	9,472,839	8,992,980
Guarantee deposits paid	62,291	53,066
Other financial assets	4,943	374,790
	<u>\$ 33,285,475</u>	<u>\$ 38,767,633</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 7,222,391	\$ 16,843,366
Notes payable	157,811	1,122,276
Accounts payable	8,442,030	7,793,330
Other accounts payables	5,557,536	5,587,574
Corporate bonds payable (including current portion)	14,500,000	17,000,000
Long-term borrowings (including current portion)	26,706,526	30,702,861
Guarantee deposits received	<u>257,773</u>	<u>248,381</u>
	<u>\$ 62,844,067</u>	<u>\$ 79,297,788</u>
Lease liabilities (including current portion)	<u>\$ 714,351</u>	<u>\$ 708,927</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2020

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	226,440	28.480	\$ 6,449,011	1%	\$ 64,490	\$ -
	68,852	4.377	301,365	1%	3,014	-
	17,025	35.020	596,216	1%	5,962	-
	588,719	0.276	162,486	1%	1,625	-
	70,406	6.507	2,005,243	1%	20,052	-
	16,611	8.001	581,723	1%	5,817	-
	715,658	0.088	275,654	1%	2,757	-
	58,900	29.803	1,678,159	1%	16,782	-
	3,301	36.647	115,649	1%	1,156	-
	34,788	25,657.658	990,762	1%	9,908	-
	22,301	1.274	634,996	1%	6,350	-
	28,121	14,029.557	800,886	1%	8,009	-

**(Foreign currency:
functional currency)**

Financial assets

Monetary items

USD : TWD	
RMB : TWD	
EUR : TWD	
JPY : TWD	
USD : RMB	
EUR : RMB	
RUB : RMB	
USD : THB	
EUR : THB	
USD : VND	
USD : CAD	
USD : IDR	

December 31, 2020

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	33,170	28.480	944,682	1%	\$ 9,447	\$ -
	30,354	6.507	864,516	1%	8,645	-
	6,212	8.001	217,547	1%	2,175	-
	20,328	29.803	579,179	1%	5,792	-
	39,847	25,657.658	1,134,843	1%	11,348	-
	7,764	1.274	221,071	1%	2,211	-
	301,861	14,029.557	8,597,001	1%	85,970	-
	192,566	73.026	5,484,307	1%	54,843	-

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD
 USD : RMB
 EUR : RMB
 USD : THB
 USD : VND
 USD : CAD
 USD : IDR
 USD : INR

December 31, 2019

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	151,203	29.980	\$ 4,533,066	1%	\$ 45,331	\$ -
	726,287	4.305	3,126,666	1%	31,267	-
	36,518	33.590	1,226,640	1%	12,266	-
	1,566,266	0.276	432,289	1%	4,323	-
	3,299	39.360	129,849	1%	1,298	-
	93,667	6.964	2,808,139	1%	28,081	-
	19,541	7.803	656,420	1%	6,564	-
	477,392	0.064	131,531	1%	1,315	-
	3,677	9.143	144,729	1%	1,447	-
	343,160	0.112	165,458	1%	1,655	-
	53,836	29.689	1,614,320	1%	16,143	-
	13,078	33.264	439,377	1%	4,394	-
	28,935	25,623.932	867,471	1%	8,675	-
	21,544	1.305	645,743	1%	6,457	-
	21,258	13,752.294	637,315	1%	6,373	-

**(Foreign currency:
functional currency)**

Financial assets

Monetary items

USD : TWD
RMB : TWD
EUR : TWD
JPY : TWD
GBP : TWD
USD : RMB
EUR : RMB
JPY : RMB
GBP : RMB
RUB : RMB
USD : THB
EUR : THB
USD : VND
USD : CAD
USD : IDR

December 31, 2019

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	16,513	29.980	\$ 495,060	1% \$	4,951 \$	-
	89,815	6.964	2,692,655	1%	26,927	-
	7,416	7.803	249,118	1%	2,491	-
	38,456	29.689	1,153,137	1%	11,531	-
	36,809	25,623.932	1,103,534	1%	11,035	-
	6,988	1.305	209,453	1%	2,095	-
	311,695	13,752.294	9,344,616	1%	93,446	-
	233,647	71.043	7,004,771	1%	70,048	-

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : CAD

USD : IDR

USD : INR

- iv. The exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to (\$556,186) thousand and \$103,735 thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2020 and 2019 would have increased/decreased by \$880 thousand and \$841 thousand, respectively.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the TWD, USD, THB, RMB, EUR and INR.
 - ii. The Group's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
 - iii. As at December 31, 2020 and 2019, if interest rates on TWD, USD, THB, RMB, EUR and INR denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the years ended December 31, 2020 and 2019 would have been \$33,964 thousand and \$47,484 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.
 - ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
 - iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 30 days.
 - iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As at December 31, 2020 and 2019, the Group has no written-off financial assets that are still under recourse procedures.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable; accounts receivable that are significantly past due are assessed individually for their expected credit losses. As at December 31, 2020 and 2019, the provision matrix is as follows:

<u>December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,285,062	\$ -
Up to 30 days	0.82%	880,500	7,220
31 to 90 days	1.48%	212,594	3,146
91 to 180 days	4.55%	67,641	3,078
Over 180 days	9.72%	44,845	4,359
Individual	100.00%	42,792	42,792
		<u>\$ 9,533,434</u>	<u>\$ 60,595</u>

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 7,376,434	\$ -
Up to 30 days	0.32%	1,099,362	3,518
31 to 90 days	0.98%	282,247	2,766
91 to 180 days	1.95%	83,960	1,635
Over 180 days	5.81%	111,310	6,467
Individual	100.00%	27,229	27,229
		<u>\$ 8,980,542</u>	<u>\$ 41,615</u>

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

	<u>2020</u>	<u>2019</u>
At January 1	\$ 41,615	\$ 15,343
Provision for impairment	46,823	30,357
Reversal of impairment loss	(650)	(896)
Write-offs	(28,025)	(2,071)
Effect of exchange rate changes	832	(1,118)
At December 31	<u>\$ 60,595</u>	<u>\$ 41,615</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing

facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 6,882,527	\$ 281,773	\$ 86,091	\$ -	\$ 7,250,391
Notes and accounts payable	8,599,841	-	-	-	8,599,841
Other payables	5,250,900	77	153,867	152,692	5,557,536
Lease liability	54,513	56,158	68,953	534,727	714,351
Guarantee deposits received	116	-	-	257,657	257,773
Long-term borrowings	1,332,650	176,655	2,530,855	23,593,722	27,633,882
Bonds payable	-	-	6,133,350	8,601,300	14,734,650

December 31, 2019

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 12,271,246	\$ 3,162,609	\$ 1,562,289	\$ -	\$ 16,996,144
Notes and accounts payable	8,868,422	1,268	35,694	10,222	8,915,606
Other payables	5,355,433	6,127	118,084	107,930	5,587,574
Lease liability	44,142	32,667	62,565	569,553	708,927
Guarantee deposits received	373	-	-	248,008	248,381
Long-term borrowings	1,578,812	1,700,671	4,712,180	24,222,151	32,213,814
Bonds payable	-	-	2,651,100	14,734,650	17,385,750

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

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

	December 31, 2020			
	<u>Carrying amount</u>	Fair value		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 14,500,000	\$ -	\$ 14,546,679	\$ -

	December 31, 2019			
	<u>Carrying amount</u>	Fair value		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,050,741	\$ -

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

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

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

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

	December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Derivative instruments	\$ -	\$ 820	\$ -	\$ 820
Financial assets at fair value through other comprehensive income				
- Equity securities	29,817	-	58,187	88,004
Total	\$ 29,817	\$ 820	\$ 58,187	\$ 88,824
	December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ 25,935	\$ -	\$ 58,187	\$ 84,122

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

- i. For Level 1, the Group used market quoted prices as their fair values according to the

characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

iii. Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2020 and 2019.

(4) Assessment of impact of the COVID-19

Regarding the assessment of impact of the COVID-19, the Group was affected by the COVID-19 pandemic. Since early 2020, production of some of the Group's factories had stopped and orders had been delayed. However, all factories have resumed operations in the second quarter of 2020. Additionally, although the Group's sales orders from some areas have declined because of the COVID-19 pandemic, overall business and finance were not significantly affected based on the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: please refer to table 1.

B. Provision of endorsements and guarantees to others: please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: please refer to table 4.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(24) and 12(2), 12(3).

J. Significant inter-company transactions during the reporting periods: please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: please refer to table 9.

B. Ceiling on investments in Mainland China: please refer to table 9.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2020: please refer to tables 5, 6 and 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

	Year ended December 31, 2020					Total
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	
Revenue						
Revenue from external customers	\$ 13,777,876	\$ 15,176,809	\$ 28,906,764	\$ 9,181,494	\$ 18,754,572	\$ 85,797,515
Revenue from inter-segment revenue	9,534,605	1,474,320	673,924	1,672,992	5,751,817	19,107,658
Total segment revenue	\$ 23,312,481	\$ 16,651,129	\$ 29,580,688	\$ 10,854,486	\$ 24,506,389	\$ 104,905,173
Segment income	\$ 2,139,330	\$ 682,336	\$ 2,559,805	\$ 166,446	\$ 4,271,916	\$ 9,819,833
Depreciation and amortisation	\$ 1,685,870	\$ 1,916,156	\$ 3,397,666	\$ 1,620,660	\$ 2,494,585	\$ 11,114,937
Interest income	\$ 82,504	\$ 21,965	\$ 204,172	\$ 989	\$ 239,745	\$ 549,375
Finance costs	\$ 267,118	\$ 157,700	\$ 95,780	\$ 98,303	\$ 296,912	\$ 915,813
Share of profit of associates and joint ventures accounted for under equity method	\$ 18,520	\$ -	\$ -	\$ -	\$ -	\$ 18,520

Year ended December 31, 2019

	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 14,159,292	\$ 16,039,124	\$ 34,111,182	\$ 11,314,497	\$ 20,670,636	\$ 96,294,731
Revenue from inter-segment revenue	<u>9,589,727</u>	<u>1,475,643</u>	<u>810,695</u>	<u>1,550,076</u>	<u>4,596,996</u>	<u>18,023,137</u>
Total segment revenue	<u>\$ 23,749,019</u>	<u>\$ 17,514,767</u>	<u>\$ 34,921,877</u>	<u>\$ 12,864,573</u>	<u>\$ 25,267,632</u>	<u>\$ 114,317,868</u>
Segment income (loss)	<u>\$ 1,290,070</u>	<u>\$ 199,313</u>	<u>\$ 3,269,862</u>	<u>(\$ 603,385)</u>	<u>\$ 2,994,171</u>	<u>\$ 7,150,031</u>
Depreciation and amortisation	<u>\$ 1,620,260</u>	<u>\$ 2,028,475</u>	<u>\$ 3,591,971</u>	<u>\$ 2,004,900</u>	<u>\$ 2,707,529</u>	<u>\$ 11,953,135</u>
Interest income	<u>\$ 135,320</u>	<u>\$ 36,910</u>	<u>\$ 257,091</u>	<u>\$ 2,285</u>	<u>\$ 238,117</u>	<u>\$ 669,723</u>
Finance costs	<u>\$ 306,674</u>	<u>\$ 248,819</u>	<u>\$ 274,035</u>	<u>\$ 194,835</u>	<u>\$ 420,229</u>	<u>\$ 1,444,592</u>
Share of profit of associates and joint ventures accounted for under equity method	<u>\$ 6,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,653</u>

(4) Reconciliation for segment income (loss)

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

	Year ended December 31, 2020	Year ended December 31, 2019
Adjusted revenue from reportable segments	\$ 104,905,173	\$ 114,317,868
Adjusted revenue from other operating segments	<u>11,221,801</u>	<u>13,922,031</u>
Total operating segments	116,126,974	128,239,899
Elimination of inter-segment revenue	<u>(19,917,918)</u>	<u>(18,732,126)</u>
Total consolidated operating revenue	<u>\$ 96,209,056</u>	<u>\$ 109,507,773</u>

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

	Year ended December 31, 2020	Year ended December 31, 2019
Adjusted income from reportable segments before income tax	\$ 9,819,833	\$ 7,150,031
Adjusted loss from other operating segments before income tax	<u>(1,629,801)</u>	<u>(1,398,232)</u>
Total operating segments	8,190,032	5,751,799
(Loss) income from elimination of inter-segment revenue	<u>(33,326)</u>	<u>75,500</u>
Income from continuing operations before income tax	<u>\$ 8,156,706</u>	<u>\$ 5,827,299</u>

(5) Information on products and services

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

	Year ended December 31, 2020	Year ended December 31, 2019
Sales revenue	\$ 95,599,490	\$ 107,714,550
Others	609,566	1,793,223
	<u>\$ 96,209,056</u>	<u>\$ 109,507,773</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 50,584,199	\$ 54,569,454	\$ 57,452,960	\$ 58,200,161
USA	8,012,544	757,744	8,468,030	855,279
Taiwan	6,048,080	16,680,718	6,456,620	17,177,800
Others	31,564,233	24,261,968	37,130,163	26,675,199
	<u>\$ 96,209,056</u>	<u>\$ 96,269,884</u>	<u>\$ 109,507,773</u>	<u>\$ 102,908,439</u>

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

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2020 and 2019.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,449,600	\$ 3,282,750	\$ 2,656,839	3.85%	Note 4	\$ -	Operating capital	\$ -	None	\$ -	\$ 8,203,864	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,459,200	2,188,500	1,641,375	3.85%	Note 4	-	Operating capital	-	None	4,922,318	8,203,864	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	864,800	569,010	389,553	4.85%	Note 4	-	Operating capital	-	None	4,922,318	8,203,864	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	3,870,000	2,188,500	1,387,509	3.85%	Note 4	-	Operating capital	-	None	7,655,635	12,759,391	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,078,000	-	-	0.00%	Note 4	-	Operating capital	-	None	7,655,635	12,759,391	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	423,500	-	-	0.00%	Note 4	-	Operating capital	-	None	14,414,063	24,023,438	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	8,758	8,754	8,754	3.85%	Note 4	-	Operating capital	-	None	25,911	103,646	Note 6

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

(1) The Company is '0'.

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

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above Companies' net assets. Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 10% of above Companies' net assets.

Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of above Companies' net assets. Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to others is 40% of above Companies' net assets.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Subsidiary												
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary		\$ 40,218,548	\$ 3,307,750	\$ 1,911,200	\$ 546,297	\$ -	2.38	\$ 56,305,967	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary		40,218,548	8,832,445	7,395,004	6,043,554	-	9.19	56,305,967	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary		40,218,548	11,304,150	10,631,584	8,240,213	-	13.22	56,305,967	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)		19,218,750	1,945,800	-	-	-	-	24,023,438	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets.

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets.

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets.

Note 3: Relationship between the endorser/guarantor and the Company is classified into the following two categories:

(1) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

Note 4: Limit on the Company's endorsements/guarantees provided to others is 100% of the Company's net assets.

Limit on total endorsements provided to a single party is 80% of the Company's net assets.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2020.

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2020			Footnote
				Number of shares/ units	Book value	Ownership (%)	
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	\$ 29,817	-	29,817 Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	-	58,187	-	58,187 Note 2

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2020

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

Investor	Marketable securities (Note 1)	General ledger account Investments accounted for using the equity method	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)	Gain (loss) on disposal		Balance as at December 31, 2020	
					Number of shares	Amount	Number of shares	Amount		Number of shares	Amount	Number of shares	Amount
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Investments accounted for using the equity method	PT MAXXIS International Indonesia	Subsidiary	79,997,000	\$ 2,461,355	59,997,750	\$ 1,772,034	-	-	-	139,994,750	\$ 4,233,389
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Investments accounted for using the equity method	Maxxis Rubber India Private Limited	Subsidiary	649,994,730	3,124,651	224,998,176	902,893	-	-	-	874,992,906	4,027,544

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount (\$)	Percentage of total purchases (sales) (%)	Credit term	Unit price	Differences in transaction terms compared to third party transactions (Note 1)	Notes/accounts receivable (payable)	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(4,763,551)	(25.17)	Collect within 90 days after shipment of goods	Same	Same	\$ 1,121,502	35.18	Note 4	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(655,518)	(3.46)	Collect within 90 days after shipment of goods	Same	Same	179,366	5.63	Note 4	
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(136,152)	(0.72)	Collect within 60 days after shipment of goods	Same	Same	11,758	0.37	Note 4	
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,798,690)	(20.07)	Collect within 30 days	Same	Same	433,464	13.60	Note 4	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(132,192)	(0.79)	Collect within 60 days after shipment of goods	Same	Same	22,464	0.94	Note 4	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(176,179)	(1.06)	Collect within 60-90 days after shipment of goods	Same	Same	34,783	1.46	Note 4	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(938,935)	(5.64)	Collect within 60-90 days after shipment of goods	Same	Same	265,475	11.15	Note 4	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(134,844)	(0.81)	Collect within 60-90 days after shipment of goods	Same	Same	53,603	2.25	Note 4	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,908,484)	(48.22)	Collect within 60-90 days after shipment of goods	Same	Same	396,100	26.55	Note 4	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(408,294)	(10.32)	Collect within 60-90 days after shipment of goods	Same	Same	92,648	6.21	Note 4	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(191,835)	(4.85)	Collect within 60-90 days after shipment of goods	Same	Same	40,754	2.73	Note 4	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(119,285)	(3.01)	Collect within 60-90 days after shipment of goods	Same	Same	17,990	1.21	Note 4	
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,117,439)	(11.35)	Collect within 60-90 days after shipment of goods	Same	Same	307,597	45.31	Note 4	
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(148,321)	(0.79)	Collect within 60 days after shipment of goods	Same	Same	52,294	1.32	Note 4	
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(168,912)	(0.90)	Collect within 60-90 days after shipment of goods	Same	Same	39,972	1.01	Note 4	
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(129,677)	(59.78)	Collect within 60-90 days after shipment of goods	Same	Same	7,759	28.44	Note 4	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(1,430,673)	(27.86)	Collect within 60-90 days after shipment of goods	Same	Same	271,033	36.33	Note 4	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(174,623)	(3.40)	Collect within 60-90 days after shipment of goods	Same	Same	-	-	Note 4	
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(120,972)	(2.27)	Collect within 60-90 days after shipment of goods	Same	Same	9,908	2.37	Note 4	
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(372,479)	(3.43)	Collect within 60 days after shipment of goods	Same	Same	174,723	9.09	Note 4	
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,232,984)	(11.36)	Collect within 60-90 days after shipment of goods	Same	Same	197,871	10.30	Note 4	

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)	Note 4
						Unit price	Credit term	Balance				
PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(\$ 288,775)	(25.78)	Collect within 60-90 days after shipment of goods	Same	Same	\$ 21,662	10.73		

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

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

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2020

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Allowance for doubtful accounts
					Amount	Action taken	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 1,121,981	Note 4	-	\$ 825,917	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	179,490	Note 4	-	123,140	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	144,863	Note 3	-	19,297	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	437,654	Note 4	-	435,820	-
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary (Note 5)	121,082	Note 3	-	22,137	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	265,475	3.53	-	126,459	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	397,756	Note 4	-	371,582	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	271,033	10.21	-	217,924	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	307,597	3.63	-	284,870	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	197,871	6.28	-	197,444	-

Note 1: Subsequent collection is the amount collected as of March 17, 2021.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

Note 4: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)		
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 4,763,551	Collect within 90 days after shipment of goods	4.95%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	1,121,502	Collect within 90 days after shipment of goods	0.74%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	655,518	Collect within 90 days after shipment of goods	0.68%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	3,798,690	The term is 30 days after monthly billing.	3.95%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	433,464	The term is 30 days after monthly billing.	0.29%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	938,935	Collect within 60~90 days after shipment of goods	0.98%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	265,475	Collect within 60~90 days after shipment of goods	0.18%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,908,484	Collect within 60~90 days after shipment of goods	1.98%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	396,100	Collect within 60~90 days after shipment of goods	0.26%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	674,444		0.45%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	408,294	Collect within 60~90 days after shipment of goods	0.42%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,656,839	Pay interest quarterly	1.76%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,641,375	Pay interest quarterly	1.08%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	389,553	Pay interest quarterly	0.26%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,387,509	Pay interest quarterly	0.92%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,117,439	Collect within 60~90 days after shipment of goods	1.16%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	307,597	Collect within 60~90 days after shipment of goods	0.20%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	268,677	Collect within 60~90 days after shipment of goods	0.25%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Royalty income	214,174	Collect monthly	0.20%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	\$ 1,430,673	Collect within 60-90 days after shipment of goods	1.49%
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	271,033	Collect within 60-90 days after shipment of goods	0.18%
6	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,232,984	Collect within 60-90 days after shipment of goods	1.28%
6	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	2	Sales	372,479	Collect within 60 days after shipment of goods	0.39%
7	PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	3	Sales	288,775	Collect within 60-90 days after shipment of goods	0.30%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NTS200 million.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Year ended December 31, 2020

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020		Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)				
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 42,371,102	\$ 2,871,118	\$ 2,861,350	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,823,193	2,515,743	2,510,944	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,627,664	1,046,972	1,020,991	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,495,535	139,957	139,959	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950	1,000,000	100.00	677,839	17,504	17,504	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,001	5,000,000	50.00	172,981	37,040	18,520	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	78,617	6,931	6,931	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	4,233,389	2,461,355	139,994,750	100.00	685,105	(836,577)	(841,063)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	4,027,544	3,124,651	874,992,906	100.00	-	(1,046,611)	(1,046,611)	Subsidiary Note 3, Note 5
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	421,097	237,447	237,447	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicles parts and accessories	30,235	30,235	9,990	100.00	32,572	8,423	8,423	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	17,700	500,000	100.00	3,917	(9,902)	(9,902)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS RUBBER JAPAN CO., LTD.	Japan	Import and export of tires	13,820	-	5,000	100.00	12,661	(1,156)	(1,156)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	593	-	-	20.00	408	(926)	(185)	Note 3, Note 4

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2020

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020		Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	2020 (Note 1)					
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	34,013,286	2,750,490	2,750,490	2,750,490	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,646,543	2,522,660	2,522,660	2,522,660	Sub-subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	11,009,916	1,047,207	1,047,207	1,047,207	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	7,355,643	166,446	166,446	139,781	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,651,433	880,993	880,993	881,676	Sub-subsidiary Note 3
CHENG SHIN RUBBER USA, INC.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	2,278	-	-	80.00	1,632 (926 (741)	741)	Note 3, Note 4

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Investee companies are accounted for under the equity method.

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

Note 4: The Company comprehensive holds 100% of share ownership in the investee, of which 20% is directly held and 80% is indirectly held through CHENG SHIN RUBBER USA, INC.

Note 5: The Company continuously provides financial support the investee accounted for using the equity method, and transferred the credit balance to long-term investments to 'other non-current liabilities.'

The transaction was eliminated when preparing the consolidated statements.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020, (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	to Taiwan							
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 4,984,000	2	\$ 910,834	- \$	- \$	910,834	\$ 1,802,422	100.00	\$ 1,797,339	\$ 24,023,438	\$ 18,878,845	(Note 2, 3, 5, 6, 7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,408,000	2	2,385,506	-	-	2,385,506	2,325,095	100.00	2,336,595	24,698,328	22,289,125	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	242,080	2	68,602	-	-	68,602	(217)	50.00	(109)	297,857	478,714	(Note 6, 8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	2,848,000	2	-	-	-	-	623,302	100.00	618,708	5,588,659	1,422,083	(Note 2, 4, 6, 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,885	2	-	-	-	-	4,490	100.00	49,490	42,838	-	(Note 6, 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	512,640	2	-	-	-	-	(63,544)	100.00	(63,544)	716,325	757,407	(Note 6, 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	3,702,400	2	-	-	-	-	314,959	100.00	314,961	12,770,986	4,185,883	(Note 2, 3, 6, 7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020	Remitted to Mainland China to Taiwan	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020, (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Main business activities A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	\$ 1,281,600	2	\$ -	\$ -	\$ -	\$ 691,619	100.00	\$ 686,942	\$ 8,203,864	\$ 5,668,834	(Note 2, 6, 7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	569,600	2	-	-	(97,721)	(97,721)	100.00	(97,721)	60,496	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	153,195	2	-	-	(14,929)	(14,929)	95.00	(14,182)	99,606	-	(Note 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	63,081	2	-	-	-	26,188	49.00	12,832	126,966	-	(Note 6, 7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,158,150	2	-	-	-	1,417,178	100.00	1,417,167	6,900,302	678,578	(Note 2, 5, 6, 7)
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	1,663,260	2	-	-	-	9,112	100.00	9,112	2,014,310	-	(Note 6, 7)

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd., respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 and NTD 4.377: RMB 1 prevailing on December 31, 2020.

Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD.
Ceiling on investments in Mainland China

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 1)	Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	
Cheng Shin Rubber Ind. Co., Ltd.	\$ 3,500,192	\$ 19,164,192	\$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Luo, Ming-Han	370,176,378	11.42
Luo Jye Memory Co Ltd.	324,430,630	10.00
Luo, Jye	224,163,978	6.91

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were held by registered and the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System

V. Parent Company Financial Statements certified by the CPAs of the most recent years

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20003836

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

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to the “other matter” section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 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. We believe that the audit evidence we have obtained and the report of other auditors are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(31). For the detail of sales revenue, please refer to Note 6(21). For the year ended December 31, 2020, the sales revenue amounted to NT\$18,926,294 thousand.

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

How our audit addressed the matter

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

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

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

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2020, the unfinished construction and equipment under acceptance amounted to NT\$872,265 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$3,651,433 thousand and NT\$3,249,905 thousand, representing 3% and 3% of total assets as at December 31, 2020 and 2019, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$881,676 thousand and NT\$723,598 thousand, representing 14% and 41% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

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

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

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

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

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

Wang, Yu-Juan

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2021

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

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 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)	\$ 6,119,194	5	\$ 8,525,572	8
1110	Financial assets at fair value through profit or loss - current	6(2)	820	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	29,817	-	25,935	-
1150	Notes receivable, net	6(4)	33,790	-	22,919	-
1170	Accounts receivable, net	6(4)	1,307,148	1	1,161,388	1
1180	Accounts receivable - related parties	7	1,825,562	2	1,379,208	1
130X	Inventories	6(5)	2,298,071	2	2,564,562	2
1410	Prepayments		108,985	-	128,780	-
1470	Other current assets	7	619,867	1	555,502	1
11XX	Current Assets		<u>12,343,254</u>	<u>11</u>	<u>14,363,866</u>	<u>13</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	58,187	-	58,187	-
1550	Investments accounted for using the equity method	6(6)	84,402,691	74	79,687,896	71
1600	Property, plant and equipment, net	6(7)(29)	16,234,596	14	16,688,254	15
1755	Right-of-use assets	6(8)	102,073	-	107,294	-
1760	Investment property, net	6(9)	289,427	-	289,951	-
1780	Intangible assets	6(10)	8,740	-	40,633	-
1840	Deferred income tax assets	6(27)	1,543,156	1	1,618,542	1
1900	Other non-current assets		1,726	-	1,335	-
15XX	Non-current assets		<u>102,640,596</u>	<u>89</u>	<u>98,492,092</u>	<u>87</u>
1XXX	Total assets		<u>\$ 114,983,850</u>	<u>100</u>	<u>\$ 112,855,958</u>	<u>100</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
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 borrowings	6(11)(30)	\$ 1,400,000	1	\$ 2,450,000	2
2130	Current contract liabilities	6(21)	116,293	-	99,878	-
2170	Accounts payable		1,286,500	1	1,047,861	1
2180	Accounts payable - related parties	7	380,533	-	45,165	-
2200	Other payables	6(12) and 7	1,629,607	2	1,750,638	2
2230	Current income tax liabilities	6(27)	800,063	1	404,309	-
2280	Current lease liabilities		41,976	-	34,501	-
2300	Other current liabilities	6(13)(14)(15)(30)	7,730,972	7	5,335,864	5
21XX	Current Liabilities		<u>13,385,944</u>	<u>12</u>	<u>11,168,216</u>	<u>10</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)(30)	8,500,000	7	14,500,000	13
2540	Long-term borrowings	6(15)(30)	10,541,667	9	7,130,000	6
2570	Deferred income tax liabilities	6(27)	982,529	1	1,293,851	1
2580	Non-current lease liabilities		60,213	-	69,640	-
2600	Other non-current liabilities	6(6)(16)	1,076,402	1	1,298,568	1
25XX	Non-current liabilities		<u>21,160,811</u>	<u>18</u>	<u>24,292,059</u>	<u>21</u>
2XXX	Total liabilities		<u>34,546,755</u>	<u>30</u>	<u>35,460,275</u>	<u>31</u>
Equity						
Share capital						
3110	Shares capital - common stock	6(17)	32,414,155	28	32,414,155	29
Capital surplus						
3200	Capital surplus	6(18)	53,267	-	52,576	-
Retained earnings						
		6(19)				
3310	Legal reserve		15,533,661	14	15,186,978	13
3320	Special reserve		6,904,245	6	5,200,298	5
3350	Unappropriated retained earnings		32,143,063	28	31,445,921	28
Other equity interest						
		6(20)				
3400	Other equity interest		(6,611,296)	(6)	(6,904,245)	(6)
3XXX	Total equity		<u>80,437,095</u>	<u>70</u>	<u>77,395,683</u>	<u>69</u>
Significant contingent liabilities and unrecognised contract commitments						
		9				
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 114,983,850</u>	<u>100</u>	<u>\$ 112,855,958</u>	<u>100</u>

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21) and 7	\$ 18,926,294	100	\$ 19,497,888	100
5000	Operating costs	6(5)	(14,228,603)	(75)	(15,805,867)	(81)
5900	Net operating margin		4,697,691	25	3,692,021	19
5910	Unrealized (profit) loss from sales		(138,985)	(1)	40,205	-
5950	Gross profit from operation		4,558,706	24	3,732,226	19
	Operating expenses					
6100	Selling expenses		(1,689,243)	(9)	(1,882,641)	(10)
6200	General and administrative expenses		(812,274)	(4)	(659,712)	(3)
6300	Research and development expenses		(1,103,893)	(6)	(1,246,753)	(6)
6000	Total operating expenses		(3,605,410)	(19)	(3,789,106)	(19)
6900	Operating profit (loss)		953,296	5	(56,880)	-
	Non-operating income and losses					
7100	Interest income	6(22)	82,028	-	134,367	1
7010	Other income	6(23) and 7	1,231,200	7	1,347,874	7
7020	Other gains and losses	6(24)	(176,563)	(1)	(18,771)	-
7050	Finance costs	6(25)	(267,079)	(1)	(306,641)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method		4,923,152	26	3,398,541	17
7000	Total non-operating income and losses		5,792,738	31	4,555,370	23
7900	Profit before income tax		6,746,034	36	4,498,490	23
7950	Income tax expense	6(27)	(757,332)	(4)	(1,031,663)	(5)
8200	Profit for the year		\$ 5,988,702	32	\$ 3,466,827	18
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(16)	\$ 1,267	-	\$ 4,820	-
8316	Unrealized gain on valuation of equity instruments at fair value through profit or loss	6(3)	3,882	-	3,050	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)	(528)	-	722	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(253)	-	(964)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,368	-	7,628	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	361,334	2	(2,133,746)	(11)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	(72,267)	(1)	426,749	2
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		289,067	1	(1,706,997)	(9)
8300	Other comprehensive income (loss) for the year		\$ 293,435	1	(\$ 1,699,369)	(9)
8500	Total comprehensive income for the year		\$ 6,282,137	33	\$ 1,767,458	9
9750	Basic earnings per share	6(28)	\$ 1.85		\$ 1.07	
9850	Diluted earnings per share	6(28)	\$ 1.85		\$ 1.07	

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Capital surplus			Retained earnings			Other equity interest			Total equity
	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Capital surplus - donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	
Year ended December 31, 2019										
Balance at January 1, 2019	\$ 32,414,155	\$ 9,772	\$ 42,804	-	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ 79,193,782
Profit for the year	-	-	-	-	-	-	3,466,827	-	-	3,466,827
Other comprehensive income (loss) for the year	-	-	-	-	-	-	4,578	(1,706,997)	3,050	(1,699,369)
Total comprehensive income (loss)	-	-	-	-	-	-	3,471,405	(1,706,997)	3,050	1,767,458
Appropriation and distribution of 2018 earnings:										
Legal reserve	-	-	-	-	352,032	-	(352,032)	-	-	-
Special reserve	-	-	-	-	-	770,237	(770,237)	-	-	-
Cash dividends	-	-	-	-	-	-	(3,565,557)	-	-	(3,565,557)
Balance at December 31, 2019	\$ 32,414,155	\$ 9,772	\$ 42,804	-	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ 77,395,683
Year ended December 31, 2020										
Balance at January 1, 2020	\$ 32,414,155	\$ 9,772	\$ 42,804	-	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ 77,395,683
Profit for the year	-	-	-	-	-	-	5,988,702	-	-	5,988,702
Other comprehensive income for the year	-	-	-	-	-	-	486	289,067	3,882	293,435
Total comprehensive income	-	-	-	-	-	-	5,989,188	289,067	3,882	6,282,137
Appropriation and distribution of 2019 earnings:										
Legal reserve	-	-	-	-	346,683	-	(346,683)	-	-	-
Special reserve	-	-	-	-	-	1,703,947	(1,703,947)	-	-	-
Cash dividends	-	-	-	-	-	-	(3,241,416)	-	-	(3,241,416)
Capital surplus arising from donated assets	-	-	-	691	-	-	-	-	-	691
Balance at December 31, 2020	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 691	\$ 15,533,661	\$ 6,904,245	\$ 32,143,063	(\$ 6,632,448)	\$ 21,152	\$ 80,437,095

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,746,034	\$ 4,498,490
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised gain (loss) on inter-company transaction		133,967	(66,038)
Depreciation	6(7)(26)	1,586,627	1,517,236
Depreciation expense on right-of-use assets	6(8)(26)	49,640	49,790
Depreciation on investment property	6(9)(26)	606	611
Amortisation expense	6(10)(26)	42,088	45,506
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(24)	755	2,383
Gain on disposal of property, plant and equipment	6(24)	(139,775)	(150,244)
Share of profit of associates and joint ventures accounted for using equity method		(4,923,152)	(3,398,541)
Interest income	6(22)	(82,028)	(134,367)
Interest expense	6(25)	267,079	306,641
Disaster loss	6(24)	279	-
Effect of exchange rate changes on cash and cash equivalents		(188,697)	(221,900)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(10,871)	5,098
Accounts receivable		(145,760)	90,105
Accounts receivable - related parties		(446,354)	232,681
Inventories		215,410	790,750
Other current assets		57,137	111,236
Changes in operating liabilities			
Contract liabilities - current		16,415	(27,785)
Accounts payable		238,639	(265,217)
Accounts payable - related parties		335,368	13,656
Other payables		85,602	37,530
Accrued pension liabilities		(156,356)	(8,461)
Other current liabilities		6,776	383
Cash inflow generated from operations		3,689,429	3,429,543
Interest received		83,030	114,370
Dividends received		3,141,139	3,290,468
Interest paid		(272,345)	(337,126)
Income tax paid		(670,034)	(1,285,843)
Net cash flows from operating activities		<u>5,971,219</u>	<u>5,211,412</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets at fair value through profit or loss		(\$ 1,575)	\$ 860
Acquisition of investments accounted for using equity method		(2,689,340)	-
Acquisition of property, plant and equipment	6(7)(29)	(1,392,925)	(1,996,606)
Proceeds from disposal of property, plant and equipment		61,719	138,313
Acquisition of investment properties	6(9)	(82)	-
Acquisition of intangible assets	6(10)	(10,195)	(15,399)
Increase in refundable deposits		(391)	(311)
Net cash flows used in investing activities		(4,032,789)	(1,873,143)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(30)	2,800,000	3,950,000
Decrease in short-term loans	6(30)	(3,850,000)	(2,000,000)
Repayments of bonds	6(30)	(2,500,000)	(4,800,000)
Increase in long-term loans	6(30)	6,800,000	6,050,000
Decrease in long-term loans	6(30)	(4,500,000)	(7,460,000)
Increase (decrease) in guarantee deposits received	6(30)	1,746	(80)
Repayments of principal portion of lease liabilities	6(30)	(44,526)	(29,095)
Cash dividends paid	6(19)(30)	(3,241,416)	(3,565,557)
Capital surplus arising from donated assets		691	-
Net cash flows used in financing activities		(4,533,505)	(7,854,732)
Effect of exchange rate changes on cash and cash equivalents		188,697	221,900
Net decrease in cash and cash equivalents		(2,406,378)	(4,294,563)
Cash and cash equivalents at beginning of year	6(1)	8,525,572	12,820,135
Cash and cash equivalents at end of year	6(1)	\$ 6,119,194	\$ 8,525,572

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

CHENG SHIN RUBBER IND. CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated on December 1969 and is primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery. The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements have been authorized for issuance by the Board of Directors on March 24, 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 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, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company's assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference 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
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, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, '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 IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The accompanying parent company only financial statements are prepared in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The accompanying parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

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

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

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

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

(5) Cash equivalents

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

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

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

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

C. At initial recognition, the Company measures the financial assets at fair value and recognises the

transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

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

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

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

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

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

The Company measured the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component on every balance sheet dates.

(10) Derecognition of financial assets

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit

or loss when the related assets or liabilities are disposed of.

- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

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

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

or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and

the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

(17) Investment property

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

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

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

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

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

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

(23) Bonds payable

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

(24) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Financial guarantee contracts

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(27) Non-hedging derivatives

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

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected

to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Employees', directors' and supervisors' remuneration

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

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the

year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(30) Dividends

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

(31) Revenue recognition

Sales of goods

- A. The Company manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for

acceptance have been satisfied.

- B. Sales revenue of the Company, which mainly consists of sale of various tires and rubber products, was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There are no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 550	\$ 550
Checking deposits	1,728	2,627
Demand deposits	1,368,747	1,498,401
Foreign currency deposits	4,684,693	4,739,774
Time deposits	<u>63,476</u>	<u>2,284,220</u>
	<u>\$ 6,119,194</u>	<u>\$ 8,525,572</u>
Interest rate range		
Time deposits	<u>1.70%~2.20%</u>	<u>2.90%~3.15%</u>

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

Item	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ <u>820</u>	\$ <u>-</u>

A. The Company recognized net loss amounting to \$755 thousand and \$2,383 thousand on financial assets mandatorily measured at fair value through profit or loss – derivative instruments for the years ended December 31, 2020 and 2019, respectively.

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

Derivative instruments	December 31, 2020	
	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts (USD exchange to NTD)	<u>USD 40,000 thousand</u>	2020/11/09~ 2021/03/22
Foreign exchange swap (USD exchange to NTD)	<u>USD 60,000 thousand</u>	2020/10/20~ 2021/11/08

The Company has no derivative instruments transaction on December 31, 2019.

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

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

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

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	<u>21,152</u>	<u>17,270</u>
Total	<u>\$ 29,817</u>	<u>\$ 25,935</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>

A. The Company has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$88,004 thousand and \$84,122 thousand as at December 31, 2020 and 2019, respectively.

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

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 3,882	\$ 3,050

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

(4) Notes and accounts receivables

	December 31, 2020	December 31, 2019
Notes receivable	\$ 43,067	\$ 32,196
Less: Loss allowance	(9,277)	(9,277)
	<u>\$ 33,790</u>	<u>\$ 22,919</u>
Accounts receivable	\$ 1,318,866	\$ 1,173,106
Less: Loss allowance	(11,718)	(11,718)
	<u>\$ 1,307,148</u>	<u>\$ 1,161,388</u>

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 1,156,459	\$ 43,067	\$ 952,599	\$ 32,196
Up to 30 days	124,191	-	141,047	-
31 -90 days	23,146	-	53,724	-
91 -180 days	7,046	-	25,222	-
Over 180 days	8,024	-	514	-
	<u>\$ 1,318,866</u>	<u>\$ 43,067</u>	<u>\$ 1,173,106</u>	<u>\$ 32,196</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2019, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$2,912,394 thousand.

C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$33,790 thousand and \$22,919 thousand; \$1,307,148 thousand and \$1,161,388 thousand, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 988,526	\$ -	\$ 988,526
Work in progress	725,376	-	725,376
Finished goods	598,073	(13,904)	584,169
	<u>\$ 2,311,975</u>	<u>(\$ 13,904)</u>	<u>\$ 2,298,071</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,005,520	\$ -	\$ 1,005,520
Work in progress	828,354	-	828,354
Finished goods	744,592	(13,904)	730,688
	<u>\$ 2,578,466</u>	<u>(\$ 13,904)</u>	<u>\$ 2,564,562</u>

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	\$ 14,156,766	\$ 15,812,603
Unallocated overheads	88,566	-
Others	(16,729)	(6,736)
	<u>\$ 14,228,603</u>	<u>\$ 15,805,867</u>

On September 26, 2020, a plant located in Xizhou owned by the Company absorbed some fire damage. The book value of the buildings and equipment which were damaged by the fire amounted to \$10,912 thousand. The Company has relevant property insurance and has filed a claim to the insurance company. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

(6) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
MAXXIS International Co., Ltd.	\$ 42,371,102	\$ 40,069,847
CST Trading Ltd.	26,823,193	25,199,773
MAXXIS Trading Ltd.	10,627,664	10,417,885
CHENG SHIN RUBBER USA, INC.	2,495,535	2,709,443
PT MAXXIS International Indonesia	685,105	-
CHENG SHIN RUBBER CANADA, INC.	677,839	705,193
MAXXIS (Taiwan) Trading CO., LTD	421,097	319,849
MAXXIS Tech Center Europe B.V.	78,617	68,500
PT. MAXXIS TRADING INDONESIA	32,572	26,315
Maxxis Europe B.V.	3,917	13,602
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	408	-
MAXXIS RUBBER JAPAN CO., LTD.	12,661	-
Associates:		
NEW PACIFIC INDUSTRY COMPANY LIMITED	<u>172,981</u>	<u>157,489</u>
	<u>\$ 84,402,691</u>	<u>\$ 79,687,896</u>

A. As at December 31, 2020, the credit balance of long-term equity investments, shown as 'other non-current liabilities', is due to the Company continuously providing financial support.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary:		
MAXXIS Rubber India Private Limited	\$ 484,002	\$ 364,976
PT MAXXIS International Indonesia	<u>-</u>	<u>186,886</u>
	<u>\$ 484,002</u>	<u>\$ 551,862</u>

B. Subsidiary

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

C. Joint ventures

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

As at December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial joint ventures amounted to \$172,981 thousand and \$157,489 thousand, respectively.

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Share of profit of joint ventures accounted for using equity method	\$ 18,520	\$ 6,653
Other comprehensive (loss) income - net of tax	<u>(528)</u>	<u>722</u>
Total comprehensive income	<u>\$ 17,992</u>	<u>\$ 7,375</u>

(7) Property, plant and equipment, net

	Year ended December 31, 2020				
	<u>Beginning of period</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>End of period</u>
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,390,907	47,784	7,234	131,716	6,563,263
Machinery	12,717,065	414,320	184,248	884,019	13,831,156
Testing equipment	771,319	21,749	-	26,850	819,918
Transportation equipment	198,861	650	2,710	-	196,801
Office equipment	175,642	16,951	-	-	192,593
Other facilities	4,171,958	322,876	3,166	123,986	4,615,654
Unfinished construction and equipment under acceptance	1,673,323	368,710	810	1,168,958	872,265
	<u>\$ 30,024,543</u>	<u>\$ 1,193,040</u>	<u>(\$ 198,168)</u>	<u>(\$ 2,387)</u>	<u>\$ 31,017,118</u>
Accumulated depreciation					
Buildings and structures	(\$ 2,326,005)	\$ 180,888	\$ 2,217	\$ -	(\$ 2,504,676)
Machinery	(7,131,601)	(743,640)	135,377	(113)	(7,739,977)
Testing equipment	(669,399)	(44,447)	-	-	(713,846)
Transportation equipment	(132,315)	(18,263)	1,308	-	(149,270)
Office equipment	(110,539)	(33,732)	-	-	(144,271)
Other facilities	(2,966,430)	(565,657)	1,492	113	(3,530,482)
	<u>(\$ 13,336,289)</u>	<u>(\$ 1,586,627)</u>	<u>\$ 140,394</u>	<u>\$ -</u>	<u>(\$ 14,782,522)</u>
	<u>\$ 16,688,254</u>				<u>\$ 16,234,596</u>

Year ended December 31, 2019

	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,186,836	79,387	-	124,684	6,390,907
Machinery	12,261,955	376,909	(94,988)	173,189	12,717,065
Testing equipment	739,482	25,348	(668)	7,157	771,319
Transportation equipment	164,352	6,024	-	28,485	198,861
Office equipment	158,901	16,741	-	-	175,642
Other facilities	3,714,830	443,712	(2,024)	15,440	4,171,958
Unfinished construction and equipment under acceptance	1,053,091	970,057	-	(349,825)	1,673,323
	<u>\$ 28,204,915</u>	<u>\$ 1,918,178</u>	<u>(\$ 97,680)</u>	<u>(\$ 870)</u>	<u>\$ 30,024,543</u>
Accumulated depreciation					
Buildings and structures	(\$ 2,151,582)	(\$ 174,423)	\$ -	\$ -	(\$ 2,326,005)
Machinery	(6,488,194)	(690,620)	57,998	(10,785)	(7,131,601)
Testing equipment	(624,138)	(45,935)	668	6	(669,399)
Transportation equipment	(113,161)	(19,154)	-	-	(132,315)
Office equipment	(81,022)	(29,517)	-	-	(110,539)
Other facilities	(2,420,635)	(557,587)	1,013	10,779	(2,966,430)
	<u>(\$ 11,878,732)</u>	<u>(\$ 1,517,236)</u>	<u>\$ 59,679</u>	<u>\$ -</u>	<u>(\$ 13,336,289)</u>
	<u>\$ 16,326,183</u>				<u>\$ 16,688,254</u>

On September 26, 2020, a plant located in Xizhou owned by the Company absorbed some fire damage. The book value of the buildings and equipment which were damaged by the fire amounted to \$51,367 thousand. The Company has relevant property insurance and has filed a claim to the insurance company. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land, buildings, business vehicles, and multifunction printers. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets of land may not be used as security for borrowing purposes.
- B. Short-term leases comprise forklift trucks and stacking machines. Low-value assets comprise of defibrillators.
- C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 41,159	\$ 58,085
Buildings and structures	3,788	2,272
Transportation equipment	37,976	25,414
Office equipment	4,854	4,944
Other equipment	14,296	16,579
	<u>\$ 102,073</u>	<u>\$ 107,294</u>
	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 16,925	\$ 19,022
Buildings and structures	3,125	3,750
Transportation equipment	23,526	21,048
Office equipment	1,798	1,664
Other equipment	4,266	4,306
	<u>\$ 49,640</u>	<u>\$ 49,790</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$44,419 thousand and \$21,140 thousand, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Interest expense on lease liabilities	\$ 990	\$ 1,035
Expense on short-term lease contracts	3,019	3,230
Expense on leases of low-value assets	87	87
Expense on variable lease payments	8,953	1,725
	<u>\$ 13,049</u>	<u>\$ 6,077</u>

- F. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases amounted to \$45,516 thousand and \$42,867 thousand, respectively.
- G. Variable lease payments
- (a) Some of the Company's lease contracts contain variable lease payment terms that are linked to

the stored amount of tires. For the aforementioned lease contracts, up to 14.28% and 3.08% of lease payments are on the basis of variable payment terms and are accrued based on the stored amount of tires for the years ended December 31, 2020 and 2019, respectively. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$90 thousand and \$17 thousand for the years ended December 31, 2020 and 2019, respectively.

(9) Investment property, net

	Year ended December 31, 2020			
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,339	\$ 82	\$ -	\$ 336,421
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,105</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 364,187</u>
Accumulated depreciation				
Buildings and structures	(\$ 23,116)	(\$ 606)	\$ -	(\$ 23,722)
Accumulated impairment				
Land	(\$ 51,038)	\$ -	\$ -	(\$ 51,038)
	<u>\$ 289,951</u>			<u>\$ 289,427</u>
	Year ended December 31, 2019			
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,339	\$ -	\$ -	\$ 336,339
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,105</u>
Accumulated depreciation				
Buildings and structures	(\$ 22,505)	(\$ 611)	\$ -	(\$ 23,116)
Accumulated impairment				
Land	(\$ 51,038)	\$ -	\$ -	(\$ 51,038)
	<u>\$ 290,562</u>			<u>\$ 289,951</u>

A. Rental income from investment property is shown below:

	Year ended December 31, 2020	Year ended December 31, 2019
Rental income from investment property	<u>\$ 8,725</u>	<u>\$ 7,998</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 606</u>	<u>\$ 611</u>

B. The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was \$557,821 thousand and \$539,710 thousand respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

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

(10) Intangible assets

	Year ended December 31, 2020				
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	<u>\$ 128,454</u>	<u>\$ 10,195</u>	<u>(\$ 12,541)</u>	<u>\$ -</u>	<u>\$ 126,108</u>
Accumulated amortisation					
Software	<u>(\$ 87,821)</u>	<u>(\$ 42,088)</u>	<u>\$ 12,541</u>	<u>\$ -</u>	<u>(\$ 117,368)</u>
	<u>\$ 40,633</u>				<u>\$ 8,740</u>
	Year ended December 31, 2019				
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	<u>\$ 124,455</u>	<u>\$ 15,399</u>	<u>(\$ 11,400)</u>	<u>\$ -</u>	<u>\$ 128,454</u>
Accumulated amortisation					
Software	<u>(\$ 53,715)</u>	<u>(\$ 45,506)</u>	<u>\$ 11,400</u>	<u>\$ -</u>	<u>(\$ 87,821)</u>
	<u>\$ 70,740</u>				<u>\$ 40,633</u>

Details of amortization on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating costs	\$ 1,016	\$ 582
Administrative expenses	29,481	32,159
Research and development expenses	<u>11,591</u>	<u>12,765</u>
	<u>\$ 42,088</u>	<u>\$ 45,506</u>

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 1,400,000</u>	0.45%~0.74%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 2,450,000</u>	0.70%~0.86%	None

(12) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee compensation payable	\$ 232,596	\$ 194,306
Wages and salaries payable	518,769	520,424
Payable on machinery and equipment	127,850	327,645
Compensation due to directors and supervisors	91,611	61,089
Others	<u>658,781</u>	<u>647,174</u>
	<u>\$ 1,629,607</u>	<u>\$ 1,750,638</u>

(13) Other current liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-term liabilities due within one year	\$ 7,658,333	\$ 5,270,000
Receipts under custody	69,158	63,078
Others	<u>3,481</u>	<u>2,786</u>
	<u>\$ 7,730,972</u>	<u>\$ 5,335,864</u>

(14) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable - issued in 2016	\$ 2,500,000	\$ 5,000,000
Bonds payable - issued in 2017	7,000,000	7,000,000
Bonds payable - issued in 2018	<u>5,000,000</u>	<u>5,000,000</u>
	14,500,000	17,000,000
Less: Current portion	(<u>6,000,000</u>)	(<u>2,500,000</u>)
	<u>\$ 8,500,000</u>	<u>\$ 14,500,000</u>

- A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- D. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was \$4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds was 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:

The corporate bonds will be redeemed in full amount at the maturity date.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until October, 2025.	0.70%~1.00%	None	\$ 12,200,000
Less: Current portion				(1,658,333)
				<u>\$ 10,541,667</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until February, 2024.	1.00%~1.21%	None	\$ 9,900,000
Less: Current portion				(2,770,000)
				<u>\$ 7,130,000</u>

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2020 and 2019.

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor

pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 1,278,916	\$ 1,351,590
Fair value of plan assets	(695,313)	(653,508)
Net defined benefit liability	<u>\$ 583,603</u>	<u>\$ 698,082</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 1,351,590	(\$ 653,508)	\$ 698,082
Current service cost	15,530	-	15,530
Interest expense (income)	9,461	(4,575)	4,886
	<u>1,376,581</u>	<u>(658,083)</u>	<u>718,498</u>
Remeasurements:			
Change in financial assumptions	47,926	-	47,926
Experience adjustments	(25,410)	-	(25,410)
Return on plan asset (excluding amounts included in interest income or expense)	-	(23,783)	(23,783)
	<u>22,516</u>	<u>(23,783)</u>	<u>(1,267)</u>
Pension fund contribution	-	(125,044)	(125,044)
Paid pension	(120,181)	111,597	(8,584)
Balance at December 31	<u>\$ 1,278,916</u>	<u>(\$ 695,313)</u>	<u>\$ 583,603</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 1,389,880	(\$ 680,510)	\$ 709,370
Current service cost	18,362	-	18,362
Interest expense (income)	13,899	(6,805)	7,094
	<u>1,422,141</u>	<u>(687,315)</u>	<u>734,826</u>
Remeasurements:			
Change in financial assumptions	39,375	-	39,375
Experience adjustments	(18,760)	-	(18,760)
Return on plan asset			-
(excluding amounts included in interest income or expense)	<u>-</u>	<u>(25,435)</u>	<u>(25,435)</u>
	<u>20,615</u>	<u>(25,435)</u>	<u>(4,820)</u>
Pension fund contribution	-	(23,824)	(23,824)
Paid pension	(91,166)	83,066	(8,100)
Balance at December 31	<u>\$ 1,351,590</u>	<u>(\$ 653,508)</u>	<u>\$ 698,082</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2020 and 2019, the actual return on plan assets was \$28,358 thousand and \$32,240 thousand, respectively.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	<u>0.30%</u>	<u>0.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 30,281)	\$ 31,415	\$ 27,471	(\$ 26,674)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 32,934)	\$ 34,189	\$ 30,116	(\$ 29,219)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amounts to \$18,853 thousand.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 10 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

Within 1 year	\$	127,492
2-5 year(s)		278,072
Over 6 years		<u>320,250</u>
	<u>\$</u>	<u>725,814</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$152,470 thousand and \$156,102 thousand, respectively.

(17) Share capital

As at December 31, 2020, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

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

E. The Company recognised dividends distributed to shareholders amounting to \$3,241,416 thousand and \$3,565,557 thousand (\$1.0 (in dollars) and \$1.1 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On March 24, 2021, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2020 was \$3,889,699 thousand at \$1.2 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(26).

(20) Other equity items

	2020		
	Currency translation	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 6,921,515)	\$ 17,270	(\$ 6,904,245)
Valuation adjustment – Company	-	3,882	3,882
Currency translation differences:			-
– Subsidiaries and associates	361,334	-	361,334
– Tax on subsidiaries and associates	(72,267)	-	(72,267)
At December 31	<u>(\$ 6,632,448)</u>	<u>\$ 21,152</u>	<u>(\$ 6,611,296)</u>
	2019		
	Currency translation	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 5,214,518)	\$ 14,220	(\$ 5,200,298)
Valuation adjustment – Company	-	3,050	3,050
Currency translation differences:			-
– Subsidiaries and associates	(2,133,746)	-	(2,133,746)
– Tax on subsidiaries and associates	426,749	-	426,749
At December 31	<u>(\$ 6,921,515)</u>	<u>\$ 17,270</u>	<u>(\$ 6,904,245)</u>

(21) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	<u>\$ 18,926,294</u>	<u>\$ 19,497,888</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2020					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 1,955,732	\$ 258,970	\$ 1,221,036	\$ 5,953,795	\$ 9,389,533
Inter-segment revenue	<u>3,798,690</u>	<u>85,560</u>	<u>4,763,551</u>	<u>888,960</u>	<u>9,536,761</u>
Total segment revenue	<u>\$ 5,754,422</u>	<u>\$ 344,530</u>	<u>\$ 5,984,587</u>	<u>\$ 6,842,755</u>	<u>\$18,926,294</u>
Year ended December 31, 2019					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 2,148,713	\$ 155,301	\$ 1,094,730	\$ 6,504,651	\$ 9,903,395
Inter-segment revenue	<u>3,745,078</u>	<u>87,253</u>	<u>4,113,471</u>	<u>1,648,691</u>	<u>9,594,493</u>
Total segment revenue	<u>\$ 5,893,791</u>	<u>\$ 242,554</u>	<u>\$ 5,208,201</u>	<u>\$ 8,153,342</u>	<u>\$19,497,888</u>

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities:			
Advance sales receipts	<u>\$ 116,293</u>	<u>\$ 99,878</u>	<u>\$ 127,663</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period:			
	Year ended December 31, 2020	Year ended December 31, 2019	
Advance sales receipts	<u>\$ 81,161</u>	<u>\$ 102,773</u>	

(22) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 64,822	\$ 108,245
Interest income endorsements/guarantees	<u>17,206</u>	<u>26,122</u>
	<u>\$ 82,028</u>	<u>\$ 134,367</u>

(23) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from patent royalties	\$ 454,383	\$ 533,531
Revenue from trademark royalties	322,076	388,000
Revenue from commission	183,359	232,529
Revenue from dividend	17,694	18,361
Revenue from per diem	10,700	54,783
Others	242,988	120,670
	<u>\$ 1,231,200</u>	<u>\$ 1,347,874</u>

(24) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Net currency exchange loss	(\$ 299,383)	(\$ 161,641)
Gain on disposal of property, plant and equipment	139,775	150,244
Loss on financial assets and liabilities at fair value through profit or loss	(755)	(2,383)
Casualty loss	(279)	-
Miscellaneous disbursements	(15,920)	(4,991)
	<u>(\$ 176,562)</u>	<u>(\$ 18,771)</u>

(25) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense:		
Bank borrowings	\$ 119,706	\$ 118,052
Corporate bonds	146,383	187,554
Lease liability-interest expense	990	1,035
	<u>\$ 267,079</u>	<u>\$ 306,641</u>

(26) Expenses by nature

	Year ended December 31, 2020		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefits costs			
Wages and salaries	\$ 2,663,121	\$ 1,373,297	\$ 4,036,418
Labour and health insurance fees	249,375	124,210	373,585
Pension costs	112,404	60,482	172,886
Directors' remuneration	-	95,691	95,691
Other personnel expenses	86,328	20,384	106,712
	<u>\$ 3,111,228</u>	<u>\$ 1,674,064</u>	<u>\$ 4,785,292</u>
Raw materials and supplies used	<u>\$ 7,544,078</u>	<u>\$ -</u>	<u>\$ 7,544,078</u>
Depreciation expense on property, plant and equipment	<u>\$ 1,395,316</u>	<u>\$ 191,311</u>	<u>\$ 1,586,627</u>
Depreciation expense on right-of-use assets	<u>\$ 21,187</u>	<u>\$ 28,453</u>	<u>\$ 49,640</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ 606</u>
Amortisation expense on intangible assets	<u>\$ 1,016</u>	<u>\$ 41,072</u>	<u>\$ 42,088</u>
	Year ended December 31, 2019		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefits costs			
Wages and salaries	\$ 2,775,000	\$ 1,298,640	\$ 4,073,640
Labour and health insurance fees	259,478	119,832	379,310
Pension costs	122,234	59,324	181,558
Directors' remuneration	-	57,224	57,224
Other personnel expenses	89,410	27,404	116,814
	<u>\$ 3,246,122</u>	<u>\$ 1,562,424</u>	<u>\$ 4,808,546</u>
Raw materials and supplies used	<u>\$ 8,851,494</u>	<u>\$ -</u>	<u>\$ 8,851,494</u>
Depreciation expense on property, plant and equipment	<u>\$ 1,332,861</u>	<u>\$ 184,375</u>	<u>\$ 1,517,236</u>
Depreciation expense on right-of-use assets	<u>\$ 19,162</u>	<u>\$ 30,628</u>	<u>\$ 49,790</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 611</u>	<u>\$ 611</u>
Amortisation expense on intangible assets	<u>\$ 582</u>	<u>\$ 44,924</u>	<u>\$ 45,506</u>

Note: As at December 31, 2020 and 2019, the Company had 5,904 and 6,435 employees, respectively, of which 9 and 7 directors, respectively, were not the Company's employee.

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. Average employee benefit costs for the year ended December 31, 2020 was \$796 thousand ((Total employee benefit costs for the year ended December 31, 2020– Total directors' remuneration for the year ended December 31, 2020) / (Number of employees for the year ended December 31,

2020 – Number of non-employee directors for the year ended December 31, 2020)). Average employee benefit costs for the year ended December 31, 2019 was \$739 thousand ((Total employee benefit costs for the year ended December 31, 2019 – Total directors' remuneration for the year ended December 31, 2019) / (Number of employees for the year ended December 31, 2019 – Number of non-employee directors for the year ended December 31, 2019)).

- C. Average employee wages and salaries for the year ended December 31, 2020 were \$685 thousand (Total employee wages and salaries for the year ended December 31, 2020 / (Number of employees for the year ended December 31, 2020 – Number of non-employee directors for the year ended December 31, 2020)). Average employee wages and salaries for the year ended December 31, 2019 were \$634 thousand (Total employee wages and salaries for the year ended December 31, 2019 / (Number of employees for the year ended December 31, 2019 – Number of non-employee directors for the year ended December 31, 2019)).
- D. Changes of average employee wages and salaries was 8.04% ((Average employee wages and salaries for the year ended December 31, 2020 - Average employee wages and salaries for the year ended December 31, 2019) / Average employee wages and salaries for the year ended December 31, 2019).

(a) The Company has set up an audit committee, so there are no supervisors.

(b) The compensation policy and payment were determined by the Remuneration Committee of the Company in accordance with the market average of each position, and the duties and responsibilities of such position, as well as personal contribution to the Company's operation target. Besides taking overall operating performance of the Company into consideration, personal achievements and contributions made to business operations are also evaluated during the remuneration determination process. The Board of Directors would then approve the remuneration that is fair and reasonable.

The Company's independent director remuneration is delegated to the Board to decide and will be decided according to their participation procedure and contribution to the Company's operation and the common standard in the industry. The independent directors receive a fixed amount of remuneration and the traveling expenses of attending meetings. They do not receive other forms of remuneration and may not participate in the distribution of the Company's director remuneration.

The employees' emolument of the Company mainly includes salary, bonus, employee compensation, etc. The payment standard is set according to the industry salary standard, the Company's operating conditions, employees' personal performance, the position held and the responsibility assumed as well as in compliance with the laws and regulations. The employees' compensation is distributed according to the Company's Articles of Incorporation and distributable profit of the year. The employees' emolument do not vary according to age, gender, race, religion, political affiliation, marital status and union membership.

- E. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$139,544 thousand and \$93,053 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$91,611 thousand and \$61,089 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and

accrued based on 2% and 1.313% of distributable profit of current year for the year ended December 31, 2020.

For 2019, the employees' compensation and directors' and supervisors' remuneration of 2019, as resolved at the meeting of Board of Directors amounting to \$93,053 thousand and \$61,089 thousand, were in agreement with those amounts recognized in the 2019 financial statements. The employees' compensation for 2019 will be distributed in the form of cash. As of March 24, 2021, the employees' compensation for 2019 has not yet been distributed.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the period	\$ 1,261,903	\$ 1,193,484
Prior year income tax overestimation	(196,115)	(74,638)
Total current tax	1,065,788	1,118,846
Deferred tax:		
Origination and reversal of temporary differences	(308,456)	(87,183)
Income tax expense	<u>\$ 757,332</u>	<u>\$ 1,031,663</u>

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

	Year ended December 31, 2020	Year ended December 31, 2019
Generated during the period:		
Currency translation differences	(\$ 72,267)	\$ 426,749
Remeasurement of defined benefit obligations	(253)	(964)
Total generated during the period	(72,520)	425,785
Income tax from other comprehensive income	<u>(\$ 72,520)</u>	<u>\$ 425,785</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 1,349,207	\$ 899,698
Effects from items disallowed by tax regulation	81,147	89,713
Income from investing overseas subsidiaries not recognized as deferred tax liabilities	(820,398)	(545,723)
Temporary differences not recognised as deferred tax assets	550,979	694,213
Tax exempt income by tax regulation	(51,193)	(31,600)
Effect from investment tax credits	(156,295)	-
Prior year income tax overestimation	(196,115)	(74,638)
Income tax expense	<u>\$ 757,332</u>	<u>\$ 1,031,663</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 146,333	\$ 9,901	\$ -	\$ 156,234
Remeasurement of defined benefit obligations	165,802	-	(253)	165,549
Exchange differences on translation of foreign financial statements	1,209,061	-	(72,267)	1,136,794
Unrealised exchange loss	64,214	4,604	-	68,818
Others	33,132	(17,371)	-	15,761
Subtotal	<u>\$ 1,618,542</u>	<u>(\$ 2,866)</u>	<u>(\$ 72,520)</u>	<u>\$ 1,543,156</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 738,159)	\$ 288,875	\$ -	(\$ 449,284)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Others	(40,959)	22,447	-	(18,512)
Subtotal	<u>(\$ 1,293,851)</u>	<u>\$ 311,322</u>	<u>\$ -</u>	<u>(\$ 982,529)</u>
Total	<u>\$ 324,691</u>	<u>\$ 308,456</u>	<u>(\$ 72,520)</u>	<u>\$ 560,627</u>

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter -affiliated accounts	\$ 169,527	(\$ 23,194)	\$ -	\$ 146,333
Remeasurement of defined benefit obligations	166,766	-	(964)	165,802
Exchange differences on translation of foreign financial statements	782,312	-	426,749	1,209,061
Unrealised exchange loss	19,289	44,925	-	64,214
Others	15,597	17,535	-	33,132
Subtotal	<u>\$ 1,153,491</u>	<u>\$ 39,266</u>	<u>\$ 425,785</u>	<u>\$ 1,618,542</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 767,625)	\$ 29,466	\$ -	(\$ 738,159)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealized evaluation gains on financial assets and liabilities	(649)	649	-	-
Others	(58,761)	17,802	-	(40,959)
Subtotal	<u>(\$ 1,341,768)</u>	<u>\$ 47,917</u>	<u>\$ -</u>	<u>(\$ 1,293,851)</u>
Total	<u>(\$ 188,277)</u>	<u>\$ 87,183</u>	<u>\$ 425,785</u>	<u>\$ 324,691</u>

D. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2020 and 2019 were \$47,546,817 thousand and \$42,638,273 thousand, respectively.

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 5,988,702</u>	<u>3,241,416</u>	<u>\$ 1.85</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	5,988,702	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>4,035</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,988,702</u>	<u>3,245,451</u>	<u>\$ 1.85</u>
	<u>Year ended December 31, 2019</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 3,466,827</u>	<u>3,241,416</u>	<u>\$ 1.07</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,466,827	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>2,801</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,466,827</u>	<u>3,244,217</u>	<u>\$ 1.07</u>

(29) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 1,193,130	\$ 1,918,178
Add: Opening balance of payable on equipment	327,645	406,073
Less: Ending balance of payable on equipment	(127,850)	(327,645)
Cash paid during the period	<u>\$ 1,392,925</u>	<u>\$ 1,996,606</u>

(30) Changes in liabilities from financing activities

	2020						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 2,450,000	\$ 9,900,000	\$ 17,000,000	\$ 647	\$ 104,141	\$ 7,050	\$ 29,461,838
Changes in cash flow from financing activities	(1,050,000)	2,300,000	(2,500,000)	(3,241,416)	(45,516)	1,746	(4,535,186)
Interest paid	-	-	-	-	(990)	-	(990)
Additions	-	-	-	3,241,416	43,563	-	3,284,979
Amortisation of interest expense	-	-	-	-	990	-	990
At December 31	<u>\$ 1,400,000</u>	<u>\$ 12,200,000</u>	<u>\$ 14,500,000</u>	<u>\$ 647</u>	<u>\$ 102,188</u>	<u>\$ 8,796</u>	<u>\$ 28,211,631</u>

	2019						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 500,000	\$ 11,310,000	\$ 21,800,000	\$ 647	\$ 123,217	\$ 7,130	\$ 33,740,994
Changes in cash flow from financing activities	1,950,000	(1,410,000)	(4,800,000)	(3,565,557)	(29,095)	(80)	(7,854,732)
Interest paid	-	-	-	-	(1,035)	-	(1,035)
Additions	-	-	-	3,565,557	10,019	-	3,575,576
Amortisation of interest expense	-	-	-	-	1,035	-	1,035
At December 31	<u>\$ 2,450,000</u>	<u>\$ 9,900,000</u>	<u>\$ 17,000,000</u>	<u>\$ 647</u>	<u>\$ 104,141</u>	<u>\$ 7,050</u>	<u>\$ 29,461,838</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions

A. Operating revenue

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
– Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	\$ 3,798,690	\$ 3,745,078
CHENG SHIN RUBBER USA, INC.	4,763,551	4,113,471
Others	974,520	1,735,944
– Other related parties	<u>54,148</u>	<u>63,318</u>
	<u>\$ 9,590,909</u>	<u>\$ 9,657,811</u>

The Company's sales price to related parties was approximately the same as third parties. Credit term for exporting sales amount was the same as third parties, which was collected after 60 days to 90 days.

B. Purchases

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
Subsidiaries	<u>\$ 961,007</u>	<u>\$ 363,606</u>

The credit term for purchases from related parties is the same with third parties. Except for Maxxis (Thailand) is paid 30 days after the purchase, other payments are the same with third parties, which are 90 days after the purchase.

C. Property transactions

(a) Proceeds from sales of property and gain (loss) on disposal:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Sales amount</u>	<u>Gain on disposal</u>	<u>Sales amount</u>	<u>Gain on disposal</u>
Subsidiaries	<u>\$ 158,098</u>	<u>\$ 59,445</u>	<u>\$ 297,213</u>	<u>\$ 103,632</u>

(b) Ending balance of receivables from sales of property:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 61,619</u>	<u>\$ 100,374</u>

Abovementioned payments from sales of fixed assets to related parties are collected 60~90 days after the sales of equipment.

D. Revenue from patent royalties (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from patent royalties:

	Year ended December 31, 2020	Year ended December 31, 2019
Subsidiaries	\$ 454,383	\$ 533,531

(b) Ending balance of royalty receivables from technology:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 158,688	\$ 152,458

Abovementioned royalty revenue for technology was calculated by applying the agreed upon ratio to net sales amounts, and payment was originally collected yearly and was changed to quarterly since 2014.

E. Interest income-endorsements/guarantees (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Interest income-endorsements/guarantees:

	Year ended December 31, 2020	Year ended December 31, 2019
Subsidiaries	\$ 17,206	\$ 26,122

(b) Ending balance of interest receivables from endorsements and guarantees:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 31,715	\$ 23,660

Abovementioned interest income from endorsements and guarantees was calculated by applying the agreed ratio to the amount guaranteed and payment was originally collected yearly but was changed to quarterly since 2014.

F. Revenue from commission (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from commission:

	Year ended December 31, 2020	Year ended December 31, 2019
Subsidiaries	\$ 183,359	\$ 232,529

(b) Ending balance of receivables from commission:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 56,675	\$ 55,155

Abovementioned commission revenue was determined at certain rate of sales amounts and payment was originally collected yearly but was changed to quarterly since 2014.

G. Revenue from trademark royalties (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from trademark royalties:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Subsidiaries	\$ 322,076	\$ 388,000

(b) Ending balance of receivables from trademark royalties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 97,518	\$ 93,873

Abovementioned revenue from trademark royalties was determined at certain rate of sales and was originally collected yearly but was changed to quarterly since 2014.

H. Revenue from per diem (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from per diem:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Subsidiaries	\$ 10,700	\$ 54,783

(b) Ending balance of receivables from per diem:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 32,801	\$ 39,570

The aforementioned per diem income is based on agreed per diem rate multiplied by traveling days. Collection terms have been revised from yearly to quarterly since year 2014.

I. Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable		
–Subsidiaries		
CHENG SHIN RUBBER USA, INC.	\$ 1,121,502	\$ 654,683
MAXXIS (Taiwan) Trading CO., LTD.	433,464	355,857
CHENG SHIN RUBBER CANADA, INC.	179,366	203,503
Others	71,178	145,108
–Other related parties	20,052	20,057
	<u>\$ 1,825,562</u>	<u>\$ 1,379,208</u>

J. Other receivables (shown as ‘Other current assets’)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 61,619	\$ 100,374

Other receivables mainly arose from supplies and packaging material sold to related parties and

payment on behalf of related parties.

K. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 380,533	\$ 45,017
Associates	-	148
	<u>\$ 380,533</u>	<u>\$ 45,165</u>

L. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 125,550	\$ 160,346
Associates	191	-
	<u>\$ 125,741</u>	<u>\$ 160,346</u>

Abovementioned payments are advertisement expense and sponsorship to racing drivers paid by related parties on behalf of the Company.

M. Information about guarantees

As of December 31, 2020 and 2019, the Company and the financial institutions agreed that the Company's subsidiaries may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details is as follows:

<u>Obligee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2020</u>
Subsidiaries	USD 613,100 thousand	USD 481,899 thousand
	THB 2,000,000 thousand	THB 571,680 thousand
	INR 1,450,000 thousand	INR 1,434,048 thousand

<u>Obligee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2019</u>
Subsidiaries	USD 638,800 thousand	USD 587,039 thousand
	THB 2,000,000 thousand	THB 1,257,280 thousand
	RMB 450,000 thousand	RMB 169,677 thousand
	INR 1,450,000 thousand	INR 0 thousand

As of December 31, 2020 and 2019, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Short-term employee benefits	\$ 216,350	\$ 186,049
Post-employment benefits	2,038	2,561
	<u>\$ 218,388</u>	<u>\$ 188,610</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

Information about related parties' guarantees is provided in Note 7.

(2) Commitments

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 226,155	\$ 350,192

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amount of letter of credit that has been issued but not yet used	\$ 570	\$ 9,541

10. SIGNIFICANT DISASTER LOSS

On September 26, 2020, a fire damaged a plant located in Xizhou owned by the Company and destroyed some buildings, equipment and inventories inside the plant. The book value of the damaged properties amounted to \$62,279 thousand, including buildings and equipment as well as inventories of \$51,367 thousand and \$10,912 thousand, respectively. The Company has relevant property insurance and has filed a claim to the insurance company and the estimated insurance claims that can be obtained amounted to \$62,000 thousand. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

To meet the requirements of business development and production capacity improvement of the Company, the construction project to engage others to build the ATV plant on its own land in the Douliu 3rd plant was resolved at the meeting of the Board of Directors on January 28, 2021. The total estimated cost for the project is NT\$2.34 billion, of which the construction cost of the plant, machinery and equipment and utility was \$663 million, \$1.508 billion and \$169 million, respectively.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2020, the Company's strategy was unchanged from 2019. The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 34,546,755	\$ 35,460,275
Total equity	\$ 80,437,095	\$ 77,395,683
Less : Intangible assets	(8,740)	(40,633)
Tangible equity	<u>\$ 80,428,355</u>	<u>\$ 77,355,050</u>
Debt-equity ratio	<u>42.95%</u>	<u>45.84%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss-current		
Financial assets mandatorily measured at fair value through profit or loss	\$ 820	\$ -
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	29,817	25,935
Financial assets at fair value through other comprehensive income - non-current		
Designation of equity instrument	58,187	58,187
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	6,119,194	8,525,572
Notes receivable, net	33,790	22,919
Accounts receivable (including related parties)	3,132,710	2,540,596
Guarantee deposits paid	<u>1,689</u>	<u>1,297</u>
	<u>\$ 9,376,207</u>	<u>\$ 11,174,506</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,400,000	\$ 2,450,000
Accounts payable (including related parties)	1,667,033	1,093,026
Other accounts payable	1,629,607	1,750,638
Corporate bonds payable (including current portion)	14,500,000	17,000,000
Long-term borrowings (including current portion)	12,200,000	9,900,000
Guarantee deposits received	<u>8,796</u>	<u>7,050</u>
	<u>\$ 31,405,436</u>	<u>\$ 32,200,714</u>
Lease liabilities (including current portion)	<u>\$ 102,189</u>	<u>\$ 104,141</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2020

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 226,440	28.480	\$ 6,449,011	1%	\$ 64,490	\$ -
EUR : TWD	17,025	35.020	596,216	1%	5,962	-
RMB : TWD	68,727	4.377	300,818	1%	3,008	-
JPY : TWD	588,719	0.276	162,486	1%	1,625	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD : TWD	\$ 121,147	28.480	\$ 3,450,267	1%	\$ 9,548	\$ 24,955
RMB : TWD	356,953	4.377	1,562,383	1%	15,624	-
IDR : TWD	353,535,820	0.002	717,678	1%	-	7,177
CAD : TWD	30,328	22.350	677,831	1%	-	6,778
EUR : TWD	19,130	35.020	669,933	1%	5,827	872
JPY : TWD	1,668,213	0.276	460,427	1%	4,410	194
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 33,170	28.480	944,682	1%	\$ 9,447	-
<u>Non-monetary items</u>						
USD : TWD	\$ 3,520	28.480	100,250	1%	\$ 1,003	-

December 31, 2019

		Sensitivity analysis					
		Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
		\$	29.980	\$ 4,533,066	1%	\$ 45,331	-
	USD : TWD						
	EUR : TWD	36,518	33.590	1,226,640	1%	12,266	-
	JPY : TWD	1,566,265	0.276	432,289	1%	4,323	-
	RMB : TWD	726,140	4.305	3,126,033	1%	31,260	-
	GBP : RMB	3,299	39.360	129,849	1%	1,298	-
<u>Financial assets</u>							
<u>Non-monetary items</u>							
	USD : TWD	\$ 120,971	29.980	\$ 3,626,711	1%	\$ 9,173	\$ 27,094
	EUR : TWD	14,223	33.590	477,751	1%	3,957	821
	JPY : TWD	1,359,503	0.276	375,223	1%	3,752	-
	RMB : TWD	287,835	4.305	1,239,130	1%	12,391	-
	CAD : TWD	30,704	22.968	705,209	1%	-	7,052
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD : TWD	\$ 16,513	29.980	495,060	1%	4,951	-
	IDR : TWD	73,656,588	0.002	160,571	1%	-	1,606
	INR : TWD	864,873	0.422	364,976	1%	-	3,650

- iv. The exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$299,383) thousand and (\$161,641) thousand, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2020 and 2019 would have increased/decreased by \$880 thousand and \$841 thousand, respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the TWD.
- ii. The Company's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. At December 31, 2020 and 2019, if interest rates on TWD denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$10,880 thousand and \$9,880 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As at December 31, 2020 and 2019, the Company have no written-off financial assets that are still under recourse procedures.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2020 and 2019, the provision matrix is as follows:

<u>December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 1,156,459	\$ -
Up to 30 days	1.90%	124,191	2,360
31 to 90 days	4.99%	23,146	1,155
91 to 180 days	38.90%	7,046	2,741
Over 180 days	68.08%	8,024	5,463
		<u>\$ 1,318,866</u>	<u>\$ 11,718</u>
<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 952,599	\$ -
Up to 30 days	0.59%	141,047	832
31 to 90 days	3.79%	53,724	2,036
91 to 180 days	33.82%	25,222	8,530
Over 180 days	62.21%	514	320
		<u>\$ 1,173,106</u>	<u>\$ 11,718</u>

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

	<u>2020</u>
At January 1 and December 31_IFRS 9	<u>\$ 11,718</u>
	<u>2019</u>
At January 1 and December 31_IFRS 9	<u>\$ 11,718</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the

Company's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 1,401,460	\$ -	\$ -	\$ -	\$ 1,401,460
Accounts payable (including related parties)	1,667,033	-	-	-	1,667,033
Other payables	1,346,222	-	143,841	139,544	1,629,607
Lease liabilities	21,311	7,086	13,580	60,212	102,189
Guarantee deposits received	-	-	-	8,796	8,796
Long-term borrowings	150,630	25,630	1,582,144	10,655,521	12,413,925
Bonds payable	-	-	6,133,350	8,601,300	14,734,650

December 31, 2019

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 2,452,362	\$ -	\$ -	\$ -	\$ 2,452,362
Accounts payable (including related parties)	1,093,026	-	-	-	1,093,026
Other payables	1,539,548	-	118,037	93,053	1,750,638
Lease liabilities	20,868	4,972	8,661	69,640	104,141
Guarantee deposits received	-	-	-	7,050	7,050
Long-term borrowings	151,131	135,766	2,580,301	7,217,216	10,084,414
Bonds payable	-	-	2,651,100	14,734,650	17,385,750

As at December 31, 2020 and 2019, there was no financial derivative liabilities transaction.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market

in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, is included in Level 1.

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

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

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

	December 31, 2020			
	<u>Carrying amount</u>	Fair value		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 14,500,000	\$ -	\$ 14,546,679	\$ -

	December 31, 2019			
	<u>Carrying amount</u>	Fair value		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,050,741	\$ -

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

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

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

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income - Derivative instruments	\$ -	\$ 820	\$ -	\$ 820
Financial assets at fair value through profit or loss - Equity securities	29,817	-	58,187	88,004
	<u>\$ 29,817</u>	<u>\$ 820</u>	<u>\$ 58,187</u>	<u>\$ 88,824</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income - Equity securities	\$ 25,935	\$ -	\$ 58,187	\$ 84,122

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

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

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2020 and 2019.

(4) Assessment of impact of the COVID-19

Regarding the assessment of impact of the COVID-19, the Company was affected by the COVID-19 pandemic. Since early 2020, production of some of the subsidiaries' factories had stopped and orders had been delayed. However, all factories have resumed operations in the second quarter of 2020. Additionally, although the Company's sales orders from some areas have declined because of the COVID-19 pandemic, overall business and finance were not significantly affected based on the Company's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6(2), (24) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: please refer to table 9.
- B. Ceiling on investments in Mainland China: please refer to table 9.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2020: please refer to tables 5, 6 and 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,449,600	\$ 3,282,750	\$ 2,656,839	3.85%	Note 4	\$ -	Operating capital	\$ -	None	\$ -	4,922,318	\$ 8,203,864	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,459,200	2,188,500	1,641,375	3.85%	Note 4	-	Operating capital	-	None	-	4,922,318	8,203,864	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	864,800	569,010	389,553	4.85%	Note 4	-	Operating capital	-	None	-	4,922,318	8,203,864	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	3,870,000	2,188,500	1,387,509	3.85%	Note 4	-	Operating capital	-	None	-	7,655,635	12,759,391	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,078,000	-	-	0.00%	Note 4	-	Operating capital	-	None	-	7,655,635	12,759,391	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	423,500	-	-	0.00%	Note 4	-	Operating capital	-	None	-	14,414,063	24,023,438	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	8,758	8,754	8,754	3.85%	Note 4	-	Operating capital	-	None	-	25,911	103,646	Note 6

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

(1) The Company is '0'.

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

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above Companies' net assets. Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to a single party is 10% of above Companies' net assets.

Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of above Companies' net assets. Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to others is 40% of above Companies' net assets.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 40,218,548	\$ 3,307,750	\$ 1,911,200	\$ 546,297	\$ -	2.38	\$ 56,305,967	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	40,218,548	8,832,445	7,395,004	6,043,554	-	9.19	56,305,967	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	40,218,548	11,304,150	10,631,584	8,240,213	-	13.22	56,305,967	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	19,218,750	1,945,800	-	-	-	-	24,023,438	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets.

\$ 56,305,967

\$ 16,087,410

\$ 40,218,548

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets.

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets.

Note 3: Relationship between the endorser/guarantor and the Company is classified into the following two categories:

(1) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

Note 4: Limit on the Company's endorsements/guarantees provided to others is 100% of the Company's net assets.

Limit on total endorsements provided to a single party is 80% of the Company's net assets.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2020.

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2020

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

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2020			Footnote	
				Number of shares/ units	Book value	Ownership (%)		Fair value
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	\$ 29,817	-	29,817	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	-	58,187	-	58,187	Note 2

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)	Balance as at December 31, 2020		
					Number of shares	Amount	Number of shares	Amount		Number of shares	Amount	
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Investments accounted for using the equity method	PT MAXXIS International Indonesia	Subsidiary	79,997,000	\$ 2,461,355	59,997,750	\$ 1,772,034	-	-	139,994,750	\$ 4,233,389
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Investments accounted for using the equity method	Maxxis Rubber India Private Limited	Subsidiary	649,994,730	3,124,651	224,998,176	902,893	-	-	874,992,906	4,027,544

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$ 4,763,551	(25.17)	Collect within 90 days after shipment of goods	Same	Same	\$ 1,121,502	35.18	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(655,518)	(3.46)	Collect within 90 days after shipment of goods	Same	Same	179,366	5.63	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subidiary	(sales)	(136,152)	(0.72)	Collect within 60 days after shipment of goods	Same	Same	11,758	0.37	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,798,690)	(20.07)	Collect within 30 days	Same	Same	433,464	13.60	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(132,192)	(0.79)	Collect within 60 days after shipment of goods	Same	Same	22,464	0.94	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(176,179)	(1.06)	Collect within 60-90 days after shipment of goods	Same	Same	34,783	1.46	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(938,935)	(5.64)	Collect within 60-90 days after shipment of goods	Same	Same	265,475	11.15	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(134,844)	(0.81)	Collect within 60-90 days after shipment of goods	Same	Same	53,603	2.25	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,908,484)	(48.22)	Collect within 60-90 days after shipment of goods	Same	Same	396,100	26.55	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(408,294)	(10.32)	Collect within 60-90 days after shipment of goods	Same	Same	92,648	6.21	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(191,835)	(4.85)	Collect within 60-90 days after shipment of goods	Same	Same	40,754	2.73	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(119,285)	(3.01)	Collect within 60-90 days after shipment of goods	Same	Same	17,990	1.21	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,117,439)	(11.35)	Collect within 60-90 days after shipment of goods	Same	Same	307,597	45.31	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(148,321)	(0.79)	Collect within 60 days after shipment of goods	Same	Same	52,294	1.32	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(168,912)	(0.90)	Collect within 60-90 days after shipment of goods	Same	Same	39,972	1.01	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(129,677)	(59.78)	Collect within 60-90 days after shipment of goods	Same	Same	7,759	28.44	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(1,430,673)	(27.86)	Collect within 60-90 days after shipment of goods	Same	Same	271,033	36.33	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(174,623)	(3.40)	Collect within 60-90 days after shipment of goods	Same	Same	-	-	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(120,972)	(2.27)	Collect within 60-90 days after shipment of goods	Same	Same	9,908	2.37	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	Same ultimate parent	(sales)	(372,479)	(3.43)	Collect within 60 days after shipment of goods	Same	Same	174,723	9.09	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,232,984)	(11.36)	Collect within 60-90 days after shipment of goods	Same	Same	197,871	10.30	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Unit price	Credit term	Balance			
PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(\$ 288,775)	(25.78)	Same	Same	\$ 21,662	10.73	Note 4	
										Collect within 60-90 days after shipment of goods	

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

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

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2020

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Allowance for doubtful accounts
					Amount	Action taken	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 1,121,981	Note 4	-	\$ 825,917	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	179,490	Note 4	-	123,140	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	144,863	Note 3	-	19,297	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	437,654	Note 4	-	435,820	-
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary (Note 5)	121,082	Note 3	-	22,137	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	265,475	3.53	-	126,459	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	397,756	Note 4	-	371,582	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	271,033	10.21	-	217,924	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	307,597	3.63	-	284,870	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	197,871	6.28	-	197,444	-

Note 1: Subsequent collection is the amount collected as of March 17, 2021.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

Note 4: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 4,763,551	Collect within 90 days after shipment of goods	4.95%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	1,121,502	Collect within 90 days after shipment of goods	0.74%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	655,518	Collect within 90 days after shipment of goods	0.68%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	3,798,690	The term is 30 days after monthly billing.	3.95%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	433,464	The term is 30 days after monthly billing.	0.29%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	938,935	Collect within 60-90 days after shipment of goods	0.98%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	265,475	Collect within 60-90 days after shipment of goods	0.18%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,908,484	Collect within 60-90 days after shipment of goods	1.98%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	396,100	Collect within 60-90 days after shipment of goods	0.26%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	674,444		0.45%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	408,294	Collect within 60-90 days after shipment of goods	0.42%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,656,839	Pay interest quarterly	1.76%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,641,375	Pay interest quarterly	1.08%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	389,553	Pay interest quarterly	0.26%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,387,509	Pay interest quarterly	0.92%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,117,439	Collect within 60-90 days after shipment of goods	1.16%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	307,597	Collect within 60-90 days after shipment of goods	0.20%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	268,677	Collect within 60-90 days after shipment of goods	0.25%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Royalty income	214,174	Collect monthly	0.20%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	\$ 1,430,673	Collect within 60-90 days after shipment of goods	1.49%
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	271,033	Collect within 60-90 days after shipment of goods	0.18%
6	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,232,984	Collect within 60-90 days after shipment of goods	1.28%
6	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	2	Sales	372,479	Collect within 60 days after shipment of goods	0.39%
7	PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	3	Sales	288,775	Collect within 60-90 days after shipment of goods	0.30%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT\$200 million.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020		Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)				
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 42,371,102	\$ 2,871,118	\$ 2,861,350	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,823,193	2,515,743	2,510,944	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,627,664	1,046,972	1,020,991	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,495,535	139,957	139,959	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950	1,000,000	100.00	677,839	17,504	17,504	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,001	5,000,000	50.00	172,981	37,040	18,520	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	78,617	6,931	6,931	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	4,233,389	2,461,355	139,994,750	100.00	685,105	(836,577)	(841,063)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	4,027,544	3,124,651	874,992,906	100.00	-	(1,046,611)	(1,046,611)	Subsidiary Note 3, Note 5
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	421,097	237,447	237,447	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicles parts and accessories	30,235	30,235	9,990	100.00	32,572	8,423	8,423	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	17,700	500,000	100.00	3,917	(9,902)	(9,902)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS RUBBER JAPAN CO., LTD.	Japan	Import and export of tires	13,820	-	5,000	100.00	12,661	(1,156)	(1,156)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	593	-	-	20.00	408	(926)	(185)	Note 3, Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020		Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)				
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	34,013,286	2,750,490	2,750,490	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,646,543	2,522,660	2,522,660	Sub-subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	11,009,916	1,047,207	1,047,207	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	7,355,643	166,446	139,781	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,651,433	880,993	881,676	Sub-subsidiary Note 3
CHENG SHIN RUBBER USA, INC.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	2,278	-	-	80.00	1,632 (926) (741)	Note 3, Note 4

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Investee companies are accounted for under the equity method.

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

Note 4: The Company comprehensive holds 100% of share ownership in the investee, of which 20% is indirectly held and 80% is directly held through CHENG SHIN RUBBER USA, INC.

Note 5: The Company continuously provides financial support the investee accounted for using the equity method, and transferred the credit balance to 'other non-current liabilities.'
The transaction was eliminated when preparing the consolidated statements.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020, (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 4,984,000	2	\$ 910,834	\$ -	\$ 910,834	\$ 1,802,422	100.00	\$ 1,797,339	\$ 24,023,438	\$ 18,878,845	(Note 2, 3, 5, 6, 7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,408,000	2	2,385,506	-	2,385,506	2,325,095	100.00	2,336,595	24,698,328	22,289,125	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	242,080	2	68,602	-	68,602	(217)	50.00	(109)	297,857	478,714	(Note 6, 8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	2,848,000	2	-	-	-	623,302	100.00	618,708	5,588,659	1,422,083	(Note 2, 4, 6, 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,885	2	-	-	-	4,490	100.00	49,490	42,838	-	(Note 6, 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	512,640	2	-	-	-	(63,544)	100.00	(63,544)	716,325	757,407	(Note 6, 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	3,702,400	2	-	-	-	314,959	100.00	314,961	12,770,986	4,185,883	(Note 2, 3, 6, 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020, (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	\$ 1,281,600	2	\$ -	\$ -	\$ -	\$ 691,619	100.00	\$ 686,942	\$ 8,203,864	\$ 5,668,834	(Note 2, 6, 7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	569,600	2	-	-	(97,721)	(97,721)	100.00	(97,721)	60,496	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	153,195	2	-	-	(14,929)	(14,929)	95.00	(14,182)	99,606	-	(Note 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	63,081	2	-	-	-	26,188	49.00	12,832	126,966	-	(Note 6, 7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,158,150	2	-	-	-	1,417,178	100.00	1,417,167	6,900,302	678,578	(Note 2, 5, 6, 7)
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	1,663,260	2	-	-	-	9,112	100.00	9,112	2,014,310	-	(Note 6, 7)

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd. respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 and NTD 4.377: RMB 1 prevailing on December 31, 2020.

Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2020

Table 9
Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	\$ 3,500,192	\$ 19,164,192	\$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Luo, Ming-Han	370,176,378	11.42
Luo Jye Memory Co Ltd.	324,430,630	10.00
Luo, Jye	224,163,978	6.91

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were held by registered and the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

Item	Description			Amount
Cash on hand and petty cash				\$ 550
Bank deposits				
Check deposits				1,728
Demand deposits				1,368,747
Foreign currency deposits	USD	143,906 thousand	Exchange rate 28.48	4,684,693
	EUR	8,670 thousand	Exchange rate 35.02	
	JPY	422,026 thousand	Exchange rate 0.276	
	GBP	939 thousand	Exchange rate 38.90	
	RMB	29,582 thousand	Exchange rate 4.377	
Time deposits	RMB	14,502 thousand	Exchange rate 4.377	
	Period	2020.12.29~2021.1.14		
	Interest rate	1.70% ~ 2.20%		63,476
				<u>\$ 6,119,194</u>

(Remainder of page intentionally left blank)

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

Name of Customer	Description	Amount	Remark
Maxxis International GMBH		\$ 167,798	
Polaris Industries Inc.		131,166	
T&R Imports Trust		85,960	
Nissan North America, Inc.		71,677	
			None of the balances of each remaining accounts is greater than 5% of this account balance.
Others		<u>862,265</u>	
		1,318,866	
Less: Allowance for bad debts		(<u>11,718</u>)	
		<u>\$ 1,307,148</u>	

(Remainder of page intentionally left blank)

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020

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

Table 3

Item	Description	Amount		Remark
		Cost	Market price	Method for determining market price
Raw materials		\$ 988,526	\$ 1,013,369	Net realisable value
Work in process		725,376	682,320	Net realisable value
Finished goods		<u>598,073</u>	<u>759,945</u>	Net realisable value
		2,311,975	<u>\$ 2,455,634</u>	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		(<u>13,904</u>)		
		<u>\$ 2,298,071</u>		

(Remainder of page intentionally left blank)

CHENG SHIN RUBBER IND. CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Investee	As of January 1, 2020			Addition			Deductions			As of December 31, 2020			Market price or net in equity		Guarantee or pledge as collaterals
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	Unit price	Total			
MAXXIS International Co., Ltd.	35,050,000	\$ 40,069,847	-	\$ 3,573,666	-	(\$ 1,272,411)	Note 1	35,050,000	\$ 42,371,102		\$ 1,209	\$ 42,371,102	None		
CST Trading Ltd.	72,900,000	25,199,773	-	2,941,776	-	(1,318,356)	Note 1	72,900,000	26,823,193		268	26,823,193	None		
MAXXIS Trading Ltd.	237,811,720	10,417,885	-	532,776	-	(322,997)	Note 1	237,811,720	10,627,664		45	10,627,664	None		
PT MAXXIS International Indonesia Cheng Shin Rubber USA, Inc.	79,997,000	(186,886)	59,997,750	871,991	-	-	-	139,994,750	685,105		5	685,105	None		
MAXXIS Rubber India Private Limited	1,800,000	2,709,443	-	(125,258)	-	(88,650)	Note 1	1,800,000	2,495,535		1,386	2,495,535	None		
PT.MAXXIS TRADING INDONESIA	649,994,730	(364,976)	224,998,176	(119,026)	-	-	-	874,992,906	(484,002)	Note 2	(1)	(484,002)	None		
Cheng Shin Rubber Canada, Inc.	9,990	26,315	-	6,257	-	-	-	9,990	32,572		3,260	32,572	None		
NEW PACIFIC INDUSTRY COMPANY LIMITED	1,000,000	705,193	-	(27,354)	-	-	-	1,000,000	677,839		678	677,839	None		
MAXXIS Tech Center Europe B.V.	5,000,000	157,489	-	18,520	-	(3,028)	Note 1	5,000,000	172,981		35	172,981	None		
Maxxis Europe B.V.	1,000,000	68,500	-	10,117	-	-	-	1,000,000	78,617		79	78,617	None		
Maxxis (Taiwan) Trading Co., LTD.	500,000	13,602	-	(9,685)	-	-	-	500,000	3,917		8	3,917	None		
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	10,000,000	319,849	-	237,472	-	(136,224)	Note 1	10,000,000	421,097		42	421,097	None		
MAXXIS RUBBER JAPAN CO., LTD.	-	-	5,000	12,661	-	-	-	-	12,661		-	408	None		
		<u>\$ 79,136,034</u>		<u>\$ 7,924,321</u>		<u>(\$ 3,141,666)</u>			<u>\$ 83,918,689</u>		2,532	<u>12,661</u>	None		
									<u>\$ 83,918,689</u>						

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2020.

Note 2: Credit balance of long-term equity investments, shown as 'other non-current liabilities', is due to the Company continuously providing financial support to investee company accounted for using equity method.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Creditor	Amount of borrowings	Contract period	Interest Rate	Pledges or collaterals	Remark
FIRST COMMERCIAL BANK CO., LTD.	\$ 4,000,000	2020.09.11~ 2025.09.11	Note	None	
HUA NAN COMMERCIAL BANK LTD.	2,200,000	2019.03.11~ 2022.07.15	Note	None	
CHANG HWA COMMERCIAL BANK, LTD.	1,550,000	2014.07.31~ 2023.04.23	Note	None	
Mega International Commercial Bank	1,000,000	2018.12.24~ 2021.12.24	Note	None	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	2020.07.20~ 2023.05.05	Note	None	
Taiwan Cooperative Bank	500,000	2020.09.23~ 2023.09.23	Note	None	
Mizuho Bank, Ltd.	1,300,000	2020.09.23~ 2022.06.16	Note	None	
Export - Import Bank of the Republic of China	650,000	2019.01.11~ 2024.01.11	Note	None	
	<u>12,200,000</u>				
Less: maturity at one year	(<u>1,658,333</u>)				
	<u>\$ 10,541,667</u>				

Note: For the year ended December 31, 2020, interest rate of borrowing ranged between 0.70%~1.00%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SALES REVENUE, NET
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	5,870	\$ 8,045,892	
Cover tires for motorcycles	5,774	4,186,213	
Cover tires for automobiles	2,578	2,465,259	
Cover tires for bicycles	7,630	2,347,787	
Radial ply truck tyres	206	1,219,249	
Cover tires for industrial use	552	330,678	
Tubes for bicycles	5,157	263,117	
			None of the balances of each remaining accounts is greater than NT\$100 million.
Others	-	114,526	
		18,972,721	
Less: Sales returns and discounts		(46,427)	
		<u>\$ 18,926,294</u>	

(Remainder of page intentionally left blank)

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Item	Amount
Direct material	
Opening balance of materials	\$ 895,621
Add: Purchases in the period	7,332,900
Gain on physical inventory for raw materials	1
Less: Materials sold	(88,114)
Transfer to expenses	(182,200)
Scrapping of raw material	(327)
Ending balance of raw materials	(763,140)
Materials used during the period	7,194,741
Direct labour	1,378,009
Manufacturing overhead	5,436,968
Manufacturing costs	14,009,718
Add: Opening balance of work in process	828,354
Work in process purchased	483,749
Amortisation of difference	36,823
Less: Work in process sold	(55,593)
Transferred to expenses	(655,561)
Loss on physical inventory for work in process	(439)
Scrapping of inventory	(819)
Ending balance of work in progress	(725,376)
Cost of finished goods	13,920,856
Add: Opening balance of finished goods	744,592
Finished goods purchased	414,716
Amortisation of difference	9,013
Less: Transferred to expenses	(462,415)
Scrapping of finished goods	(3,820)
Loss on physical inventory for finished goods	(898)
Ending balance of finished goods	(598,073)
Cost of manufacturing and sales of goods for the period	14,023,971
Cost of materials sold	88,114
Cost of work in process sold	55,593
Cost of production and sales of goods	14,167,678
Add: Unallocated overheads	88,566
Scrapping of inventory	4,966
Loss on physical inventory	1,336
Less: Revenue from sale of scraps	(23,031)
Disaster loss	(10,912)
Total cost of sales	\$ 14,228,603

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

Item	Description	Amount	Note
Depreciation		\$ 1,416,503	
Wages and salaries		1,520,840	
Utilities expense		549,047	
Repairs and maintenance expense		421,363	
Other expenses		<u>1,617,781</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 5,525,534</u>	

(Remainder of page intentionally left blank)

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

Item	Description	Selling expenses	General and administrative expenses	Research expenses	Remark
Taxes		\$ 412,250	\$ -	\$ -	
Advertisement expense		249,917	-	-	
Wages and salaries		373,405	525,039	631,025	
Freight		146,940	-	-	
Import/export (customs) expense		142,926	-	-	
Repairs and maintenance expense		-	55,795	-	
Depreciation		-	49,922	80,614	
Insurance		-	-	62,909	
Commissioned research		-	-	210,176	
Other expenses		<u>363,805</u>	<u>181,518</u>	<u>119,169</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 1,689,243</u>	<u>\$ 812,274</u>	<u>\$ 1,103,893</u>	

(Remainder of page intentionally left blank)

VI. Facts regarding the Company and its affiliated enterprises that have suffered financial turnover difficulties in recent year and the period as of the Annual Report date: None

Chapter 7 Review and analysis of financial status and operating results as well as risk management

I. Comparative analysis of financial position

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	52,902,892	58,929,975	(6,027,083)	-10.23
Real estate, property, plants, and equipment	89,547,273	95,889,585	(6,342,312)	-6.61
Intangible assets, net	18,1768	246,790	(65,022)	-26.35
Other assets	8,693,220	8,973,879	(280,659)	-3.13
Total assets	151,325,153	164,040,229	(12,715,076)	-7.75
Current liabilities	34,395,009	43,404,174	(9,009,165)	-20.76
Non-current liabilities	35,954,863	42,665,368	(6,710,505)	-15.73
Total liabilities	70,349,872	86,069,542	(15,719,670)	-18.26
Share capital	32,414,155	32,414,155	0	0
Capital surplus	53,267	52,576	691	1.31
Retained earnings	54,580,969	51,833,197	2,747,772	5.50
Other equity interest	(6,611,296)	(6,904,245)	292,949	-4.24
Treasury Stock	-	-	-	-
Non-controlling interest	538,186	575,004	(36,818)	-6.40
Total equity	80,975,281	77,970,687	3,004,594	3.85
Analysis if variations exceed 20% and amount reaches NT\$10 million:				
(1) Intangible assets: mainly caused by decrease in gain in computer software for this period compare with last year.				
(2) Current liabilities - before distribution: mainly due to the increase of short-term loans for this period compared with last year.				

II. Analysis of operating results

(I) Financial performance analysis

Unit: NT\$ thousand

Item	Year	2020	2019	Amount of increase (decrease)	Ratio (%) of Change
Operating income		96,209,056	109,507,773	(13,298,717)	-12.14
Operating costs		(72,220,406)	(85,548,240)	(13,327,834)	-15.58
Gross operating profit		23,988,650	23,959,533	29,117	0.12
Operating Expenses		(15,391,925)	(16,956,401)	(1,564,476)	-9.23
Operating Profit		8,596,725	7,003,132	1,593,593	22.76
Non-operating income and expenses		(440,019)	(1,175,833)	735,814	62.58
Profit before income tax		8,156,706	5,827,299	2,329,407	39.97
Income tax expense		(2,155,503)	(2,311,602)	(156,099)	-6.75
Profit for the year		6,001,203	3,515,697	2,485,506	70.70
Other comprehensive income (loss) after tax		279,804	(1,755,905)	2,035,709	115.94
Total comprehensive income		6,281,007	1,759,792	4,521,215	256.92%

Analysis if variations exceed 20% and amount reaches NT\$10 million:

- (1) Increase in operating profit: mainly due to the increase in operating gross profit and decrease in operating expenses.
- (2) Increase of non operating income and expenditure: mainly due to the increase of subsidy income by NT\$277,663,000 and the decrease of interest expense by NT\$693,426,000.
- (3) Increase in net profit before tax and net profit for the current period: mainly due to the increase in operation profit.
- (4) The increase in other comprehensive profits and losses in the current period: mainly due to the increase in the conversion difference of foreign operations.
- (5) The increase in the total comprehensive profits and losses in the current period: mainly due to the increase in the conversion difference of foreign operations.

(II) Analysis of changes in operating gross profit: the changes in operating gross profit increased by 0.12% compared with last year, due to the impact of the COVID-19 pandemic, resulting in a revenue decline of NT\$13.3 billion; The cost of goods sold decreased by NT\$13.3 billion due to the decrease in the price of raw materials; To sum up, the overall gross profit was flat.

(III) The company's revenue in 2020 decreased by 12.14% compared with that in 2019 due to the overall decline of revenue due to the impact of the COVID-19 pandemic.

Response plan for the future: the global impact of the Novel Coronavirus Pneumonia (Covid-19) pandemic in 2020 led countries successively put their cities in lockdowns. Despite such a severe situation, Cheng Shin, with "Integrity & Innovation" as its core value and "100% Quality, 100% Service, 100% Reliability" as its cultural center, actively invests in R & D and innovation, adheres to the strategic planning direction of producing high-quality tires, so as to meet the global market demand and expand its

market share.

III. Cash flow

(I) Liquidity analysis for the most recent two years

Item \ Year	2020	2019	Percentage of increase (decrease)
Cash Flow Ratio (%)	53.50	41.23	29.76%
Cash Flow Adequacy Ratio (%)	92.73	91.48	1.37%
Cash Reinvestment Ratio (%)	6.44	6.28	2.55%
Analysis of percentage of change: (if fluctuation exceeds 20% or more):			
(1) Increase in Cash flow ratio: due to increase in net cash flow from operating activities.			

(II) Cash flow analysis for the coming year

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment plan	Financing plan
\$19,112,521	\$18,857,818	\$11,257,565	\$26,712,774	-	-
1. Change in projected cash flow for the next year: Business activities: it is mainly estimated that the company's revenue will increase and the profit will be stable. Investment activities: the Company's machinery and equipment replacement and expansion of capacity. Financing: Primarily payment of cash dividends and repaying loans and corporate bonds. 2. Measures for managing cash deficit and liquidity analysis: N/A.					

IV. Impact of major capital expenditure on financial operations in recent years

(I) Status of major capital expenditure and source of funds

Unit: NT\$ thousand

Plan Item	Actual or projected source of funds	Actual or projected completion date	Funds Required	Actual or projected capital expenditure status	
				2020	2021
Add and update equipment	Bank loans and company fund	2020	\$6,595,878	\$6,595,878	
Add and update equipment	Bank loans and company fund	2021	\$7,209,533		\$7,209,533

(II) Projected benefits:

1. Primarily a potential expansion of daily production capacity for tires.
2. Analysis of other projected benefits:

Continue to expand production capacity, upgrade equipment automation and increase market share in the global tire industry.

- V. Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:
- (I) The Company's reinvestment policy considers long-term investment as its priority. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks.
- VI. Investment plan for the next year: the company will improve efficiency, make full use of existing capacity, invest in additional plant capacity depending on business expansion, and build new ATV tire plant and equipment in Taiwan. Risk Analysis and Evaluation
- (I) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability over the latest year and as of the date of the Annual Report; future action plan:
- Impact on:
1. Changes in interest rates
- In 2019, novel coronavirus pneumonia was launched by the global central bank to stimulate the economy. In 2020, the new crown pneumonia impact was to expand the easing policy and cut the benchmark interest rate. The United States will cut interest rates to close to zero interest rate and launch an unlimited QE. However, the adoption of the US financial rescue in March 2021 and the gradual slowdown of the pandemic have boosted the optimistic expectation of the market on the economic recovery. The rise of US bond yield will take the lead in influencing the non US market. The Company will monitor the updates from central banks around the world and the market condition closely, and make adjustments to the Company's liabilities and adopt necessary hedging strategies.
2. Changes in exchange rates
- As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in the fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar. The group's marketing and procurement activities are mostly done in RMB, U.S. Dollars, New Taiwan Dollars, and Thai Baht. Given their similar exchange rate ratios,

exchange rate fluctuation risk is hedged. Exchange rate risk incurred from overseas investment derives mostly from RMB, US Dollar, and Thai Baht. The exchange rate risk resulting from the overseas investment comes from RMB, USD, THB, VND, INR, and IDR. The company continuously observes the trend of the foreign exchange market, records and makes appropriate currency adjustments according to the capital situation to reduce the exchange rate loss or reduce the risk to an acceptable range.

3. Inflation

In light of the uncertainty in global economic forecast, the Company is not in a position to predict for inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company's sales. Nonetheless, no material adverse impact is expected for the overall operation.

(II) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements and Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss) over the latest year and as of the date of the Annual Report:

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal", pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

(III) Budget for future R&D plan and projected investment in R&D as at the date of the Annual Report:

1. R&D plans

No	Recent R&D plans	Projected date for completion and commercial production
1	Light Weight Spare Tire Develop and Research	2021Q4
2	Improve Racing Tire Technology	2021Q4
3	New Bead Design Structure for Greater Air Permeability	2021Q4
4	Development of MCR touring tire	2021Q4
5	BC Tire Rolling Resistance Improvement	2021Q4
6	Tread Rubber for New Puncture Technology	2021Q4
7	Research on ATV noise technology project	2021Q4
8	Development of PCR Low Noise Pitch Sequences Optimized Technology	2022Q4
9	Development of PCR Low Noise Lug Technology	2022Q4
10	Research and development of TBR/LTS low rolling resistance technology	2021Q4

2. Expected research and development expenses

The R&D investment in 2021 is projected to be about 4-5% of the annual revenue to maintain the Company's R&D competitiveness

3. Intellectual property (IP) information disclosure

(1) Intellectual property management and system strategies: We have viewed research and development as the basis of our technology since the establishment of the Company. Technology is a type of intangible property and the Company highly values the idea that the intellectual property right of technology should be protected. To strengthen the Company's R&D ability, we have been promoting short-term, medium-term, and long-term strategic planning since 2015. In the beginning, the goal was set to increase the patent quantity. In the medium-term and long-term strategy, we focus on improving the patent quality and invest in technological development to make sure the quality and quantity of the Company's patents are both upgraded. Under the protection of the intellectual property rights, the value of our technology and patents could be created and the ultimate goal would be gaining profit by the commodification of the patents.

In August, 2020, the company integrated the control of "patents", "trademarks" and "business secrets" by the intellectual property group to realize systematic management of the group's intellectual property; In the future, besides patents, trademarks and business secrets can make the company's internal intellectual property management strategy more perfect.

(2) The Patent Management Policy was stipulated to ensure the execution of patents creation and the quality of the execution. In order to upgrade the Company's technology and place emphasis on intangible property, the Patent Management Policy has been stipulated to encourage all R&D and non-R&D personnel in the group to actively bring up patent proposals. The Policy also provides incentives for proposals. The intellectual property department has also set up an online patent platform so that the R&D engineers can understand the current competitors' latest patent development in the Company's industries more effectively and access the public patent information of the different countries for reference.

In order to improve the management of intellectual property rights and adjust the organization, the patent management system will be implemented and formulated with the goal of integrating trademark rights and business secrets into the "measures for the management of intellectual property rights". After the completion, the management of intellectual property rights will be more comprehensively protected in the Company.

(3) Potential intellectual property risks and countermeasures: The Company's products are sold to more than 180 countries globally. Therefore, it is quite difficult to investigate the violations. The preventive measures are as follows:

A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies' products. If there is any similarity that raises concerns or potential violation to the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation exists.

B. Preventing IP violations by the Company: Before the release of the Company's product, an R&D engineer is required to perform a global patent search featuring this product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents.

After following the two preventive measures above, the authorization from the Company's management team must first be obtained before displaying the relevant patent information on the advertisements to publicize the Company's intellectual property rights and releasing any product advertisement material or new technology.

C. The trademark right will be registered in the required region after the integration of the company's products. The trademark right shall be applied for registration after the global name verification and risk assessment before the products are sold, so as to ensure that the products can be sold all over the world.

D. The scope of business secret control is "non-public" and "reasonable confidentiality", "economy" and "value", so as to ensure that the company's internal information security and document related information are free of outflow doubts, enhance the company's colleagues' business secret education energy, and instill the importance of business secrets.

4. Intellectual property list/result (the Company's total patent cases as of 2020)

Number of patents		
	Parent company	Subsidiary
Invention	16	79
Utility	5	261
design	264	567
Total	1,192	

Number of trademarks		
	Parent company	Subsidiary
Domestic	114	11
Overseas	577	337
Total	1,039	

5. The Company's intellectual property management plan and execution details above were reported to the board for their understanding on April 24, 2021.

(IV) Impact of changes in domestic and foreign policy and laws on the Company's financial operations over the latest year and as at the date of the Annual Report; action plans:

The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.

(V) Impact of changes in technology and industry environment on the Company's financial operations over the latest year and as of the date of the Annual Report; action plans

Over the latest year and as of the date of the Annual Report, there is no change in technology and industry environment that has an impact on the Company's financial operations.

(VI) Impact of changes to the corporate image on corporate crisis management over the latest year and as of the date of the Annual Report; action plans:

The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as at the date of the Annual Report.

(VII) Projected benefits and potential risks associated with mergers and acquisitions activities over the latest year and as of the date of the Annual report: None.

(VIII) Projected benefits and potential risks associated with facility expansion over the latest year and as at the date of the Annual Report: None.

(IX) Risks associated with concentration of supply and sales over the latest year and as of the date of the Annual Report: None.

(X) Impact of transfer of significant number of shares by directors, supervisors, and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and action plans: None.

(XI) Impact of change in ownership, risks associated and action plans: None.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the Annual Report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other significant risks:

1. Based on the materiality principle of corporate social responsibility, the Company conducts the relevant risk evaluation of the important issues and stipulates the relevant risk management policies and measures according to the evaluated risks as follows:

ESG	Risk Type	Potential Risk	Management Strategies and Practices	Management Unit
Corporate Governance and Operation Management	Financial Risk	Exchange Rate Risk	<p>◆ As a multinational operating company, the financial reports of our overseas subsidiaries are denominated in the currency of the countries where they are located. Therefore, we are exposed to exchange rate risks arising from different currencies. The Group keeps close attention to the factors affecting the exchange rates and their changes of the countries in which it invests.</p> <p>◆ The Group's sales and purchases are mainly denominated in RMB, USD, NTD, and THB, which has offset the risk of exchange rate fluctuations due to their similar proportions. The</p>	Finance Department

			exchange rate risks arising from overseas investment mainly come from RMB, USD, THB, VND, INR, and IDR. The Company continuously monitors foreign exchange market trends, records and adjusts the currency as appropriate based on capital conditions to minimize the exchange rate losses or reduce the risks to a tolerable level.	
		Interest Rate Risk	<p>◆ In 2019, central banks around the world slashed their interest rates to stimulate the economy. In 2020, due to the impact of COVID-19 pandemic, they expanded the easing policy and lowered the benchmark interest rate. The US Fed cut interest rates to near zero and launch unlimited QE. However, the adoption of the US fiscal bailout in March 2021 and the gradual easing of the pandemic have boosted the market's optimistic expectations for economic recovery, and the rise in US bond yields will be the first to affect the non-US markets. The Company stays on its toes and keeps close attention to the policies of central banks and the market conditions, and may adjust its debt position and take hedging measures when necessary.</p>	Finance Department
Continuous Operational Risk		Raw Material Price and Raw Material Supply Risk	<p>◆ Raw material price warning: By observing the prices of international raw material exchanges and other ways, Cheng Shin designates special personnel to monitor the market prices of bulk raw materials online and input the information into the system, promptly report any abnormal information to the Company's senior management to facilitate close observation and control of the market situation, and continue to reduce procurement risks through the Group's global sourcing, development of alternative materials and development of potential suppliers.</p>	General Manager Office
		Product R&D Management	<p>◆ Regularly review the generation planning and regulations of market products.</p> <p>◆ Integrate the market and products to research and develop new products, which can meet the customer requirements for performance and quality and conform to regulations.</p>	R&D Department
		Transportation Risk	<p>◆ Cooperate with several large manufacturers for inland and marine transportation, and establish a deep relationship with them through long-term cooperation, so as to avoid the export obstacles caused by the increase of current market demand and fill the temporary shortage gap.</p> <p>◆ Freight rate stabilization mechanism: establish a rolling oil price mechanism with manufacturers for inland transportation and adopt reasonable long-term freight rates; sign a freight contract for marine transportation to keep stable transportation costs under the surging of current market price.</p>	Planning Department
		Energy Supply	<p>◆ Implement the management of energy equipment, regular inspection of the first, second and third level equipment and predictive detection of thermal imager, develop energy management methods, improve energy efficiency, and set annual energy-saving targets of the factory. Reduce energy supply risks through improvements.</p>	Construction Department
Intellectual Property Management	Intellectual Property Right Risk	<p>◆ The products of the Company are sold to more than 180 countries in the world. The measures to prevent IP violations are as follows:</p> <p>A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies' products whether they are similar to the Company's products. If there is any similarity that raises concerns or potential violation to the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation</p>	General Manager Office	

			exists. B: Preventing IP violations by the Company: Before the release of the Company's product, a patent engineer is required to perform a global patent search featuring this product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents. After following the two preventive measures above, the authorization from the Company's management team must first be obtained before displaying the relevant patent information on the advertisements to publicize the Company's intellectual property rights and releasing any product advertisement material or new technology.	
	Digital Information Security Risks	Confidential Information Protection	◆ Formulate information security policy in the spirit of information security management system (ISO27001), specify the implementation of various security measures and strengthen the audit management. Enhance information security management to ensure the availability, integrity and confidentiality of information systems against intentional or accidental internal or external threats.	Information Department
Workplace Safety and Health	Safety Risk Management	Material Disaster	●Formulate the Disaster Accident Management Regulations: specify the procedures to respond to emergency, the emergency response contact system, and the disaster countermeasures. ●Formulate the Comprehensive Emergency Plans: For factories in China, we have stipulated the Comprehensive Emergency Plans for accidents such as fire explosion, poisoning, machinery harm, vehicle harm, dust explosion, electric shock, and suffocation, specify the emergency team organization and the major responsibilities of each team, and emergency handling procedures to conform to the National Security Manufacturing Act, the General Safety and Health Requirements for Manufacturing Procedures, and the Guidelines for the Preparation of Emergency Plans for Production Safety Accidents in Production and Business Units.	Safety and Health Department
	Environment Risk	Environment Control Ability	◆ Implement an environmental management system (ISO14001), with the annual external and internal audits, formulate environmental policies, set objectives, implement, audit and review to achieve continuous improvement in environmental performance.	Safety and Health Department
		Greenhouse Gas Emissions	◆ Reduce energy consumption by 2% per year in response to the energy saving target of the Bureau of Energy, specify the electricity saving target next year and the implementation performance of this year to facilitate the discussion on the benefits of annual electricity saving measures. ◆ In response to the Greenhouse Gas Reduction and Management Act promoted by the government, we actively carried out the greenhouse gas emission reduction strategy, including fully replacing the heavy fuel oil in the plant with natural gas to effectively significantly reduce its emissions, and completed the registration certification every year through external verification.	Safety and Health Department
		Environmental Management	◆ Have passed the ISO14001 environmental management system certification, implement day-to-day management and continue to maintain the validity of the certificate, to ensure the environmental pollution management of exhaust gas and waste water. ◆ Cooperate with the Environmental Protection Bureau to carry out the integration of multiple environmental protection permits into one license. We actively accept the guidance to integrate the	Safety and Health Department

			certificates, to promote the subsequent regulations and norms. ◆ Each unit implements the General Manager's policy to create a sustainable business environment and reduce waste. Reduce the energy consumption of air compressor and the sewage discharge.	
		Risk of Infection	◆ Regarding the impact of COVID-19 pandemic, the Company carries out relevant pandemic prevention measures in accordance with the "Guidelines for Continuous Operation of Enterprises in Response to the Severe Special Infectious Pneumonia (COVID-19) Pandemic" issued by the Ministry of Health and Welfare, including, to form an pandemic prevention team in the factory for publicity and management, effectively control the personnel access of the Group's domestic and foreign factories and separate operation, and ensure the sustainable operation of the Company.	Safety and Health Department
Society	Human Resources Risk	Talent Capital	◆ In order to speed up the cultivation of reserve executive talents, cultivate potential middle and senior talents through systematic training, shorten the training time for middle and senior executives, and implement the reserve talent plan.	Human Resource Department
		Manpower Management	◆Diversify the talent recruitment channels. ◆Enhance employee care and promote employee's retention intention.	Human Resource Department
	Occupational Safety Risk	Safety and Health Standard Operation Management	◆In order to ensure the safety and health of the working environment, reduce the cost of accidents and reduce the loss of man-hours, we implement the ISO45001 occupational safety and health management system, ensure the safety and health objectives and performance, consider organizational risks and opportunities and identify occupational security risks in the group and seek to eliminate hazards or risks or control them to reduce their impact.	Safety and Health Department
	Legal Compliance	Regulation Justice	◆ In view of the amended laws and regulations announced by the government, we will summarize the latest announcements in the current month, and the responsible unit will judge the compliance of the announcements, so as to ensure that the responsible unit follows up the implementation in accordance with the regulations, and amend the relevant regulations in the factory. ◆Participate actively in the response teams set up by the government to keep abreast of relevant information on draft regulations and related changes if there are regulations on other environmental issues, such as greenhouse gases.	General Manager Office Safety and Health Department

2. Impact of information system damage on the company and countermeasures

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

With the aim to quickly and successfully resume business operation and lower the extent of possible losses and risks when the event of information system damage

occurs, the countermeasures are in place such as the regular analysis of disasters impact on operations performed every year, the designing and upgrading of the proper software and hardware equipment and resources based on their risk levels, and the improvement of the operation procedures.

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

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

VII. Other Important Issues: None.

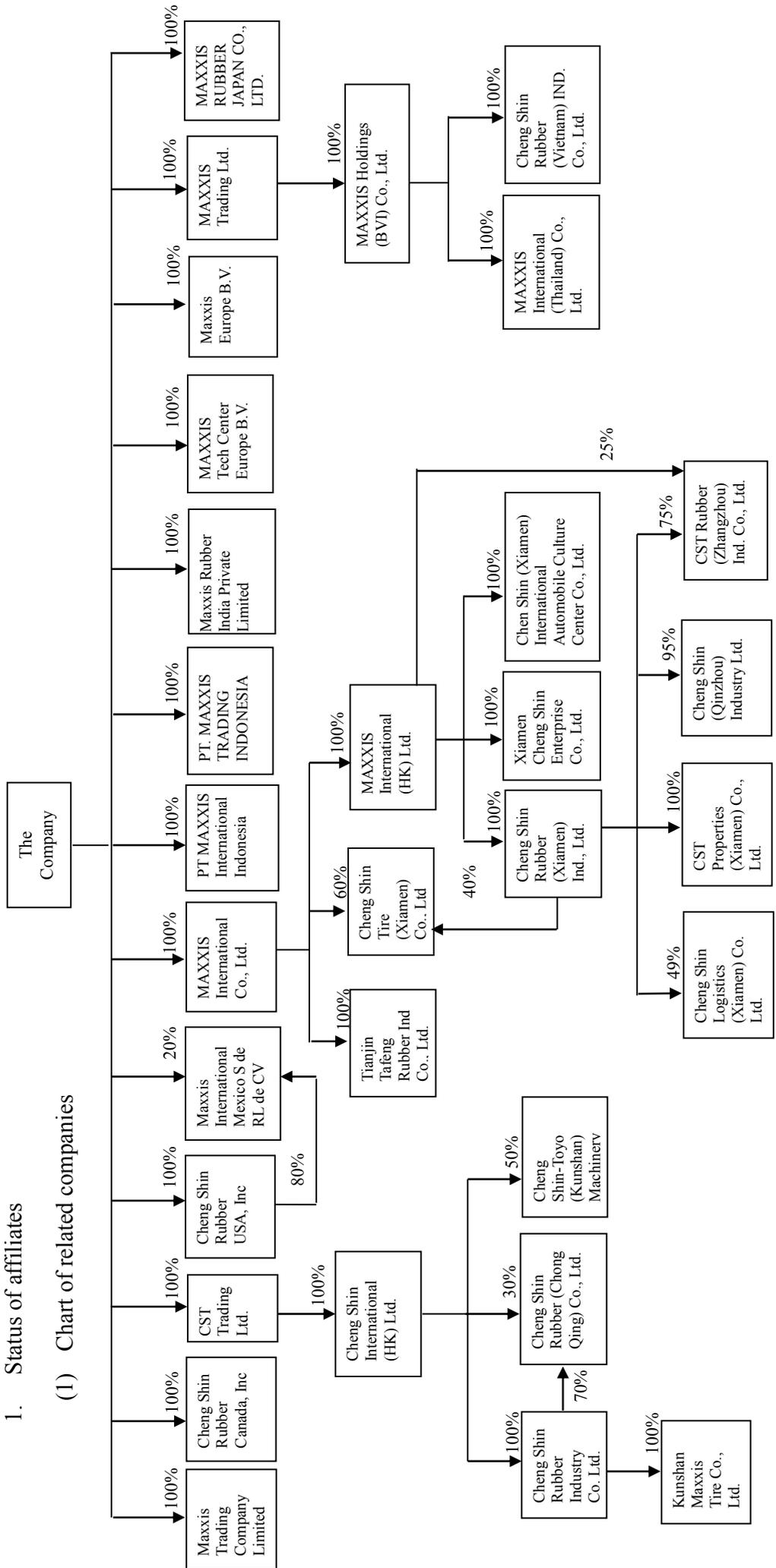
Chapter 8 Other Specially Recorded Issues

I. Related Information on Affiliates

(I) Consolidated Operating Report for Affiliated Enterprises

1. Status of affiliates

(1) Chart of related companies



- (1) In accordance with Article 369-3 of the Company Act, the Company and those listed below are presumed to have a controlling and subordinate relationship and do not meet such definition under Article 369-2 of the Company Act. Therefore, they are not included in the consolidated financial statement. The information of their shareholders and directors: None.
- (2) Pursuant to Article 369-2(2) of the Company Act, subsidiaries whose personnel, finance, or business are controlled directly or indirectly by the Company: None.

2. Basic information of each affiliated enterprises

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber (Xiamen) Ind., Ltd.	1989.05.26	No. 15, Xibin Rd., Xinglin Zhen, Jimei District, Xiamen City	175000000	Produces and sells various types of automobile tires
Cheng Shin Rubber USA, Inc	1990.05.11	545 OLD PEACHTREE ROAD, SUWANEE, GA30024 USA	18000000	Import-export trade in tires
Cheng Shin Logistics (Xiamen) Co. Ltd.	1993.03.25	No. 11, Xinshun Rd., Haicang District, Xiamen	RMB\$14,411,765	International packaging and shipping business
CST Trading Ltd.	1993.05.19	P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS	72900000	Investment holding
Cheng Shin Rubber Industry Co. Ltd.	1993.07.27	No. 8, Hefeng Rd., Lujia Township, Kunshan City	225000000	Produces and sells various types of automobile tires
Tianjin Tafeng Rubber Ind Co., Ltd.	1994.08.15	No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin	18000000	Produces and sells various types of automobile tires
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	1996.03.20	Chaoyang East Rd., Kunshan R&D Zone, Jiangsu Province	8500000	Produces and sells tire molds for cars and trucks
MAXXIS International Co., Ltd.	1997.01.30	P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.	35050000	Investment holding
Cheng Shin (Qinzhou) Industry Ltd.	1998.09.23	No. 26, Jiangang Rd., Legou Business District, Qinzhougang Economic Development Zone, Guangxi	RMB\$45,000,000	Distribution of rubber and fire parts
Cheng Shin Rubber Canada, Inc	1999.01.31	400 CHRYSLER DRIVE, UNIT C BRAMPTON, ONTARIO, L6S 5Z5 CANADA	CAD\$ 1,518,700	Import-export trade in tires
Cheng Shin Tire (Xiamen) Co., Ltd	2001.12.28	No. 15, Xiyuan Rd., Haicang District, Xiamen	130000000	Produces and sells various types of automobile tires
MAXXIS Trading Ltd.	2002.08.26	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	237811720	Investment holding
MAXXIS Holdings (BVI) Co., Ltd.	2002.08.27	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE,	237811720	Investment holding

Enterprise name	Date established	Address	Paid-in capital (note)	Produces and sells various types of automobile tires
MAXXIS International (Thailand) Co., Ltd.	2002.11.05	ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS 300/1 MOO I, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAYONG PROVINCE 21140, THAILAND	THB\$6,500,000,000	Produces and sells various types of automobile tires
Xiamen Cheng Shin Enterprise Co., Ltd.	2004.01.11	No. 15, Xinshun Rd., Haicang District, Xiamen	45000000	Major business or items produced
MAXXIS Tech Center Europe B.V.	2005.04.01	Neutronenlaan7, 5405NG Uden, The Netherlands	EUR\$ 1,000,000	Produces and sells various types of automobile tires
CST Rubber (Zhangzhou) Ind. Co., Ltd.	2010.03.22	No. 15, Qingshi Road, Gangwei Township, Longhai City	RMB\$950,000,000	Produces and sells various types of automobile tires
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	2005.12.08	C'ity TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.	62000000	Produces and sells various types of automobile tires
MAXXIS International (HK) Ltd.	2007.12.20	Suite C, 21/F, Lee & Man Commerical Center, 169 Electric Road, North Point, Hong Kong	226801983	Investment holding
Cheng Shin International (HK) Ltd.	2007.12.20	Suite C, 21/F, Lee & Man Commerical Center, 169 Electric Road, North Point, Hong Kong	246767840	Investment holding
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	2009.07.17	Room 101, No. 58, Shuilishe, Kengnei Vil., Guankou Township, Jimei District, Xiamen	20000000	Automobile assembly and product R&D, testing and related product display
Cheng Shin Rubber (Chong Qing) Co., Ltd.	2010.05.17	No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City	100000000	Produces and sells various types of vehicle tires, rubber products, molds and accessories.
CST Properties (Xiamen) Co., Ltd.	2013.08.21	Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen	RMB\$380,000,000	Employee dormitory construction and sales
PT MAXXIS International Indonesia	2014.08.27	Kawasan Greenland International Industrial Center (GIIC) Blok CG No. 01, Kota Deltamas, Desa Pasirranji, Kec.Cikarang Pusat, Kabupaten Bekasi	140000000	Motorcycle tires and inner tube production and sales
Maxxis Rubber India Private Limited	2015.03.26	Plot No SM12 AND SM51 2 Samamd 2 Omdistroa, Estate Aj,edabad Gikarat	INR\$8,750,000,000	Motorcycle tires and inner tube production and sales
Kunshan Maxxis Tire Co., Ltd.	2015.09.28	No. 8, Hefeng Rd., Lujia Township, Kunshan City	RMB\$5,000,000	Sales of various vehicle tires, rubber products, molds and accessories
Maxxis Trading Company Limited	2016.01.13	No. 180, Juguang Rd., Sanyi Vil., Yuanlin City, Changhua County	NTD\$100,000,000	Sales of various automobile tires, rubber products, and accessories
PT. MAXXIS TRADING INDONESIA	2017.05.10	Kawasan Greenland International Industrial Center (GIIC) Blok CG. No.1A Kota Deltamas, Desa Pasirranji, Kec. Cikarang Pusat, Kabupaten Bekasi	1000000	Auto parts trading

Maxxis Europe B. V.	2018.05.24	Neutronenlaan7, 5405NG Uden, The Netherlands	EUR\$500,000	Sales of various automobile tires
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	2019.03.15	AV. <AROAMP ESCPBEDP. 543, 407, RINCON DEL BOSQUE, Miguel Hidalgo, 11580, Ciudad de Mexico	100000	Sales of various automobile tires
MAXXIS RUBBER JAPAN Co.,Ltd.	2020.02.21	Silk Center International Trade and Tourism Hhall, 1 Fandi, Yamashita Town, Yokohama, Kanagawa 323	JPY50,000,000	Import and export sales of various types of tires and other parts research, development, manufacturing, repair

Note: Applicable exchange rates are as of the end of the year of the affiliates

(US\$:NT\$28.48;EUR\$:NT\$35.02;CAD\$:NT\$22.35;RMB\$:NT\$4.377;THB\$:NT\$0.9556;VND\$:NT\$0.00111;IDR\$:NT\$0.00203;INR\$:NT\$0.39;JPY\$:NT\$0.2763;MXN\$:NT\$1.43329) for conversions.

- 3 .Information on shareholders of controlling and subordinate companies: There are no presumed subordinate companies.
4. Industries covered by the business of the overall relationship enterprise
 - (1) Businesses engaged by the Company and its affiliates include
 - tires, general trading and investment, international trade, machinery, R&D and testing of automotive accessories, testing and exhibition of related products, human resource dispatch, etc.
 - (2) The division of labor between the company and its related enterprises is as follows:
 - Affiliates

Division Matters	Affiliates
Manufacturing and marketing of tire products	The Company, Cheng Shin Rubber (Xiamen) Ind. Ltd., Cheng Shin Rubber (China) Co., Ltd., Tianjin Tafeng Rubber Ind., Co., Ltd., Cheng Shin Tire (Xiamen) Co., Ltd., Xiamen Cheng Shin Enterprise Co., Ltd., MAXXIS International (Thailand) Co., Ltd., Cheng Shin Rubber (Vietnam) IND. Co., Ltd., Cheng Sh+C5424in Rubber (Chong Qing) Co., Ltd., CST Rubber (Zhangzhou) Ind. Co., Ltd., PT MAXXIS International Indonesia, Maxxis Rubber India Private Limited
Marketing of Tire Products	Cheng Shin Rubber USA, Inc, Cheng Shin Rubber Canada, Inc, Kunshan Maxxis Tire Co., Ltd, Maxxis Trading Company Limited, PT. MAXXIS TRADING INDONESIA , Maxxis Europe B.V., MAXXIS RUBBER JAPAN Co.,Ltd.and MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.
Production of Molds and Equipment	Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.
Tire Testing Center	MAXXIS Tech Center Europe B.V.
R&D Centers	The Company, Cheng Shin Rubber (China) Co., Ltd., Cheng Shin Rubber USA, Inc., Cheng Shin Rubber (Xiamen) Ind. Ltd.
Automotive accessory development and testing, etc.	Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.
International packaging and shipping business	Cheng Shin Logistics (Xiamen) Co., Ltd., Cheng Shin (Qinzhou) Industry Ltd., Tianjin Tafeng Rubber Ind Co., Ltd.

5. Directors, Supervisors and General Managers of affiliated enterprises:

Enterprise name	Position	Full name or Representative	Number of Shares Held	
			Number of Shares	Percent holdings (%)
MAXXIS International Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Shiu-Hsiung	35,050,000	100%
CST Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa	72,900,000	100%
Cheng Shin Rubber USA, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa, Lee, Hung-Wen	1,800,000	100%
Cheng Shin Rubber Canada, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa, Cheng, Ya-Wei	1,000,000	100%
MAXXIS Tech Center Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa, Lin, Chin-Chuan	1,000,000	100%
Cheng Shin Rubber (Xiamen) Ind., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling	-	100%
	Supervisor	MAXXIS International (HK) Ltd. Representative: Hsu, Chih-Ming		
Tianjin Tafeng Rubber Ind Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling	-	100%
Cheng Shin (Qinzhou) Industry Ltd.	Director	Xiamen Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Shiu-Hsiung	-	95%
Xiamen Cheng Shin Enterprise Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling	-	100%
	Supervisor	MAXXIS International (HK) Ltd. Representative: Chen, Han-Hsin		
Cheng Shin Tire (Xiamen) Co., Ltd	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Min-Ling	-	60%
		Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Hsu, Chih-Ming		40%
Cheng Shin Rubber (Xiamen) Ind., Ltd.	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Hsin	-	40%
		Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Hsin		

Enterprise name	Position	Full name or Representative	Number of Shares Held	
			Number of Shares	Percent holdings (%)
Cheng Shin Rubber Industry Co. Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li	-	50%
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lee, Chin-Chang	-	50%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li	-	50%
MAXXIS Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa	237,811,720	100%
MAXXIS Holdings (BVI) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa	237,811,720	100%
MAXXIS International (Thailand) Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Chen, Yun-Hwa, Chen, Shiu-Hsiung	65,000,000	100%
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Chen, Yun-Hwa, Liao, Cheng-Yao, Hu, Ming-Te	62,000,000	100%
MAXXIS International (HK) Ltd.	Director	MAXXIS International Co., Ltd. Representative: Chen, Shiu-Hsiung	226,801,983	100%
Cheng Shin International (HK) Ltd.	Director	CST Trading Ltd. Representative: Chen, Yun-Hwa	246,767,840	100%
PT MAXXIS International Indonesia	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Yun-Hwa, Chen, Shiu-Hsiung; Lee, Hung-Ko, Xie Zhengchang	139,994,750	99.99625%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
PT. MAXXIS TRADING INDONESIA	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Yun-Hwa, Lee, Hung-Ko, Xie Zhengchang	9,990	99.9%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
Maxxis Rubber India Private Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Yun-Hwa, Chen, Shiu-Hsiung; Liao, Cheng-Yao; Zhu Cangzhi	874,992,906	99.99919%

Enterprise name	Position	Full name or Representative	Number of Shares Held	
			Number of Shares	Percent holdings (%)
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Chen, Yun-Hwa; Lo, Min-Ling	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Hsin	-	100%
Cheng Shin Logistics (Xiamen) Co. Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung Xiamen Maxxis Trading Company Limited Representative: Hsu, Chih-Ming Hong Kong Daxiang Investment Co., Ltd. Representative: Chen, Han-Hsin	-	49% 25.5% 25.5%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Guang	-	49%
Cheng Shin Rubber (Chong Qing) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li	-	100%
Kunshan Maxxis Tire Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Chiang, Chih-Wei	-	100%
CST Properties (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Hsin	-	100%
CST Rubber (Zhangzhou) Ind. Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung MAXXIS International (HK) Ltd. Representative: Chen, Yun-Hwa, Lo, Min-Ling	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Hsin	-	100%

Enterprise name	Position	Full name or Representative	Number of Shares Held	
			Number of Shares	Percent holdings (%)
Maxxis Trading Company Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Yun-Hwa; Liao, Cheng-Yao; Chen, Shiu-Hsiung	10,000,000	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Han-Chi		
Maxxis Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa, Ting, Tso-Lin	500,000	100%
MAXXIS RUBBER JAPAN Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Liao, Cheng-Yao; Qiu Shijie	5,000	100%
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Representative	Cheng Shin Rubber Industry Co. Ltd. Representative: Qiu Zheyi	-	100%

(II) Financial status and operating performance of affiliates:

Unit: NTS\$ 1,000

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Operating income	Net Operating Profit (Loss)	Profit or Loss (after Tax)	Earnings per Share (NTS\$) (after Tax)
MAXXIS International Co., Ltd.	1,017,852	42,371,196	94	42,371,102	-	-342	2,871,118	81.91
CST Trading Ltd.	2,117,016	26,823,287	94	26,823,193	-	-271	2,515,743	34.51
Cheng Shin Rubber USA, Inc	512,640	4,460,478	1,964,943	2,495,535	7,049,110	184,730	139,957	77.75
Cheng Shin Rubber Canada, Inc	33,943	1,006,334	328,495	677,839	1,060,645	24,103	17,504	17.50
Cheng Shin (Qinzhou) Industry Ltd.	196,965	109,977	10,371	99,606	3,683	-15,735	-14,929	-
Cheng Shin Rubber Industry Co. Ltd.	7,828,128	28,770,201	4,071,183	24,698,328	18,658,382	1,978,538	2,325,095	-
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	297,316	342,828	44,971	297,857	216,936	26,714	-217	-
Cheng Shin Rubber (Xiamen) Ind., Ltd.	5,460,325	30,722,621	6,699,183	24,023,438	16,651,129	508,648	1,802,422	-
Tianjin Tafeng Rubber Ind Co., Ltd.	646,752	779,766	63,442	716,325	246,498	-82,188	-63,544	-
Cheng Shin Tire (Xiamen) Co., Ltd	4,244,508	14,266,651	1,495,665	12,770,986	10,895,306	245,612	314,959	-
MAXXIS Trading Ltd.	6,906,052	10,627,778	114	10,627,664	-	-201	1,046,972	4.40
MAXXIS Holdings (BVI) Co., Ltd.	6,906,052	11,009,936	21	11,009,916	-	-104	1,047,207	4.40
Xiamen Cheng Shin Enterprise Co., Ltd.	1,594,458	8,905,255	701,391	8,203,864	3,957,990	576,639	691,619	-
MAXXIS Tech Center Europe B.V.	35,020	106,515	27,898	78,617	113,177	8,657	6,931	6.93
Cheng Shin Rubber (Vietnam)IND. Co., Ltd.	1,250,172	5,525,613	1,874,180	3,651,433	5,323,093	1,205,265	880,903	14.21
MAXXIS International (Thailand) Co., Ltd.	6,211,400	13,089,243	5,733,600	7,355,643	10,854,487	174,431	166,446	2.56
MAXXIS International (HK) Ltd.	6,586,330	34,013,286	-	34,013,286	-	-101	2,750,490	12.13
Cheng Shin International (HK) Ltd.	7,166,138	26,646,543	-	26,646,543	-	-94	2,522,660	10.22
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	583,881	681,396	620,900	60,496	2,069	-65,688	-97,721	-
Cheng Shin Logistics (Xiamen) Co. Ltd.	63,080	177,087	50,121	126,966	484,254	36,223	26,188	-

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Operating income	Net Operating Profit (Loss)	Profit or Loss (after Tax)	Earnings per Share (NT\$) (after Tax)
CST Rubber (Zhangzhou) Ind. Co., Ltd.	4,158,150	13,027,773	6,127,471	6,900,302	9,843,276	1,771,445	1,417,178	-
Cheng Shin Rubber (Chong Qing) Co., Ltd.	2,854,268	7,609,409	2,020,750	5,588,659	5,135,532	583,457	623,302	-
CST Properties (Xiamen) Co., Ltd.	1,663,260	2,487,579	473,269	2,014,310	299,937	105,322	9,112	-
PT MAXXIS International Indonesia	3,725,629	9,526,932	8,841,827	685,105	1,120,321	-629,028	-836,577	-6
Maxxis Rubber India Private Limited	3,412,500	6,327,263	6,327,263	0	496,363	-692,179	-1,046,611	-1
Kunshan Maxxis Tire Co., Ltd.	21,885	68,444	25,606	42,838	274,745	4,193	4,490	-
Maxxis Trading Company Limited	100,000	988,181	567,083	421,098	4,386,187	298,137	237,447	24
PT. MAXXIS TRADING INDONESIA	27,084	44,259	11,687	32,572	77,109	10,004	8,423	842
Maxxis Europe B.V.	17,510	52,546	48,630	3,917	22,807	-10,490	-9,902	-20
MAXXIS RUBBER JAPAN Co. Ltd.	13,815	12,965	304	12,661	-	-1,206	-1,156	-231
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	3,000	2,248	208	2,040	644	-955	-926	-

Note 1: the balance sheet items are converted at the end-of-year exchange rates

(US\$1:NT\$28.48;EUR\$1:NT\$35.02;CAD\$1:NT\$22.35;RMB\$1:NT\$4.377;THB\$1:NT\$0.9556;VND\$1:NT\$0.00111;IDR\$1:NT\$0.00203; INR\$1:NT\$0.39;JPY\$1:NT\$0.2763;MXN\$1:NT\$1.43329).

The income items are converted at the weighted average exchange rates

(US\$1:NT\$29.54909;EUR\$1:NT\$33.70841;CAD\$1:NT\$22.05725;RMB\$1:NT\$4.28161;THB\$1:NT\$0.94963;VND\$1:NT\$0.00115;IDR\$1:NT\$0.00205;INR\$1:NT\$0.39854; JPY\$1:NT\$0.27685;MXN\$1:NT\$1.38259).

Note 2: Paid-in capital.

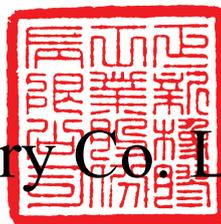
(III) Consolidated financial statements of affiliates

For 2020 (from January 1, 2020, to December 31, 2020), companies that are required to be included in the consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiaries under International Accounting Standard No. 10. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiaries, no consolidated financial statements of affiliates are separately prepared.

(IV) Affiliation Reports: In the absence of any presumed subordinate, no such report is prepared.

- II. The Company's shares held or disposed of by subsidiaries in the most recent years as of the publication date of the Annual Report: None
- III. Subsidiary's holding or disposal of shares in the Company in most recent years and up to the date of publication of the Annual Report: None
- IV. Other Necessary Supplementary Statement: None
- V. Any event occurred in the most recent years as of the publication date of the report which has material impact on shareholders' rights and interests or the price of securities against Item 3 of Paragraph 2 under Article 36 of the Securities and Exchange Act: None

Cheng Shin Rubber Industry Co. Ltd.



Chairman's



Travel in Serene Comfort 🎵

MS2 **WALTZ**



- * **Confident Wet Performance**
- * **Serene and Tranquil Comfort**
- * **Superior Treadwear**



MAXXIS®

~322~
CHENG SHIN RUBBER IND. CO., LTD.