

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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, 2019, 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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19004620

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 revenue recognition, please refer to Note 4(32). For the year ended December 31, 2019, the sales revenue amounted to NT\$109,507,773 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.
3. We tailored our audit over sales cut-off through accounts receivable testing based on the confirmation procedures in order to check whether sales revenue and accounts receivable are recorded in the proper period.

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, 2019, the unfinished construction and equipment under acceptance amounted to NT\$5,563,842 thousand.

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

Other matter – Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$5,017,732 thousand and NT\$4,628,825 thousand, both representing 3% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and the total liabilities of NT\$1,767,827 thousand and NT\$1,799,837 thousand, both representing 2% of the consolidated total

liabilities as of December 31, 2019 and 2018, respectively, and total operating revenues of NT\$5,585,826 thousand and NT\$5,257,000 thousand, both representing 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, 2019 and 2018.

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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional 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.

Hung, Shu-Hua

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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 report of independent accountants 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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 25,501,222	16	\$ 27,809,496	16
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	3,243	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	25,935	-	22,885	-
1150	Notes receivable, net	6(4)	3,761,453	2	2,673,543	1
1170	Accounts receivable, net	6(4)	8,938,927	5	9,861,931	6
1180	Accounts receivable - related parties	7	54,053	-	47,976	-
130X	Inventories	6(5)	17,949,870	11	19,362,229	11
1410	Prepayments		1,214,726	1	1,474,843	1
1470	Other current assets	8	1,483,789	1	1,767,304	1
11XX	Current Assets		58,929,975	36	63,023,450	36
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 under equity method	6(6)	157,489	-	152,614	-
1600	Property, plant and equipment, net	6(7)	95,889,585	59	103,254,578	59
1755	Right-of-use assets	6(8)	5,518,534	3	-	-
1760	Investment property, net	6(9)	550,156	-	584,244	-
1840	Deferred income tax assets	6(26)	1,986,139	1	1,526,629	1
1900	Other non-current assets	6(10)	950,164	1	6,163,066	4
15XX	Non-current assets		105,110,254	64	111,739,318	64
1XXX	Total assets		\$ 164,040,229	100	\$ 174,762,768	100

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 16,843,366	10	\$ 15,569,136	9
2130	Current contract liabilities	6(21)	935,619	1	747,071	-
2150	Notes payable		1,122,276	1	623,415	-
2170	Accounts payable		7,793,330	5	8,953,202	5
2200	Other payables	6(12)	5,587,574	3	6,200,869	4
2230	Current income tax liabilities	6(26)	755,825	-	775,306	-
2280	Current lease liabilities		139,374	-	-	-
2300	Other current liabilities	6(13)(14)(15)	10,226,810	6	11,618,185	7
21XX	Current Liabilities		43,404,174	26	44,487,184	25
Non-current liabilities						
2530	Corporate bonds payable	6(14)	14,500,000	9	17,000,000	10
2540	Long-term borrowings	6(15) and 7	23,302,050	14	28,965,884	16
2550	Provisions for liabilities - non-current		141,841	-	134,287	-
2570	Deferred income tax liabilities	6(26)	1,313,834	1	1,341,768	1
2580	Non-current lease liabilities		569,553	-	-	-
2600	Other non-current liabilities	6(16)	2,838,090	2	3,015,639	2
25XX	Non-current liabilities		42,665,368	26	50,457,578	29
2XXX	Total Liabilities		86,069,542	52	94,944,762	54
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(17)	32,414,155	20	32,414,155	19
Capital surplus						
3200	Capital surplus	6(18)	52,576	-	52,576	-
Retained earnings						
3310	Legal reserve	6(19)	15,186,978	9	14,834,946	8
3320	Special reserve		5,200,298	3	4,430,061	2
3350	Unappropriated retained earnings		31,445,921	19	32,662,342	19
Other equity interest						
3400	Other equity interest	6(20)	(6,904,245)	(4)	(5,200,298)	(3)
31XX	Equity attributable to owners of the parent		77,395,683	47	79,193,782	45
36XX	Non-controlling interest		575,004	1	624,224	1
3XXX	Total equity		77,970,687	48	79,818,006	46
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 164,040,229	100	\$ 174,762,768	100

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items		Notes	Years ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 109,507,773	100	\$ 109,221,209	100
5000	Operating costs	6(5)	(85,548,240)	(78)	(84,898,267)	(78)
5900	Net operating margin		23,959,533	22	24,322,942	22
	Operating expenses	7				
6100	Selling expenses		(8,170,109)	(8)	(8,007,567)	(7)
6200	General and administrative expenses		(3,638,136)	(3)	(3,570,909)	(3)
6300	Research and development expenses		(5,148,156)	(5)	(5,329,277)	(5)
6000	Total operating expenses		(16,956,401)	(16)	(16,907,753)	(15)
6900	Operating profit		7,003,132	6	7,415,189	7
	Non-operating income and expenses					
7010	Other income	6(22)	894,228	1	1,109,954	1
7020	Other gains and losses	6(23)	(356,865)	-	(829,831)	(1)
7050	Finance costs	6(24)	(1,719,849)	(2)	(1,792,314)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	6,653	-	6,643	-
7000	Total non-operating revenue and expenses		(1,175,833)	(1)	(1,505,548)	(1)
7900	Profit before income tax		5,827,299	5	5,909,641	6
7950	Income tax expense	6(26)	(2,311,602)	(2)	(2,335,003)	(2)
8200	Profit for the year		\$ 3,515,697	3	\$ 3,574,638	4

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Years ended December 31			
		2019		2018	
		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)	\$ 4,820	-	\$ 29,288	-
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	6(3)(20)	3,050	-	(4,633)	-
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)	722	-	891	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(964)	-	20,036	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>7,628</u>	<u>-</u>	<u>45,582</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(20)	(2,190,282)	(2)	(1,246,718)	(1)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(26)	426,749	1	387,749	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>(1,763,533)</u>	<u>(1)</u>	<u>(858,969)</u>	<u>(1)</u>
8300 Other comprehensive loss for the year		<u>(\$ 1,755,905)</u>	<u>(1)</u>	<u>(\$ 813,387)</u>	<u>(1)</u>
8500 Total comprehensive income for the year		<u>\$ 1,759,792</u>	<u>2</u>	<u>\$ 2,761,251</u>	<u>3</u>
Profit attributable to:					
8610 Owners of the parent		\$ 3,466,827	3	\$ 3,520,320	4
8620 Non-controlling interest		<u>48,870</u>	<u>-</u>	<u>54,318</u>	<u>-</u>
		<u>\$ 3,515,697</u>	<u>3</u>	<u>\$ 3,574,638</u>	<u>4</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 1,767,458	2	\$ 2,823,038	3
8720 Non-controlling interest		<u>(7,666)</u>	<u>-</u>	<u>(61,787)</u>	<u>-</u>
		<u>\$ 1,759,792</u>	<u>2</u>	<u>\$ 2,761,251</u>	<u>3</u>
Earnings per share (in dollars)					
9750 Basic earnings per share	6(27)	<u>\$ 1.07</u>	<u>1.07</u>	<u>\$ 1.09</u>	<u>1.09</u>
9850 Diluted earnings per share	6(27)	<u>\$ 1.07</u>	<u>1.07</u>	<u>\$ 1.08</u>	<u>1.08</u>

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,827,299	\$ 5,909,641
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(25)	12,682,025	12,107,067
Depreciation expense on right-of-use assets	6(8)(25)	246,190	-
Depreciation on investment property	6(9)(25)	23,995	24,395
Amortization expense	6(10)(25)	102,729	68,823
Rental expenses for land use right	6(10)	-	85,596
Expected credit loss	12(2)	29,461	3,337
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(6,653)	(6,643)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(23)	2,383	(4,703)
Loss on disposal of property, plant and equipment	6(7)(23)	66,705	55,917
Impairment loss on non-financial assets	6(7)(23)	278,592	-
Interest expense	6(7)(24)	1,719,849	1,792,314
Interest income	6(22)	(295,566)	(319,105)
Loss on disposal of investments accounted for using equity method	6(23)	-	2,654
Deferred government grants revenue		(117,831)	(124,878)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		-	41,698
Notes receivable, net	(	1,087,910)	(375,058)
Accounts receivable		894,661	(12,827)
Accounts receivable - related parties	(	6,077)	(71,312)
Inventories		1,412,359	(177,889)
Prepayments		239,607	222,772
Other current assets		127,023	(52,809)
Other non-current assets		161,965	(107,282)
Changes in operating liabilities			
Contract liabilities - current		188,548	(115,875)
Notes payable		498,861	(198,745)
Accounts payable	(	1,159,872)	(442,172)
Other payables		31,528	(375,935)
Other current liabilities		67,971	86,673
Accrued pension liabilities		2,203	(17,589)
Other non-current liabilities		54,420	39,018
Cash inflow generated from operations		21,984,465	19,064,051
Interest received		292,320	327,488
Dividends received		2,500	9,841
Interest paid	(	1,758,533)	(1,738,341)
Income tax paid	(	2,440,090)	(2,836,232)
Income tax refund received		204,699	27,754
Net cash flows from operating activities		18,285,361	14,854,561

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets and liabilities at fair value through profit or loss		\$ 860	\$ 1,025
Proceeds from disposal of investments accounted for using equity method		-	20,582
Acquisition of property, plant and equipment	6(7)(28)	(8,587,584)	(12,492,803)
Payment for capitalized interests	6(7)(24)	(20,319)	(118,717)
Proceeds from disposal of property, plant and equipment		167,489	305,011
Acquisition of investment properties	6(9)	-	(1,216)
Acquisition of intangible assets	6(10)	(68,548)	(180,871)
Decrease in refundable deposits		33,102	89,820
Net cash flows used in investing activities		(8,475,000)	(12,377,169)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(11)(29)	21,205,751	25,820,195
Decrease in short-term loans	6(11)(29)	(19,745,431)	(28,940,895)
Proceeds from issuing bonds	6(14)(29)	-	5,000,000
Repayments of bonds	6(14)(29)	(4,800,000)	(1,900,000)
Proceeds from long-term loans	6(15)(29)	13,030,724	5,321,446
Repayments of long-term loans	6(15)(29)	(17,357,382)	(5,803,107)
(Decrease) increase in guarantee deposits received	6(29)	(6,828)	3,598
Increase in other payables to related parties	6(29) and 7	-	2,280
Repayments of principal portion of lease liabilities	6(8)(29)	(113,705)	-
Decrease in other non-current liabilities	6(29)	-	(2,083)
Cash dividends paid	6(19)(29)	(3,565,557)	(5,834,548)
Cash dividends paid to non-controlling interest	6(29)	(41,554)	-
Net cash flows used in financing activities		(11,393,982)	(6,333,114)
Effect of exchange rate changes on cash and cash equivalents		(724,653)	746,755
Net decrease in cash and cash equivalents		(2,308,274)	(3,108,967)
Cash and cash equivalents at beginning of year	6(1)	27,809,496	30,918,463
Cash and cash equivalents at end of year	6(1)	\$ 25,501,222	\$ 27,809,496

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, 2019 AND 2018

(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, 2020.

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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvement to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$5,376,225 thousand, increased 'lease liability' by \$339,938 thousand and decreased other non-current assets and prepayments by \$5,020,043 thousand and \$16,244 thousand, respectively, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$7,297 thousand was recognised in the year of 2019.
 - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate range from 0.92% to 5.96%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	371,285
Less: Short-term leases	(	11,047)
Less: Low-value assets	(	3,735)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>356,503</u>
Incremental borrowing interest rate at the date of initial application		0.92%~5.96%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>339,938</u>

(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 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

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	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 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 “IFRSs” 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 recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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	
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	Note 4
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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
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)	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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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	

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 May 2018, the Group established a subsidiary, Maxxis Europe B.V. in the Netherlands, remitted out investment in the amount of EUR 500 thousand in October 2018, and acquired 100% equity interest. The subsidiary was included in the consolidated entity in 2018.

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 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 group 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.

(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) 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.

(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

The Group measured the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component on every balance sheet dates.

(11) Derecognition of financial assets

The 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 recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group 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.
- B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made

payments on behalf of the associate.

- C. 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 Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
- E. When the Group 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.

(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 Group 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 ~ 20 years

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

(17) Leased assets/ operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Investment property

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

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful

life of 2 to 5 years.

(20) Impairment of non-financial assets

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

(21) Borrowings

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

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Bonds payable

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

(25) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when

there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Non-hedging derivatives

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

(28) Provisions

Provisions (including decommissioning) are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses.

(29) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution 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 Group 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 Group 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 or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. 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 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 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by

the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(31) Dividends

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

(32) Revenue recognition

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 that the Group, which mainly consists of sale of various tire and rubber products, was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Property development and resale

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

a point in time when the legal title has passed to the customer.

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

(33) Government grants

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

(34) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 3,285	\$ 3,127
Checking deposit	1,439,563	1,546,296
Demand deposits	19,648,228	18,982,403
Time deposits	4,410,146	7,277,670
	<u>\$ 25,501,222</u>	<u>\$ 27,809,496</u>
Interest rate range		
Time deposits	<u>1.75%~3.15%</u>	<u>1.76%~4.20%</u>

A. 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.

B. The Group has reclassified pledged time deposits to 'other current assets'. Please refer to Note 8 for details.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ -	\$ 3,243

A. The Group recognised net loss amounting to \$2,383 thousand and net profit amounting to \$4,703 on financial assets mandatorily measured at fair value through profit or loss - derivative instruments for the years ended December 31, 2019 and 2018, respectively.

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

	December 31, 2018	
Derivative instruments	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2018/11/2~
USD exchange to NTD	USD 18,000 thousand	2019/2/12

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

The Group entered into forward foreign exchange contracts to sell USD 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, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	17,270	14,220
Total	\$ 25,935	\$ 22,885
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 58,187	\$ 58,187

A. The Group 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 \$84,122 thousand and \$81,072 thousand as at December 31, 2019 and 2018, 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, 2019	Year ended December 31, 2018
<u>Equity instruments at fair value</u> <u>through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 3,050	\$ 4,633

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

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 3,770,730	\$ 2,682,820
Less: Loss allowance	(9,277)	(9,277)
	<u>\$ 3,761,453</u>	<u>\$ 2,673,543</u>
Accounts receivable	\$ 8,980,542	\$ 9,877,274
Less: Loss allowance	(41,615)	(15,343)
	<u>\$ 8,938,927</u>	<u>\$ 9,861,931</u>

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 7,376,434	\$ 3,770,730	\$ 8,267,534	\$ 2,682,820
Up to 30 days	1,099,362	-	920,577	-
31 to 90 days	282,247	-	348,616	-
91 to 180 days	83,960	-	191,749	-
Over 180 days	138,539	-	148,798	-
	<u>\$ 8,980,542</u>	<u>\$ 3,770,730</u>	<u>\$ 9,877,274</u>	<u>\$ 2,682,820</u>

The above ageing analysis was based on past due date.

- B. As at December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2018, the balance of receivables from contracts with customers amounted to \$12,297,186 thousand.
- C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$3,770,730 thousand and \$8,980,542 thousand; \$2,682,820 thousand and \$9,877,274 thousand, respectively.

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

(5) Inventories

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>

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,912,129	\$ -	\$ 5,912,129
Work in progress	2,742,468	-	2,742,468
Finished goods	6,674,590	(30,936)	6,643,654
Land in progress	803,983	-	803,983
Construction in progress	1,924,454	-	1,924,454
Inventory in transit	1,335,541	-	1,335,541
	<u>\$ 19,393,165</u>	<u>(\$ 30,936)</u>	<u>\$ 19,362,229</u>

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of goods sold	\$ 85,609,331	\$ 85,092,828
Loss on inventory retirement	24,966	11,337
Loss (gain) on physical inventory	12,623	(31,868)
Revenue from sale of scraps	(153,643)	(171,411)
Loss on (gain on reversal of) decline in market value	54,963	(2,619)
	<u>\$ 85,548,240</u>	<u>\$ 84,898,267</u>

For the year ended December 31, 2018, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using 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, 2019 and 2018, the carrying amount of the Group's individually immaterial joint ventures amounted to \$157,489 thousand and \$152,614 thousand, respectively.

	Year ended December 31, 2019	Year ended December 31, 2018
Share of profit of associates and joint ventures accounted for using equity method	\$ 6,653	\$ 6,643
Other comprehensive income - net of tax	722	891
Total comprehensive income	<u>\$ 7,375</u>	<u>\$ 7,534</u>

(7) Property, plant and equipment, net

Year ended December 31, 2019						
	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 27,431	\$ 4,610,898
Buildings and structures	49,684,022	479,057	44,727	796,905	1,104,995	49,810,262
Machinery	100,304,545	1,089,711	496,950	4,073,374	2,328,706	102,641,974
Testing equipment	3,729,686	58,799	16,085	180,298	83,346	3,869,352
Transportation equipment	1,369,500	81,522	28,067	48,438	43,366	1,428,027
Office equipment	954,368	97,107	7,983	36,538	25,118	1,054,912
Other facilities	31,361,160	2,247,633	324,633	1,171,035	456,739	33,998,456
Unfinished construction and equipment under acceptance	8,005,642	3,951,492	-	6,350,367	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>\$ 202,977,723</u>
Accumulated depreciation						
Buildings and structures	(\$ 17,052,347)	\$ 2,119,130	\$ 29,794	\$ -	\$ 497,284	(\$ 18,644,399)
Machinery	(53,074,452)	(6,312,299)	(324,739)	(97,106)	(1,022,748)	(58,136,370)
Testing equipment	(2,670,049)	(306,040)	(10,915)	(1,427)	(75,639)	(2,888,108)
Transportation equipment	(998,805)	(113,250)	(22,769)	-	(27,822)	(1,061,464)
Office equipment	(596,140)	(138,672)	(7,013)	(316)	(16,883)	(710,600)
Other facilities	(22,331,442)	(3,692,634)	(289,021)	(95,363)	(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>(\$ 106,805,382)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ 253,353	\$ -	\$ -	\$ 9,470	(\$ 256,534)
Testing equipment	-	(282)	-	-	11	(271)
Transportation equipment	-	(2,036)	-	-	76	(1,960)
Office equipment	-	(60)	-	-	2	(58)
Other facilities	(1,926)	(22,861)	-	-	584	(23,933)
	<u>(\$ 14,577)</u>	<u>\$ 278,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,143</u>	<u>(\$ 282,756)</u>
	<u>\$ 103,254,578</u>					<u>\$ 95,889,585</u>

Year ended December 31, 2018

	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,560,522	\$ -	\$ -	\$ -	\$ 22,945	\$ 4,583,467
Buildings and structures	45,743,921	696,594	83,527	3,998,965	671,931	49,684,022
Machinery	97,101,451	1,117,883	842,364	3,711,605	784,030	100,304,545
Testing equipment	3,387,921	43,809	10,895	332,776	23,925	3,729,686
Transportation equipment	1,295,811	96,125	40,321	38,311	20,426	1,369,500
Office equipment	847,265	73,407	11,908	53,794	8,190	954,368
Other facilities	28,122,833	2,399,350	1,272,113	2,252,517	141,427	31,361,160
Unfinished construction and equipment under acceptance	11,133,630	7,701,507	-	10,473,653	355,842	8,005,642
	<u>\$ 192,193,354</u>	<u>\$ 12,128,675</u>	<u>\$ 2,261,128</u>	<u>\$ 85,685</u>	<u>\$ 1,982,826</u>	<u>\$ 199,992,390</u>
Accumulated depreciation						
Buildings and structures	(\$ 15,419,937)	\$ 1,928,737	\$ 75,727	\$ -	\$ 220,600	(\$ 17,052,347)
Machinery	(47,988,247)	(6,013,896)	553,570	-	374,121	(53,074,452)
Testing equipment	(2,363,170)	(326,950)	7,684	-	12,387	(2,670,049)
Transportation equipment	(936,982)	(113,519)	36,916	-	14,780	(998,805)
Office equipment	(485,027)	(125,970)	11,297	-	3,560	(596,140)
Other facilities	(19,977,731)	(3,597,995)	1,215,006	-	29,278	(22,331,442)
	<u>(\$ 87,171,094)</u>	<u>\$ 12,107,067</u>	<u>\$ 1,900,200</u>	<u>\$ -</u>	<u>\$ 654,726</u>	<u>(\$ 96,723,235)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ -	\$ -	\$ -	\$ -	12,651
Other facilities	(1,926)	-	-	-	-	(1,926)
	<u>(\$ 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,577)</u>
	<u>\$ 105,007,683</u>					<u>\$ 103,254,578</u>

- A. The Group recognised impairment loss for the year ended December 31, 2019 was \$278,592 thousand. Details of such loss are as follows:

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

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

	Year ended December 31,	
	2019	2018
Amount capitalized	\$ 20,319	\$ 118,717
Range of the interest rates for capitalization	2.20%~7.53%	2.60%~8.28%

(8) Leasing arrangements – lessee

Effective 2019

- 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 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 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:

	December 31, 2019	Year ended December 31, 2019
	Book value	Depreciation expense
Land	\$ 4,882,312	\$ 116,628
Buildings and structures	473,987	64,611
Machinery	22,208	3,245
Transportation equipment	98,075	46,344
Office equipment	6,257	2,687
Other equipment	35,695	12,675
	<u>\$ 5,518,534</u>	<u>\$ 246,190</u>

D. For the year ended December 31, 2019, the additions to right-of-use assets amounted to \$494,845 thousand.

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, 2019</u>
Interest expense on lease liabilities	\$ 13,869
Expense on short-term lease contracts	30,248
Expense on leases of low-value assets	3,158
Expense on variable lease payments	223,278
	<u>\$ 270,553</u>

F. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to \$384,258 thousand.

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 43.21% of lease payments are on the basis of variable payment terms 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 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 \$2,233 thousand.

(9) Investment property, net

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>
Year ended December 31, 2018					
	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	478,710	1,216	898	(9,227)	471,597
	<u>\$ 815,049</u>	<u>\$ 1,216</u>	<u>\$ 898</u>	<u>(\$ 9,227)</u>	<u>\$ 807,936</u>
Accumulated depreciation					
Buildings and structures	(\$ 151,355)	(\$ 24,395)	\$ -	\$ 3,096	(\$ 172,654)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 612,656</u>				<u>\$ 584,244</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Rental income from investment property	<u>\$ 30,287</u>	<u>\$ 30,440</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 23,995</u>	<u>\$ 24,395</u>

- B. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 was \$1,066,478 thousand and \$922,735 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

	December 31, 2019	December 31, 2018
Land-use right	\$ -	\$ 5,020,043
Intangible assets	246,790	237,050
Others	703,374	905,973
	<u>\$ 950,164</u>	<u>\$ 6,163,066</u>

- A. The Group signed a contract of land-use right with a term of 34 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expense of \$85,596 thousand for the year ended December 31, 2018.

B. Movements in intangible assets :

Year ended December 31, 2019						
	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)	\$ 514,210
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>
Year ended December 31, 2018						
	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	\$ 222,540	\$ 180,871	(\$ 120)	\$ 17,349	\$ 76	\$ 420,716
Accumulated amortisation						
Computer software	(\$ 112,307)	(\$ 68,823)	\$ 120	-	(\$ 2,656)	(\$ 183,666)
	<u>\$ 110,233</u>					<u>\$ 237,050</u>

(a) Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Operating costs	\$ 9,955	\$ 6,700
Selling expenses	5,916	1,809
Administrative expenses	73,693	57,464
Research and development expenses	13,165	2,850
	<u>\$ 102,729</u>	<u>\$ 68,823</u>

(11) Short-term borrowings

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

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 15,569,136</u>	0.70%~8.55%	None

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

(12) Other payables

	December 31, 2019	December 31, 2018
Dividend payable	\$ 657	\$ 657
Wages and salaries payable	1,432,816	1,425,712
Payable on machinery and equipment	1,128,354	1,730,936
Employee compensation payable	209,476	261,517
Compensation due to directors	67,093	82,178
Other accrued expenses	1,911,096	1,819,861
Others	838,082	880,008
	<u>\$ 5,587,574</u>	<u>\$ 6,200,869</u>

(13) Other current liabilities

	December 31, 2019	December 31, 2018
Long-term liabilities due within one year	\$ 9,900,811	\$ 11,360,157
Advance receipts	272	25
Refund liabilities	75,012	148,150
Others	250,715	109,853
	<u>\$ 10,226,810</u>	<u>\$ 11,618,185</u>

(14) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable		
-issued in 2014	\$ -	\$ 4,800,000
Bonds payable		
-issued in 2016	5,000,000	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
	<u>17,000,000</u>	<u>21,800,000</u>
Less: Current portion	(2,500,000)	(4,800,000)
	<u>\$ 14,500,000</u>	<u>\$ 17,000,000</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.

- E. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by FSC on May 20, 2013 and completed on August 19, 2013. The bonds were fully issued and total issuance amount was \$3.8 billion with a coupon rate of 1.55%. The issuance period of the bonds was 5 years, which is from August 19, 2013 to August 19, 2018. 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.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
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>)
				\$ 23,302,050

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until January, 2026.	0.97%~4.99%	None	\$ 35,302,441
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2022 at the maturity.	6.65%	None	223,600
				35,526,041
Less: Current portion				(6,560,157)
				\$ 28,965,884

- 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, 2019 and 2018.
- C. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group's long-term borrowings (including current portion) denominated in foreign currencies are as follows:

Currency	December 31, 2019	December 31, 2018
USD	\$ 16,339,100	\$ 17,145,052
RMB	3,121,930	5,178,449
THB	1,269,601	1,851,953

(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 recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 1,351,590	\$ 1,389,880
Fair value of plan assets	(653,508)	(680,510)
Net defined benefit liability	<u>\$ 698,082</u>	<u>\$ 709,370</u>

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

	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 assumption	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>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 1,475,833	(\$ 721,893)	\$ 753,940
Current service cost	21,861	-	21,861
Interest expense (income)	16,234	(7,941)	8,293
	<u>1,513,928</u>	<u>(729,834)</u>	<u>784,094</u>
Remeasurements:			
Change in financial assumption	14,225	-	14,225
Experience adjustments	(21,478)	-	(21,478)
Return on plan asset (excluding amounts included in interest income or expense)	-	(22,035)	(22,035)
	<u>(7,253)</u>	<u>(22,035)</u>	<u>(29,288)</u>
Pension fund contribution	-	(29,727)	(29,727)
Paid pension	(116,795)	101,086	(15,709)
Balance at December 31	<u>\$ 1,389,880</u>	<u>(\$ 680,510)</u>	<u>\$ 709,370</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, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2019 and 2018, the actual return on plan assets was \$32,240 thousand and \$29,976 thousand, respectively.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	<u>0.70%</u>	<u>1.00%</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, 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>
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December 31, 2018

Effect on present value of defined benefit obligation	<u>(\$ 35,158)</u>	<u>\$ 36,534</u>	<u>\$ 32,433</u>	<u>(\$ 31,436)</u>
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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, 2020 amount to \$23,913 thousand.

- (g) As of December 31, 2019, 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	\$	130,803
2-5 years		276,973
Over 6 years		<u>359,382</u>
	\$	<u>767,158</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, 2019 and 2018 were \$156,789 thousand and \$145,746 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, 2019, and 2018 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, 2019 and 2018, were \$336,288 thousand and \$378,079 thousand, respectively.
- (b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc., Maxxis Tech Center Europe B.V. and Maxxis Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under the defined contribution pension plans of the Group for years ended December 31, 2019 and 2018, were \$17,960 thousand and \$13,908 thousand, respectively.
- (c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has provision for employees’ pensions based on the actuarial reports. As of December 31, 2019 and 2018, the net liabilities recognised in the balance sheets were \$48,126 thousand and \$37,461 thousand, respectively. The subsidiaries established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) and has been approved by Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdrew the fund. The pension costs under defined contribution pension plans for the years ended December 31, 2019 and 2018, were \$20,781 thousand and \$17,763 thousand, respectively.
- (d) According to Indonesian local government’s regulations “2015 PP Nomor 60” and “2015 PP Nomor 45”, the Group’s subsidiaries, PT MAXXIS International Indonesia and PT. MAXXIS TRADING INDONESIA, contribute monthly an amount equal to 3.7% and 2% of the employees’ monthly salaries and wages to the retirement insurance; contribute monthly an amount equal to 2% and 1% to pension, respectively. For the years ended December 31, 2019 and 2018, the pension expense accrued in accordance to the aforementioned regulation

- amounted to \$7,264 thousand and \$5,364 thousand, respectively.
- (e) According to Indonesian local government's regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952", the Group's subsidiary, Maxxis Rubber India Private Ltd., established an employees' provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the years ended December 31, 2019 and 2018, the pension cost accrued in accordance to the aforementioned regulation amounted to \$8,936 thousand and \$5,155 thousand, respectively.
- (f) According to the Indonesian local government's regulation "Act for Compensation, 1972", the Group's subsidiary, Maxxis Rubber India Private Ltd., should contribute 15 days employees' salaries and wages for the employees who have served the company for over five years and paid their pension when they leave the organisation. For the years ended December 31, 2019 and 2018, the pension cost accrued in accordance to the aforementioned regulation amounted to \$1,048 thousand and \$1,003 thousand, respectively.
- (17) Share capital
As at December 31, 2019, 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 \$3,565,557 thousand and 5,834,548 thousand (\$1.1 (in dollars) and \$1.8 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 24, 2020, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2019 was \$3,241,416 thousand at \$1.0 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

	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 – 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>\$ 17,270</u>	<u>(\$ 6,904,245)</u>

	2018				
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain on available-for-sale financial assets	Total
At January 1	(\$ 4,471,654)	\$ -	\$ -	\$ 41,593	(\$ 4,430,061)
Effect of retrospective application and retrospective restatement	-	22,740	18,853	(41,593)	-
Valuation adjustment-Group	-	27	(4,633)	-	(4,606)
Valuation adjustment transferred to retained earnings	-	(22,767)	-	-	(22,767)
Currency translation differences:					
– Group	(1,137,791)	-	-	-	(1,137,791)
– Tax on Group	388,969	-	-	-	388,969
– Disposal of investments accounted for using equity method transferred to profit or loss	7,178	-	-	-	7,178
– Disposal of investments accounted for using equity method transferred to profit or loss-tax	(1,220)	-	-	-	(1,220)
At December 31	(\$ 5,214,518)	\$ -	\$ 14,220	\$ -	(\$ 5,200,298)

(21) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	\$ 109,507,773	\$ 109,221,209

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, 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	\$ 10,647,346	\$ 63,931,467	\$ 14,172,208	\$ 39,488,878	\$ 128,239,899

	Year ended December 31, 2018				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 6,495,189	\$ 59,700,322	\$ 8,010,476	\$ 35,015,222	\$ 109,221,209
Inter-segment revenue	4,055,335	6,577,427	5,040,364	2,612,665	18,285,791
Total segment revenue	\$ 10,550,524	\$ 66,277,749	\$ 13,050,840	\$ 37,627,887	\$ 127,507,000

B. Contract liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities:			
Advance sales receipts	\$ 895,825	\$ 694,413	\$ 811,514
Customer loyalty programmes	39,794	52,658	51,432
Total	\$ 935,619	\$ 747,071	\$ 862,946

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

	Year ended December 31, 2019	Year ended December 31, 2018
Advance sales receipts	\$ 518,325	\$ 589,165
Customer loyalty programmes	47,937	50,073
	\$ 566,262	\$ 639,238

(22) Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income	\$ 295,566	\$ 319,105
Grant revenue	318,593	444,909
Other income	280,069	345,940
	\$ 894,228	\$ 1,109,954

(23) Other gains and losses

	Year ended December 31, 2019	Year ended December 31, 2018
Net currency exchange gain (loss)	\$ 103,735	(\$ 587,736)
Loss on disposal of property, plant and equipment	(66,705)	(55,917)
Loss on disposal of investments accounted for using equity method	-	(2,654)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(2,383)	4,703
Impairment loss recognised in profit or loss, property, plant and equipment	(278,592)	-
Other expenses	(112,920)	(188,227)
	<u>(\$ 356,865)</u>	<u>(\$ 829,831)</u>

(24) Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense:		
Bank borrowings	\$ 1,527,461	\$ 1,687,601
Corporate bonds	187,554	212,426
Provisions-discount	11,284	11,004
Lease liability-interest expense	13,869	-
	<u>1,740,168</u>	<u>1,911,031</u>
Add: Reversal of capitalisation of disqualifying assets	16,581	-
Less: Capitalisation of qualifying assets	(36,900)	(118,717)
Finance costs	<u>\$ 1,719,849</u>	<u>\$ 1,792,314</u>

(25) Expenses by nature

	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefit expense		
Wages and salaries	\$ 12,393,523	\$ 12,107,939
Labour and health insurance fees	712,076	692,377
Pension costs	574,522	597,172
Directors' remuneration	63,228	75,850
Other personnel expenses	816,749	903,772
	<u>\$ 14,560,098</u>	<u>\$ 14,377,110</u>
Raw materials and supplies used	<u>\$ 55,692,735</u>	<u>\$ 57,634,928</u>
Depreciation expense on property, plant and equipment	<u>\$ 12,682,025</u>	<u>\$ 12,107,067</u>
Depreciation expense on right-of-use assets	<u>\$ 246,190</u>	<u>\$ -</u>
Depreciation expense on investment property	<u>\$ 23,995</u>	<u>\$ 24,395</u>
Amortisation expense on intangible assets	<u>\$ 102,729</u>	<u>\$ 68,823</u>

Note: As at December 31, 2019 and 2018, the Company had 28,590 and 29,240 employees, respectively, of which 7 directors were not the Company's employees.

- 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, 2019 and 2018, employees' compensation was accrued at \$93,053 thousand and \$101,254 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$61,089 thousand and \$74,978 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 30, 2019.

For 2018, the employees' compensation of 2018, as resolved at the meeting of Board of Directors amounting to \$101,254 thousand, was in agreement with those amounts recognized in the 2018 financial statements. The Board of Directors during its meeting resolved to distribute 1.313% of retained earnings as directors' and supervisors' remuneration for 2018 while the amounts recognized in the financial statements based on 1.481% of retained earnings was \$74,978 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for 2018 was \$8,505 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2019. The employees' compensation for 2018 will be distributed in the form of cash. As of March 24, 2020, the employees' compensation for 2018 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profits for the period	\$ 2,530,760	\$ 2,369,968
Prior year income tax (over) underestimation	(157,499)	13,783
Total current tax	<u>2,373,261</u>	<u>2,383,751</u>
Deferred tax:		
Origination and reversal of temporary differences	(61,659)	(88,305)
Impact of change in tax rate	-	39,557
Total deferred tax	<u>(61,659)</u>	<u>(48,748)</u>
Income tax expense	<u>\$ 2,311,602</u>	<u>\$ 2,335,003</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Generated during the period :		
Currency translation differences	\$ 426,749	\$ 318,128
Remeasurement of defined benefit obligations	(964)	(5,857)
Total generated during the period	<u>425,785</u>	<u>312,271</u>
Impact of change in tax rate:		
Currency translation differences		69,621
Remeasurement of defined benefit obligations	-	25,893
Total impact of change in tax rate	<u>-</u>	<u>95,514</u>
Income tax from other comprehensive income	<u>\$ 425,785</u>	<u>\$ 407,785</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2019	Year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	\$ 2,589,648	\$ 2,212,718
Effect from items disallowed by tax regulation	49,969	68,082
Income from investing overseas subsidiaries not recognized as deferred tax liabilities	(545,723)	(361,984)
Temporary differences not recognised as deferred tax assets	694,213	610,473
Tax exempt income by tax regulation	(317,062)	(222,919)
Effect from five-year tax exemption	-	(24,707)
Prior year income tax (over) underestimation	(157,499)	13,783
Impact of change in the tax rate	(1,944)	39,557
Income tax expense	<u>\$ 2,311,602</u>	<u>\$ 2,335,003</u>

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

	2019			
	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	\$ 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)
Unrealised evaluation gain on financial assets or liabilities	(649)	649	-	-
Others	(58,761)	(2,181)	-	(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>

2018				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised gain on inter -affiliated accounts	\$ 145,841	\$ 23,686	\$ -	\$ 169,527
Remeasurement of defined benefit obligations	146,730	-	20,036	166,766
Unrealised evaluation loss on financial asset or liabilities	69	(69)	-	-
Exchange differences on translation of foreign financial statements	394,523	40	387,749	782,312
Deferred government grant revenue	306,499	(19,368)	-	287,131
Unrealised exchange loss	26,576	(7,287)	-	19,289
Others	56,721	44,883	-	101,604
Subtotal	<u>1,076,959</u>	<u>41,885</u>	<u>407,785</u>	<u>1,526,629</u>
-Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 817,759)	\$ 50,134	\$ -	(\$ 767,625)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealised evaluation gain on financial asset or liabilities	-	(649)	-	(649)
Others	(16,139)	(42,622)	-	(58,761)
Subtotal	<u>(1,348,631)</u>	<u>6,863</u>	<u>-</u>	<u>(1,341,768)</u>
Total	<u>(\$ 271,672)</u>	<u>\$ 48,748</u>	<u>\$ 407,785</u>	<u>\$ 184,861</u>

- D. (i) 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.
- (ii) For the year ended December 31, 2019, the Company's subsidiary, Cheng Shin (Thailand) eligible to avail of the local tax incentives. For the year ended December 31, 2018, the Company's subsidiary, Cheng Shin (Thailand) and Cheng Shin (Vietnam) are both eligible to avail of the local tax incentives.
- E. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for "Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009". The Company is entitled to income tax exemption for 5

consecutive years starting from 2014 to 2018.

- F. 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, 2019 and 2018 were \$42,638,273 thousand and \$41,486,669 thousand, respectively.
- G. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,466,827	3,241,416	\$ 1.07
<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	-	2,801	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,466,827	3,244,217	\$ 1.07

Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,520,320	3,241,416	\$ 1.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,520,320	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	3,196	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,520,320	3,244,612	\$ 1.08

(28) Supplemental cash flow information

Investing activities with partial cash payments :

	Year ended December 31, 2019	Year ended December 31, 2018
Purchase of property, plant and equipment	\$ 8,005,321	\$ 12,128,675
Add: Opening balance of payable on equipment	1,730,936	2,213,781
Less: Ending balance of payable on equipment	(1,128,354)	(1,730,936)
Cash paid during the year	\$ 8,607,903	\$ 12,611,520

(29) Changes in liabilities from financing activities

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)	(127,574)	(6,828)	(11,407,851)
Additions	-	-	-	3,607,111	490,578	-	4,097,689
Interest expense	-	-	-	-	13,869	-	13,869
Impact of changes in foreign exchange rate	(186,090)	(496,522)	-	-	(7,884)	-	(690,496)
At December 31	\$ 16,843,366	\$ 30,702,861	\$ 17,000,000	\$ 657	\$ 708,927	\$ 248,381	\$ 65,504,192
2018							
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Guarantee deposits received	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 18,508,493	\$ 35,661,478	\$ 18,700,000	\$ 657	\$ 251,611	\$ 43,044	\$ 73,165,283
Changes in cash flow from financing activities	(3,120,700)	(479,381)	3,100,000	(5,834,548)	3,598	(2,083)	(6,333,114)
Additions	-	-	-	5,834,548	-	-	5,834,548
Impact of changes in foreign exchange rate	181,343	343,944	-	-	-	(634)	524,653
At December 31	\$ 15,569,136	\$ 35,526,041	\$ 21,800,000	\$ 657	\$ 255,209	\$ 40,327	\$ 73,191,370

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 equity method
Cheng Shin Holland B.V.	Investee accounted for using equity method (Note)
New Pacific IND. CD., LTD.	Investee accounted for using equity method
MERIDA INDUSTRY CO., LTD.	The Company's director is the company's chairman
Maxxis (XiaMen) Trading CO., LTD.	The Company's director is the company's representatives

Note: The company was the Company's investee accounted for using equity method before October 2, 2018, and after the disposal of its equity interest, it was no longer a related party of the Company starting from October 2, 2018.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2019
Sales of goods:		
-Associates	\$ -	\$ 166,104
-Other related parties	314,438	353,446
	<u>\$ 314,438</u>	<u>\$ 519,550</u>

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

B. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
-Other related parties	\$ 54,053	\$ 47,976

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

	December 31, 2019	December 31, 2018
Payables due to related parties :		
-Other related parties	\$ 215,250	\$ 223,600

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.

(3) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Short-term employee benefits	\$ 212,253	\$ 238,630
Post-employment benefits	2,561	3,054
	<u>\$ 214,814</u>	<u>\$ 241,684</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Time deposits (Other current assets)	\$ -	\$ 15,395	Product liability insurance

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED 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, 2019	December 31, 2018
Property, plant and equipment	\$ 2,990,369	\$ 4,777,836

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

	December 31, 2019	December 31, 2018
Amount of letter of credit that has been issued but not yet used	\$ 45,524	\$ 168,162

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

To meet the requirement of PT MAXXIS International Indonesia's working capital and purchase of production equipment, the Board of Directors resolved to increase the capital of PT MAXXIS International Indonesia by US\$30,000 thousand on January 24, 2018 and completed this capital increase on February 26, 2020.

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, 2019, the Group's strategy was unchanged from 2018. The gearing ratios as at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 86,069,542	\$ 94,944,762
Total equity	\$ 77,970,687	\$ 79,818,006
Less : Intangible assets	(246,790)	(237,050)
Tangible equity	\$ 77,723,897	\$ 79,580,956
Debt-equity ratio	111%	119%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</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	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	25,935	22,885
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	25,501,222	27,809,496
Notes receivable, net	3,761,453	2,673,543
Accounts receivable (including related parties)	8,992,980	9,909,907
Guarantee deposits paid	53,066	86,168
Other financial assets	374,790	512,470
	<u>\$ 38,767,633</u>	<u>\$ 41,075,899</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 16,843,366	\$ 15,569,136
Notes payable	1,122,276	623,415
Accounts payable	7,793,330	8,953,202
Other accounts payable	5,587,574	6,200,869
Corporate bonds payable (including current portion)	17,000,000	21,800,000
Long-term borrowings (including current portion)	30,702,861	35,526,041
Guarantee deposits received	248,381	255,209
	<u>\$ 79,297,788</u>	<u>\$ 88,927,872</u>
Lease liabilities (including current portion)	<u>\$ 708,927</u>	<u>\$ -</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, recognized 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 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, 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	\$ -
USD : TWD	89,815	6.964	2,692,655	1%	26,927	-
USD : RMB	7,416	7.803	249,118	1%	2,491	-
EUR : RMB	38,456	29.689	1,153,137	1%	11,531	-
USD : THB	36,809	25,623.932	1,103,534	1%	11,035	-
USD : VND	6,988	1.305	209,453	1%	2,095	-
USD : CAD	311,695	13,752.294	9,344,616	1%	93,446	-
USD : IDR	233,647	71.043	7,004,771	1%	70,048	-
USD : INR						

**(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, 2018

	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
\$	142,027	30.715	\$ 4,362,359	1%	\$ 43,624	\$ -
	945,920	4.472	4,230,154	1%	42,302	-
	42,003	35.200	1,478,506	1%	14,785	-
	2,003,286	0.278	556,914	1%	5,569	-
	8,063	38.880	313,489	1%	3,135	-
	71,565	6.868	2,198,026	1%	21,980	-
	13,003	7.871	457,694	1%	4,577	-
	5,331	8.694	207,267	1%	2,073	-
	342,710	0.099	151,727	1%	1,517	-
	82,571	32.223	2,535,633	1%	25,356	-
	13,824	36.928	486,500	1%	4,865	-
	20,824	25,595.833	639,609	1%	6,396	-
	22,292	1.362	684,899	1%	6,849	-
	24,514	14,420.188	752,948	1%	7,529	-

(Foreign currency:
functional currency)

Financial assets

Monetary items

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

December 31, 2018

	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
\$	22,548	30.715	\$ 692,562	1%	\$ 6,926	\$ -
	109,549	6.868	3,364,655	1%	33,647	-
	21,500	7.871	756,781	1%	7,568	-
	84,747	32.223	2,602,455	1%	26,025	-
	40,782	25,595.833	1,252,619	1%	12,526	-
	14,538	1.362	446,665	1%	4,467	-
	284,331	14,420.188	8,733,227	1%	87,332	-
	229,800	69.934	7,058,310	1%	70,583	-

**(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 gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$103,735 thousand and (\$587,736) 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, 2019 and 2018 would have increased/decreased by \$841 thousand and \$811 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, 2019 and 2018, 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, 2019 and 2018, if interest rates on USD, THB, RMB, EUR and INR 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, 2019 and 2018 would have been \$35,134 thousand and \$39,326 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.
- vii. 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, 2019 and 2018, the Group have no written-off financial assets that are still under recourse procedures.
- viii. 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, 2018, the provision matrix is as follows:

December 31, 2019	Expected loss rate	Total book value	Loss allowance
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>

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0.00%	\$ 8,267,534	\$ -
Up to 30 days	0.28%	920,577	2,578
31 to 90 days	0.91%	348,616	3,172
91 to 180 days	1.64%	191,749	3,145
Over 180 days	4.33%	148,798	6,448
		<u>\$ 9,877,274</u>	<u>\$ 15,343</u>

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

	2019	2018
At January 1	\$ 15,343	\$ 17,551
Provision for impairment	30,357	5,689
Reversal of impairment loss	(896)	(2,352)
Write-offs	(2,071)	(5,689)
Effect of exchange rate changes	(1,118)	144
At December 31	<u>\$ 41,615</u>	<u>\$ 15,343</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, 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

December 31, 2018

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	\$ 8,949,987	\$ 5,236,152	\$ 1,648,780	\$ -	\$ 15,834,919
Notes and accounts payable	9,576,572	-	-	45	9,576,617
Other payables	5,915,700	-	170,276	114,893	6,200,869
Guarantee deposits received	1,337	-	-	253,872	255,209
Long-term borrowings	2,278,532	627,249	4,571,051	30,073,164	37,549,996
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

(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, 2019				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,050,741	\$ -

December 31, 2018				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 21,800,000	\$ -	\$ 21,876,771	\$ -

- (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, 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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Forward exchange contracts	\$ -	\$ 3,243	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income				
- Equity securities	22,885	-	58,187	81,072
Total	\$ 22,885	\$ 3,243	\$ 58,187	\$ 84,315

(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, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2019 and 2018.

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: None.
- 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 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(23) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: please refer to table 8.
- B. Ceiling on investments in Mainland China: please refer to table 8.
- 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, 2019: please refer to tables 4, 5 and 6.

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 for the years ended December 31, 2019 and 2018 is as follows:

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	9,589,727	1,475,643	810,695	1,550,076	4,596,996	18,023,137
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>

Year ended December 31, 2018						
	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	\$ 14,605,466	\$ 16,066,490	\$ 37,077,750	\$ 11,458,562	\$ 20,732,725	\$ 99,940,993
Revenue from inter-segment revenue	8,988,797	1,415,768	768,185	2,299,381	4,190,813	17,662,944
Total segment revenue	<u>\$ 23,594,263</u>	<u>\$ 17,482,258</u>	<u>\$ 37,845,935</u>	<u>\$ 13,757,943</u>	<u>\$ 24,923,538</u>	<u>\$ 117,603,937</u>
Segment income (loss)	<u>\$ 2,406,049</u>	<u>(\$ 91,611)</u>	<u>\$ 3,129,337</u>	<u>(\$ 285,914)</u>	<u>\$ 2,468,974</u>	<u>\$ 7,626,835</u>
Depreciation and amortisation	<u>\$ 1,526,421</u>	<u>\$ 1,989,350</u>	<u>\$ 3,696,620</u>	<u>\$ 1,895,860</u>	<u>\$ 2,662,411</u>	<u>\$ 11,770,662</u>
Interest income	<u>\$ 178,248</u>	<u>\$ 86,912</u>	<u>\$ 185,802</u>	<u>\$ 2,598</u>	<u>\$ 257,399</u>	<u>\$ 710,959</u>
Finance costs	<u>\$ 357,835</u>	<u>\$ 342,811</u>	<u>\$ 337,827</u>	<u>\$ 213,436</u>	<u>\$ 488,118</u>	<u>\$ 1,740,027</u>
Share of profit of associates and joint ventures accounted for under equity method	<u>\$ 6,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,643</u>

The adoption of IFRS 16, 'Leases', had the following impact on the reportable segment information in 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
Depreciation expense increased	\$ 50,951	\$ 24,879	\$ 22,695	\$ 18,050	\$ 48,285	\$ 164,860

(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, 2019	Year ended December 31, 2018
Adjusted revenue from reportable segments	\$ 114,317,868	\$ 117,603,937
Adjusted revenue from other operating segments	13,922,031	9,903,063
Total operating segments	128,239,899	127,507,000
Elimination of inter-segment revenue	(18,732,126)	(18,285,791)
Total consolidated operating revenue	\$ 109,507,773	\$ 109,221,209
The adoption of IFRS 16, 'Leases', had the following impact on the other operating segment information in 2019.		
Depreciation expense increased		\$ 81,330

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, 2019	Year ended December 31, 2018
Adjusted income from reportable segments before income tax	\$ 7,150,031	\$ 7,626,835
Adjusted loss from other operating segments before income tax	(1,398,232)	(1,708,897)
Total operating segments	5,751,799	5,917,938
Income (loss) from elimination of inter-segment revenue	75,500	(8,297)
Income from continuing operations before income tax	\$ 5,827,299	\$ 5,909,641

(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, 2019	Year ended December 31, 2018
Sales revenue	\$ 107,714,550	\$ 109,057,118
Others	1,793,223	164,091
	\$ 109,507,773	\$ 109,221,209

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 57,452,960	\$ 58,200,161	\$ 59,700,322	\$ 64,643,608
USA	8,468,030	855,279	8,010,476	463,486
Taiwan	6,456,620	17,177,800	6,495,189	16,738,242
Others	37,130,163	26,675,199	35,015,222	28,156,552
	<u>\$ 109,507,773</u>	<u>\$ 102,908,439</u>	<u>\$ 109,221,209</u>	<u>\$ 110,001,888</u>

The Company's geographical revenue is calculated based on the countries where sales occur. Non-current assets refer to property, plant and equipment, investment property, intangible assets (shown as other non-current assets), land use right (shown as right-of-use assets and other non-current assets as at December 31, 2019 and 2018) 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, 2019 and 2018.

CHENG SHIN RUBBER IND. CO., LTD.
Loans to others
Year ended December 31, 2019

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		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote	
					December 31, 2019	December 31, 2019						Item	Value				
																	Balance at December 31, 2019 (Note 5)
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 2,287,000	\$ 1,291,500	\$ 1,226,925	4.75%	Note 4	\$ -	-	Operating capital	-	None	\$ 4,578,854	\$ 7,631,423	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,667,200	3,444,000	2,819,775	4.75%	Note 4	-	-	Operating capital	-	None	4,578,854	7,631,423	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	916,800	861,000	331,485	6.09%–6.65%	Note 4	-	-	Operating capital	-	None	4,578,854	7,631,423	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	4,806,900	3,659,250	2,174,025	4.75%	Note 4	-	-	Operating capital	-	None	7,514,491	12,524,152	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,146,000	-	-	4.75%	Note 4	-	-	Operating capital	-	None	7,514,491	12,524,152	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	457,400	-	-	4.75%	Note 4	-	-	Operating capital	-	None	7,514,491	12,524,152	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	807,040	419,720	374,750	2.90%–4.75%	Note 4	-	-	Operating capital	-	None	13,539,923	22,566,539	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,168	9,610	8,610	4.35%	Note 4	-	-	Operating capital	-	None	162,942	271,570	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., XIAMEN CHENG SHIN ENTERPRISE CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to a single party is 60% 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., XIAMEN CHENG SHIN ENTERPRISE CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD. to a single party is 100% 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, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	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	\$ 38,697,842	\$ 4,683,000	\$ 2,139,021	\$ -	4.35	\$ 54,176,978	Y	N	N	Note 2,
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	38,697,842	474,000	-	-	-	54,176,978	Y	N	Y	Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	38,697,842	9,454,832	7,697,005	-	11.24	54,176,978	Y	N	N	Note 2,
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	38,697,842	10,238,400	9,029,976	-	12.55	54,176,978	Y	N	N	Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	18,053,231	2,521,200	730,459	-	8.58	22,566,539	N	N	Y	Note 2, Note 5, Note 4,

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 company.

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, 2019.

\$ 54,176,978
\$ 15,479,137
\$ 38,697,842

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, 2019

Table 3

		Relationship with the securities		As of December 31, 2019		Expressed in thousands of NTD (Except as otherwise indicated)	
Securities held by	Marketable securities (Note 1)	issuer	General ledger account	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	-	\$ 25,935	-	\$ 25,935
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 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.

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, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Unit price	Credit term	Balance	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)	Expressed in thousands of NTD (Except as otherwise indicated)
				Amount	Percentage of total purchases (sales) (%)							
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 4,113,471)	(21.10)	Collect within 90 days after shipment of goods	Same	\$ 654,683	Same	Same	25.33	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,318,216)	(6.76)	Collect within 90 days after shipment of goods	Same	203,503	Same	Same	7.87	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(114,047)	(0.58)	Collect within 60 days after shipment of goods	Same	23,695	Same	Same	0.92	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(182,882)	(0.94)	Collect within 60 days after shipment of goods	Same	92,931	Same	Same	3.60	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,745,078)	(19.21)	Collect within 30 days	Same	355,857	Same	Same	13.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(172,339)	(0.98)	Collect within 60-90 days after shipment of goods	Same	41,290	Same	Same	2.02	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	ultimate parent	(sales)	(164,245)	(0.94)	Collect within 60 days after shipment of goods	Same	18,763	Same	Same	0.92	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(717,903)	(4.10)	Collect within 60-90 days after shipment of goods	Same	266,000	Same	Same	12.98	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(239,429)	(1.37)	Collect within 60-90 days after shipment of goods	Same	15,683	Same	Same	0.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(101,107)	(0.58)	Collect within 60-90 days after shipment of goods	Same	10,457	Same	Same	0.51	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,823,000)	(45.14)	Collect within 60-90 days after shipment of goods	Same	279,971	Same	Same	22.32	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(558,086)	(13.82)	Collect within 60-90 days after shipment of goods	Same	86,073	Same	Same	6.86	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(182,131)	(4.51)	Collect within 60-90 days after shipment of goods	Same	39,527	Same	Same	3.15	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(223,577)	(5.54)	Collect within 60-90 days after shipment of goods	Same	36,113	Same	Same	2.88	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,072,144)	(11.27)	Collect within 60-90 days after shipment of goods	Same	308,178	Same	Same	46.27	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(268,677)	(1.23)	Collect within 60-90 days after shipment of goods	Same	31,542	Same	Same	0.81	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(190,723)	(0.88)	Collect within 60-90 days after shipment of goods	Same	258	Same	Same	0.01	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, 2019

Table 4

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)
						Unit price	Credit term	Balance	
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(\$ 147,238)	47.13	Collect within 60-90 days after shipment of goods	Same	\$ 20,113	47.50
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(327,386)	5.56	Collect within 60-90 days after shipment of goods	Same	-	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(178,882)	3.20	Collect within 60-90 days after shipment of goods	Same	\$ 5,590	1.12
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,421,170)	11.05	Collect within 60-90 days after shipment of goods	Same	194,738	12.83
PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(107,538)	20.35	Collect within 60-90 days after shipment of goods	Same	44,481	39.75

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, 2019

Table 5

Expressed in thousands of NT\$ (Except as otherwise indicated)											
	Creditor	Relationship with the counterparty			Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts	
		Counterparty		counterparty			Amount	Action taken			
	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.		Subsidiary (Note 5)	\$	655,092	Note 4	-	\$	654,635	-
	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.		Subsidiary (Note 5)		203,638	Note 4	-		141,522	-
	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.		Sub-subsidiary (Note 5)		136,243	Note 3	-		18,133	-
	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.		Sub-subsidiary (Note 5)		199,509	Note 3	-		83,988	-
	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.		Subsidiary (Note 5)		358,194	Note 4	-		358,194	-
	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.		Subsidiary (Note 5)		129,822	Note 3	-		10,060	-
	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.		Same ultimate parent (Note 5)		266,000	2.60	-		143,238	-
	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.		Same ultimate parent (Note 5)		283,481	Note 4	-		266,436	-
	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.		Same ultimate parent (Note 5)		308,178	4.85	-		261,271	-
	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.		Same ultimate parent (Note 5)		194,738	5.43	-		194,738	-

Note 1: Subsequent collection is the amount collected as of March 17, 2020.

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, endorsement/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, 2019

Table 6

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	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 4,113,471	Collect within 90 days after shipment of goods	3.76%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	654,683	Collect within 90 days after shipment of goods	0.40%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,318,216	Collect within 90 days after shipment of goods	1.20%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	203,503	Collect within 90 days after shipment of goods	0.12%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	3,745,078	The term is 30 days after monthly billing.	3.42%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	355,857	The term is 30 days after monthly billing.	0.22%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	717,903	Collect within 60-90 days after shipment of goods	0.66%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	266,000	Collect within 60-90 days after shipment of goods	0.16%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	239,429	Collect within 60-90 days after shipment of goods	0.22%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	374,750	Pay interest quarterly	0.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,823,000	Collect within 60-90 days after shipment of goods	1.66%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	279,971	Collect within 60-90 days after shipment of goods	0.17%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	558,086	Collect within 60-90 days after shipment of goods	0.51%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	223,577	Collect within 60-90 days after shipment of goods	0.20%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,226,925	Pay interest quarterly	0.75%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,819,775	Pay interest quarterly	1.72%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	331,485	Pay interest quarterly	0.20%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,174,025	Pay interest quarterly	1.33%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,072,144	Collect within 60-90 days after shipment of goods	0.98%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	308,178	Collect within 60-90 days after shipment of goods	0.19%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Expressed in thousands of NTTD (Except as otherwise indicated)
				General ledger account	Amount (Note 4)	Transaction terms	
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	Percentage of consolidated total operating revenues or total assets (Note 3) 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%
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	3	Sales	327,386	Collect within 60-90 days after shipment of goods	0.30%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,421,170	Collect within 60-90 days after shipment of goods	1.30%

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, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
				\$	\$			\$	\$	\$	
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	912,218	912,218	35,050,000	100.00	40,069,847	2,227,008	2,227,527	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	25,199,773	2,915,870	2,924,207	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	10,417,885	94,723	138,366	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	2,709,443	182,579	182,564	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	705,193	56,434	56,434	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	157,489	13,306	6,653	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	68,500	6,501	6,501	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	-	821,888	817,231	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	3,124,651	649,994,730	100.00	-	1,472,251	1,472,251	Subsidiary Note 3
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	319,849	151,345	151,345	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	26,315	2,140	2,140	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	13,602	3,434	3,434	Subsidiary Note 3
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	228,801,983	100.00	31,809,672	2,313,861	2,312,861	Subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

		Initial investment amount		Shares held as at December 31, 2019							
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	25,018,438	2,916,370	2,916,370	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	10,848,827	94,457	94,457	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	7,595,850	(603,383)	(585,431)	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) JND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,249,905	697,909	723,598	Subsidiary Note 3

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.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China

Year ended December 31, 2019

Table 8

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019, (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	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	\$ 5,246,500	2	\$ 910,834	\$ -	\$ -	\$ 1,628,516	100.00	\$ 1,627,566	\$ 22,566,539	\$ 18,142,072	(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	6,745,500	2	2,385,506	-	2,385,506	2,672,264	100.00	2,689,063	23,173,371	21,095,922	(Note 2 - 4 - 6 - 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	254,830	2	68,602	-	68,602	70,412	50.00	35,206	329,542	443,026	(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	2,998,000	2	-	-	-	658,416	100.00	661,660	5,174,825	1,332,617	(Note 2 - 4 - 6 - 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,525	2	-	-	-	10,549	100.00	10,549	37,618	-	(Note 6 - 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	539,640	2	-	-	-	(465,857)	100.00	(465,857)	768,432	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	3,897,400	2	-	-	-	632,402	100.00	632,404	12,535,747	4,014,294	(Note 2 - 3 - 6 - 7)

Table 8

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 29.98: USD 1 and NTD 4.305: RMB 1 prevailing on December 31, 2019.

Note 6: 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.

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (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.

\$

3,684,542

\$

20,173,542

\$

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 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.