

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR21002135

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$ 36,749,373 thousand and NT\$ 26,865,721 thousand, constituting 25% and 18% of the consolidated total assets, and total liabilities of NT\$ 22,133,918 thousand and NT\$ 20,417,704 thousand, constituting 34% and 28% of the consolidated total liabilities as at September 30, 2021 and 2020, and total net operating revenues of NT\$ 5,993,405

thousand, NT\$4,164,241 thousand, NT\$19,915,848 thousand and NT\$10,164,747 thousand, constituting 25%, 15%, 26% and 15% of consolidated total net operating revenue, and total comprehensive loss of NT(\$69,018), NT(\$343,550), NT(\$336,721) and NT(\$1,578,474) thousand, constituting (11%), (11%), (12%) and (95%) of the consolidated total comprehensive income (loss) for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 10, 2021

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

| Assets | | | Notes | | September 30, 2021 | | December 31, 2020 | | September 30, 2020 | | |
|--------------------|------------------------------------|-------|-------|-------------|--------------------|----|-------------------|-----|--------------------|-------------|-----|
| | | | | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ | 18,945,951 | 13 | \$ | 19,112,521 | 13 | \$ | 22,668,172 | 15 |
| 1110 | Financial assets at fair value | 6(2) | | | | | | | | | |
| | through profit or loss - current | | | - | - | | 820 | - | | - | - |
| 1120 | Financial assets at fair value | 6(3) | | | | | | | | | |
| | through other comprehensive | | | | | | | | | | |
| | income - current | | | 21,341 | - | | 29,817 | - | | 25,636 | - |
| 1150 | Notes receivable, net | 6(4) | | 3,726,446 | 3 | | 4,544,057 | 3 | | 2,549,939 | 2 |
| 1170 | Accounts receivable, net | 6(4) | | 9,449,292 | 6 | | 9,472,839 | 6 | | 9,231,483 | 6 |
| 1180 | Accounts receivable - related | 7 | | | | | | | | | |
| | parties | | | 34,389 | - | | 43,474 | - | | 44,235 | - |
| 130X | Inventories | 6(5) | | 20,167,673 | 14 | | 18,287,216 | 12 | | 15,073,665 | 10 |
| 1410 | Prepayments | | | 1,122,896 | 1 | | 1,142,851 | 1 | | 1,210,949 | 1 |
| 1470 | Other current assets | | | 521,052 | - | | 269,297 | - | | 145,649 | - |
| 11XX | Current Assets | | | 53,989,040 | 37 | | 52,902,892 | 35 | | 50,949,728 | 34 |
| Non-current assets | | | | | | | | | | | |
| 1517 | Financial assets at fair value | 6(3) | | | | | | | | | |
| | through other comprehensive | | | | | | | | | | |
| | income - non-current | | | 58,187 | - | | 58,187 | - | | 58,187 | - |
| 1550 | Investments accounted for | 6(6) | | | | | | | | | |
| | under equity method | | | 180,210 | - | | 172,981 | - | | 167,819 | - |
| 1600 | Property, plant and equipment, net | 6(7) | | 82,614,719 | 57 | | 89,547,273 | 59 | | 89,705,283 | 60 |
| 1755 | Right-of-use assets | 6(8) | | 5,013,225 | 3 | | 5,278,546 | 4 | | 5,233,282 | 3 |
| 1760 | Investment property, net | 6(9) | | 509,830 | - | | 531,097 | - | | 530,862 | - |
| 1840 | Deferred income tax assets | 6(27) | | 2,300,415 | 2 | | 1,921,209 | 1 | | 2,243,830 | 2 |
| 1900 | Other non-current assets | 6(10) | | 1,016,896 | 1 | | 912,968 | 1 | | 904,306 | 1 |
| 15XX | Non-current assets | | | 91,693,482 | 63 | | 98,422,261 | 65 | | 98,843,569 | 66 |
| 1XXX | Total assets | | \$ | 145,682,522 | 100 | \$ | 151,325,153 | 100 | \$ | 149,793,297 | 100 |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

| Liabilities and Equity | | Notes | September 30, 2021 | | December 31, 2020 | | September 30, 2020 | |
|---|--|---------------|--------------------|-------|-------------------|-------|--------------------|-------|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(11) | \$ 8,137,438 | 6 | \$ 7,222,391 | 5 | \$ 10,596,366 | 7 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | 33,391 | - | - | - | - | - |
| 2130 | Current contract liabilities | 6(21) | 921,540 | 1 | 1,149,282 | 1 | 956,199 | 1 |
| 2150 | Notes payable | | 287,904 | - | 157,811 | - | 511,617 | - |
| 2170 | Accounts payable | | 6,636,677 | 5 | 8,442,030 | 5 | 6,892,469 | 5 |
| 2200 | Other payables | 6(12) | 5,204,948 | 3 | 5,557,536 | 4 | 4,868,464 | 3 |
| 2230 | Current income tax liabilities | 6(27) | 975,061 | 1 | 1,345,258 | 1 | 1,206,597 | 1 |
| 2280 | Current lease liabilities | 7 | 172,975 | - | 179,624 | - | 173,447 | - |
| 2300 | Other current liabilities | 6(13)(14)(15) | 10,960,444 | 7 | 10,341,077 | 7 | 10,906,686 | 7 |
| 21XX | Current Liabilities | | 33,330,378 | 23 | 34,395,009 | 23 | 36,111,845 | 24 |
| Non-current liabilities | | | | | | | | |
| 2530 | Corporate bonds payable | 6(14) | 10,500,000 | 7 | 8,500,000 | 6 | 8,500,000 | 6 |
| 2540 | Long-term borrowings | 6(15) and 7 | 17,757,116 | 12 | 22,940,974 | 15 | 24,409,856 | 16 |
| 2550 | Provisions for liabilities - non-current | | 166,437 | - | 144,918 | - | 144,895 | - |
| 2570 | Deferred income tax liabilities | 6(27) | 930,754 | 1 | 1,076,640 | 1 | 1,033,617 | 1 |
| 2580 | Non-current lease liabilities | 7 | 416,005 | - | 534,727 | - | 544,589 | - |
| 2600 | Other non-current liabilities | 6(16) | 2,623,304 | 2 | 2,757,604 | 2 | 2,694,605 | 2 |
| 25XX | Non-current liabilities | | 32,393,616 | 22 | 35,954,863 | 24 | 37,327,562 | 25 |
| 2XXX | Total Liabilities | | 65,723,994 | 45 | 70,349,872 | 47 | 73,439,407 | 49 |
| Equity | | | | | | | | |
| Equity attributable to owners of parent | | | | | | | | |
| | Share capital | 6(17) | | | | | | |
| 3110 | Share capital - common stock | | 32,414,155 | 22 | 32,414,155 | 21 | 32,414,155 | 22 |
| | Capital surplus | 6(18) | | | | | | |
| 3200 | Capital surplus | | 53,267 | - | 53,267 | - | 52,576 | - |
| | Retained earnings | 6(19) | | | | | | |
| 3310 | Legal reserve | | 16,132,580 | 11 | 15,533,661 | 10 | 15,533,661 | 10 |
| 3320 | Special reserve | | 6,611,296 | 5 | 6,904,245 | 5 | 6,904,245 | 5 |
| 3350 | Unappropriated retained earnings | | 32,299,148 | 22 | 32,143,063 | 21 | 28,972,768 | 19 |
| | Other equity interest | | | | | | | |
| 3400 | Other equity interest | 6(20) | (8,104,328) | (5) | (6,611,296) | (4) | (8,050,986) | (5) |
| 31XX | Equity attributable to owners of the parent | | 79,406,118 | 55 | 80,437,095 | 53 | 75,826,419 | 51 |
| 36XX | Non-controlling interest | | 552,410 | - | 538,186 | - | 527,471 | - |
| 3XXX | Total equity | | 79,958,528 | 55 | 80,975,281 | 53 | 76,353,890 | 51 |
| | Significant contingent liabilities and unrecognized contract commitments | 9 | | | | | | |
| | Significant events after the balance sheet date | | | | | | | |
| 3X2X | Total liabilities and equity | | \$ 145,682,522 | 100 | \$ 151,325,153 | 100 | \$ 149,793,297 | 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
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

| Items | Notes | Three-month periods ended September 30 | | | | Nine-month periods ended September 30 | | | |
|--|-------------|--|-----------|---------------------|-------------|---------------------------------------|-----------|---------------------|-------------|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(21) and 7 | \$ 24,265,223 | 100 | \$ 27,927,586 | 100 | \$ 77,360,351 | 100 | \$ 69,506,400 | 100 |
| 5000 Operating costs | 6(5) | (19,453,501) | (80) | (20,197,317) | (72) | (59,789,208) | (77) | (53,115,898) | (76) |
| 5900 Net operating margin | | <u>4,811,722</u> | <u>20</u> | <u>7,730,269</u> | <u>28</u> | <u>17,571,143</u> | <u>23</u> | <u>16,390,502</u> | <u>24</u> |
| Operating expenses | 7 | | | | | | | | |
| 6100 Selling expenses | | (1,735,049) | (7) | (1,963,353) | (7) | (5,222,434) | (7) | (5,262,937) | (8) |
| 6200 General and administrative expenses | | (866,643) | (4) | (961,275) | (4) | (2,727,426) | (4) | (2,558,530) | (4) |
| 6300 Research and development expenses | | (1,073,294) | (4) | (1,204,741) | (4) | (3,302,342) | (4) | (3,416,336) | (5) |
| 6000 Total operating expenses | | (3,674,986) | (15) | (4,129,369) | (15) | (11,252,202) | (15) | (11,237,803) | (17) |
| 6900 Operating profit | | <u>1,136,736</u> | <u>5</u> | <u>3,600,900</u> | <u>13</u> | <u>6,318,941</u> | <u>8</u> | <u>5,152,699</u> | <u>7</u> |
| Non-operating income and expenses | | | | | | | | | |
| 7100 Interest income | 6(22) | 49,779 | - | 49,055 | - | 112,612 | - | 198,986 | - |
| 7010 Other income | 6(23) | 159,555 | 1 | 343,437 | 1 | 466,399 | 1 | 823,132 | 1 |
| 7020 Other gains and losses | 6(24) | 70,590 | - | (369,335) | (1) | (644,543) | (1) | (1,054,108) | (1) |
| 7050 Finance costs | 6(25) and 7 | (126,262) | (1) | (218,689) | (1) | (404,636) | - | (871,470) | (1) |
| 7060 Share of profit (loss) of associates and joint ventures | 6(6) | | | | | | | | |
| accounted for using the equity method | | <u>2,916</u> | <u>-</u> | <u>(4)</u> | <u>-</u> | <u>17,229</u> | <u>-</u> | <u>12,830</u> | <u>-</u> |
| 7000 Total non-operating income and expenses | | <u>156,578</u> | <u>-</u> | <u>(195,536)</u> | <u>(1)</u> | <u>(452,939)</u> | <u>-</u> | <u>(890,630)</u> | <u>(1)</u> |
| 7900 Profit before income tax | | <u>1,293,314</u> | <u>5</u> | <u>3,405,364</u> | <u>12</u> | <u>5,866,002</u> | <u>8</u> | <u>4,262,069</u> | <u>6</u> |
| 7950 Income tax expense | 6(27) | (340,287) | (1) | (860,696) | (3) | (1,490,805) | (2) | (1,427,895) | (2) |
| 8200 Profit for the period | | <u>\$ 953,027</u> | <u>4</u> | <u>\$ 2,544,668</u> | <u>9</u> | <u>\$ 4,375,197</u> | <u>6</u> | <u>\$ 2,834,174</u> | <u>4</u> |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

| Items | Notes | Three-month periods ended September 30 | | | | Nine-month periods ended September 30 | | | |
|--|-----------|--|----------|---------------------|-----------|---------------------------------------|----------|---------------------|----------|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Other comprehensive income | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | |
| 8316 Unrealized loss on valuation of entity instrument at fair value through profit or loss | 6(3)(20) | (\$ 797) | - | (\$ 3,771) | - | (\$ 8,476) | - | (\$ 299) | - |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | (797) | - | (3,771) | - | (8,476) | - | (299) | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | | |
| 8361 Financial statements translation differences of foreign operations | 6(20) | (428,807) | (2) | 760,959 | 3 | (1,864,914) | (2) | (1,460,178) | (2) |
| 8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss | 6(20)(27) | 85,669 | - | (154,464) | (1) | 371,139 | - | 286,610 | - |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | (343,138) | (2) | 606,495 | 2 | (1,493,775) | (2) | (1,173,568) | (2) |
| 8300 Other comprehensive income (loss) for the period | | (\$ 343,935) | (2) | \$ 602,724 | 2 | (\$ 1,502,251) | (2) | (\$ 1,173,867) | (2) |
| 8500 Total comprehensive income for the period | | <u>\$ 609,092</u> | <u>2</u> | <u>\$ 3,147,392</u> | <u>11</u> | <u>\$ 2,872,946</u> | <u>4</u> | <u>\$ 1,660,307</u> | <u>2</u> |
| Profit attributable to: | | | | | | | | | |
| 8610 Owners of the parent | | \$ 950,776 | 4 | \$ 2,543,639 | 9 | \$ 4,351,754 | 6 | \$ 2,818,893 | 4 |
| 8620 Non-controlling interest | | 2,251 | - | 1,029 | - | 23,443 | - | 15,281 | - |
| | | <u>\$ 953,027</u> | <u>4</u> | <u>\$ 2,544,668</u> | <u>9</u> | <u>\$ 4,375,197</u> | <u>6</u> | <u>\$ 2,834,174</u> | <u>4</u> |
| Comprehensive income attributable to: | | | | | | | | | |
| 8710 Owners of the parent | | \$ 607,302 | 2 | \$ 3,157,722 | 11 | \$ 2,858,722 | 4 | \$ 1,672,152 | 2 |
| 8720 Non-controlling interest | | 1,790 | - | (10,330) | - | 14,224 | - | (11,845) | - |
| | | <u>\$ 609,092</u> | <u>2</u> | <u>\$ 3,147,392</u> | <u>11</u> | <u>\$ 2,872,946</u> | <u>4</u> | <u>\$ 1,660,307</u> | <u>2</u> |
| Earnings per share (in dollars) | 6(28) | | | | | | | | |
| 9750 Basic earnings per share | | <u>\$ 0.29</u> | | <u>\$ 0.78</u> | | <u>\$ 1.34</u> | | <u>\$ 0.87</u> | |
| 9850 Diluted earnings per share | 6(28) | <u>\$ 0.29</u> | | <u>\$ 0.78</u> | | <u>\$ 1.34</u> | | <u>\$ 0.87</u> | |

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | | Equity attributable to owners of the parent | | | | | | | | | | | |
|--|-------|---|-----------------------------|------------------------|--|---------------|-----------------|----------------------------------|--|---|---------------|--------------------------|---------------|
| | | Capital surplus | | | Retained earnings | | | Other equity interest | | | Total | Non-controlling interest | Total equity |
| | | Share capital - common stock | Treasury stock transactions | Gain on sale of assets | Capital surplus, donated assets received | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | | | |
| Notes | | | | | | | | | | | | | |
| <u>Nine-month period ended September 30, 2020</u> | | | | | | | | | | | | | |
| | | \$ 32,414,155 | \$ 9,772 | \$ 42,804 | \$ - | \$15,186,978 | \$5,200,298 | \$ 31,445,921 | (\$ 6,921,515) | \$ 17,270 | \$ 77,395,683 | \$ 575,004 | \$ 77,970,687 |
| | | - | - | - | - | - | - | 2,818,893 | - | - | 2,818,893 | 15,281 | 2,834,174 |
| Other comprehensive loss for the period | 6(20) | - | - | - | - | - | - | - | (1,146,442) | (299) | (1,146,741) | (27,126) | (1,173,867) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 2,818,893 | (1,146,442) | (299) | 1,672,152 | (11,845) | 1,660,307 |
| Appropriation and distribution of 2019 earnings : | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 346,683 | - | (346,683) | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | 1,703,947 | (1,703,947) | - | - | - | - | - |
| Cash dividends | 6(19) | - | - | - | - | - | - | (3,241,416) | - | - | (3,241,416) | - | (3,241,416) |
| Cash dividends paid to non - controlling interests | | - | - | - | - | - | - | - | - | - | - | (35,688) | (35,688) |
| Balance at September 30, 2020 | | \$ 32,414,155 | \$ 9,772 | \$ 42,804 | \$ - | \$15,533,661 | \$6,904,245 | \$ 28,972,768 | (\$ 8,067,957) | \$ 16,971 | \$ 75,826,419 | \$ 527,471 | \$ 76,353,890 |
| <u>Nine-month period ended September 30, 2021</u> | | | | | | | | | | | | | |
| | | \$ 32,414,155 | \$ 9,772 | \$ 42,804 | \$ 691 | \$15,533,661 | \$6,904,245 | \$ 32,143,063 | (\$ 6,632,448) | \$ 21,152 | \$ 80,437,095 | \$ 538,186 | \$ 80,975,281 |
| Profit for the period | | - | - | - | - | - | - | 4,351,754 | - | - | 4,351,754 | 23,443 | 4,375,197 |
| Other comprehensive loss for the period | 6(20) | - | - | - | - | - | - | - | (1,484,556) | (8,476) | (1,493,032) | (9,219) | (1,502,251) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 4,351,754 | (1,484,556) | (8,476) | 2,858,722 | 14,224 | 2,872,946 |
| Appropriation and distribution of 2020 earnings : | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 598,919 | - | (598,919) | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | (292,949) | 292,949 | - | - | - | - | - |
| Cash dividends | 6(19) | - | - | - | - | - | - | (3,889,699) | - | - | (3,889,699) | - | (3,889,699) |
| Balance at September 30, 2021 | | \$ 32,414,155 | \$ 9,772 | \$ 42,804 | \$ 691 | \$16,132,580 | \$6,611,296 | \$ 32,299,148 | (\$ 8,117,004) | \$ 12,676 | \$ 79,406,118 | \$ 552,410 | \$ 79,958,528 |

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
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | | Nine-month periods ended September 30 | |
|---|--------------------|---------------------------------------|---------------|
| | Notes | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 5,866,002 | \$ 4,262,069 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(26) | 8,193,477 | 8,606,438 |
| Depreciation on right-of-use assets | 6(8)(26) | 211,202 | 217,948 |
| Depreciation on investment property | 6(9)(26) | 17,419 | 17,163 |
| Amortization expense | 6(10)(26) | 61,737 | 74,304 |
| Expected credit loss | 12(2) | 442 | 67,161 |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | (17,229) | (12,830) |
| Net loss on financial assets or liabilities at fair value through profit or loss | 6(2)(24) | 45,553 | 147 |
| Loss on disposal of property, plant and equipment | 6(7)(24) | 80,540 | 31,826 |
| Reversal of impairment loss on non-financial assets | 6(7) | - | (1,758) |
| Interest expense | 6(7)(25) | 404,636 | 871,470 |
| Interest income | 6(22) | (112,612) | (198,986) |
| Deferred government grants revenue | | (119,027) | (108,893) |
| Unrealized foreign exchange loss on long-term foreign currency loans | | 398,905 | 638,955 |
| Disaster loss | 6(5)(7)(24) and 10 | - | 62,503 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | 817,611 | 1,211,514 |
| Accounts receivable | | 24,025 | (359,549) |
| Accounts receivable - related parties | | 9,085 | 9,818 |
| Inventories | | (1,880,457) | 3,699,340 |
| Prepayments | | 16,351 | (1,772) |
| Other current assets | | (265,181) | 507,788 |
| Other non-current assets | | (88,341) | (9,856) |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | (227,742) | 20,580 |
| Notes payable | | 130,093 | (610,659) |
| Accounts payable | | (1,805,353) | (900,861) |
| Other payables | | (290,833) | (171,524) |
| Other current liabilities | | (129,587) | 89 |
| Accrued pension liabilities | | (13,749) | (106,191) |
| Other non-current assets | | (1,547) | 6,012 |
| Cash inflow generated from operations | | 11,325,420 | 17,822,246 |
| Interest received | | 126,038 | 195,291 |
| Dividends received | | 10,000 | 2,500 |
| Interest paid | | (446,889) | (983,934) |
| Income tax paid | | (2,109,512) | (1,321,839) |
| Income tax refund received | | 62,676 | 60,547 |
| Net cash flows from operating activities | | 8,967,733 | 15,774,811 |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Nine-month periods ended September 30 | |
|---|-----------------|---------------------------------------|----------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Net changes in financial assets at fair value through profit or loss | | (\$ 11,343) | (\$ 147) |
| Acquisition of property, plant and equipment | 6(7)(29) | (3,255,298) | (5,265,545) |
| Payment for capitalized interests | 6(7)(25)(29) | (16,135) | (16,623) |
| Proceeds from disposal of property, plant and equipment | | 85,462 | 89,307 |
| Acquisition of investment properties | 6(9) | - | (82) |
| Acquisition of intangible assets | 6(10) | (62,848) | (26,413) |
| Decrease in refundable deposits | | 14,886 | 4,768 |
| Proceeds from disposal of right-of-use assets | | - | 18,437 |
| Increase in other non-current liabilities | | 42,291 | 87,826 |
| Net cash flows used in investing activities | | (3,202,985) | (5,108,472) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | 6(11)(30) | 8,091,155 | 12,508,291 |
| Decrease in short-term borrowings | 6(11)(30) | (6,804,099) | (18,175,954) |
| Proceeds from issuance of corporate bonds | 6(14)(30) | 8,000,000 | - |
| Repayments of corporate bonds | 6(14)(30) | (6,000,000) | (2,500,000) |
| Proceeds from long-term borrowings | 6(15)(30) | 702,975 | 6,933,542 |
| Repayments of long-term borrowings | 6(15)(30) | (4,969,593) | (8,087,345) |
| Decrease in guarantee deposits received | 6(30) | (11,839) | (6,284) |
| Decrease in payables to related parties (shown as long-term borrowings) | 6(15)(30) and 7 | (43,375) | - |
| Repayments of principal portion of lease liabilities | 6(8)(30) | (142,501) | (137,099) |
| Cash dividends paid | 6(19)(30) | (3,889,699) | (3,241,416) |
| Cash dividends paid to non-controlling interests | 6(30) | - | (35,688) |
| Net cash flows used in financing activities | | (5,066,976) | (12,741,953) |
| Effect of exchange rate changes on cash and cash equivalents | | (864,342) | (757,436) |
| Net decrease in cash and cash equivalents | | (166,570) | (2,833,050) |
| Cash and cash equivalents at beginning of period | 6(1) | 19,112,521 | 25,501,222 |
| Cash and cash equivalents at end of period | 6(1) | \$ 18,945,951 | \$ 22,668,172 |

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
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

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 November 10, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’ | January 1, 2021 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021(Note) |

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

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

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

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

Annual improvements to IFRS Standards 2018-2020

January 1, 2022

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

(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, 2023

Amendments to IFRS 17, 'Insurance contracts'

January 1, 2023

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

January 1, 2023

Amendments to IAS 1, 'Disclosure of accounting policies'

January 1, 2023

Amendments to IAS 8, 'Definition of accounting estimates'

January 1, 2023

Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation described below, the other significant accounting policies of the Group are in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2020. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.

B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as

endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|----------------------------------|-------------------------------------|--|--------------------|-------------------|--------------------|-------------|
| | | | September 30, 2021 | December 31, 2020 | September 30, 2020 | |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS International Co., Ltd. | Holding company | 100 | 100 | 100 | |
| CHENG SHIN RUBBER IND. CO., LTD. | CST Trading Ltd. | Holding company | 100 | 100 | 100 | |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Trading Ltd. | Holding company | 100 | 100 | 100 | Note 7 |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER USA, INC. | Import and export of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER CANADA, INC. | Import and export of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Tech Center Europe B.V. | Technical center | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | PT MAXXIS International Indonesia | Production and sales of various types of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | Maxxis Rubber India Private Limited | Production and sales of various types of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS (Taiwan) Trading CO., LTD. | Wholesale and retail of tires | 100 | 100 | 100 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|----------------------------------|--|--|--------------------|-------------------|--------------------|-----------------|
| | | | September 30, 2021 | December 31, 2020 | September 30, 2020 | |
| CHENG SHIN RUBBER IND. CO., LTD. | PT.MAXXIS TRADING INDONESIA | Large-amount trading of vehicles parts and accessories | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | Maxxis Europe B.V. | Import and export of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS RUBBER JAPAN CO., LTD. | Import and export of tires | 100 | 100 | 100 | Note 5 、 Note 6 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Import and export of tires | 20 | 20 | 20 | Note 4 、 Note 6 |
| MAXXIS International Co., Ltd. | TIANJIN TAFENG RUBBER IND CO., LTD. | Warehouse logistics and after-sales service centre | 100 | 100 | 100 | |
| MAXXIS International Co., Ltd. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Production and sales of various types of tires | 60 | 60 | 60 | Note 3 |
| MAXXIS International Co., Ltd. | MAXXIS International (HK) Ltd. | Holding company | 100 | 100 | 100 | |
| MAXXIS International (HK) Ltd. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |
| MAXXIS International (HK) Ltd. | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|--|--|--|--------------------|-------------------|--------------------|-------------|
| | | | September 30, 2021 | December 31, 2020 | September 30, 2020 | |
| 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 | 100 | |
| MAXXIS International (HK) Ltd. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Production and sales of various types of tires | 25 | 25 | 25 | Note 2 |
| CST Trading Ltd. | Cheng Shin International (HK) Ltd. | Holding company | 100 | 100 | 100 | |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. | Production, sales and maintenance of models | 50 | 50 | 50 | Note 8 |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | Production and sales of various types of tires | 30 | 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 | 70 | Note 1 |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | KUNSHAN MAXXIS TIRE CO., LTD. | Retail of accessories for rubber tires | 100 | 100 | 100 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|---------------------------------------|---|---|--------------------|-------------------|--------------------|--------------------|
| | | | September 30, 2021 | December 31, 2020 | September 30, 2020 | |
| MAXXIS Trading Ltd. | MAXXIS Holdings (BVI) Co., Ltd. | Holding company | 100 | 100 | 100 | Note 7 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. | Retail of accessories for rubber tires | 95 | 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 | 40 | Note 3 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. | International container transportation business | 49 | 49 | 49 | Note 8 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Production and sales of various types of tires | 75 | 75 | 75 | Note 2 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | XIAMEN ESTATE CO., LTD. | Construction and trading of employees' housing | 100 | 100 | 100 | |
| MAXXIS Holdings (BVI) Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Production and sales of various types of tires | 100 | 100 | 100 | Note 7 |
| MAXXIS Holdings (BVI) Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd. | Production and sales of various types of tires | 100 | 100 | 100 | Note 6 |
| CHENG SHIN RUBBER USA, INC. | MAXXIS INTERNATIONAL-AL MEXICO S. de R.L. de C.V. | Import and export of tires | 80 | 80 | 80 | Note 4 、 Note 6 |

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

Note 2: Maxxis International (HK) Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively

hold 100% equity interest in Cheng Shin Rubber (Zhangzhou) Ind. Co., Ltd.

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

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

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

Note 6: The financial statements of the entity as of September 30, 2021 and 2020, were not Reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 7: The financial statements of the entity as of September 30, 2021, were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 8: The entity was included in the consolidated financial statements since the Group had the power to govern the financial and operating policies under the comprehensive assessment.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income taxes

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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

There have been no significant changes as of September 30, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|----------------------------------|---------------------------|--------------------------|---------------------------|
| Cash on hand and revolving funds | \$ 5,702 | \$ 3,833 | \$ 6,148 |
| Checking deposit | 1,327,084 | 1,217,460 | 1,927,564 |
| Demand deposits | 13,651,402 | 16,478,670 | 15,616,464 |
| Time deposits | 3,961,763 | 1,412,558 | 5,117,996 |
| | <u>\$ 18,945,951</u> | <u>\$ 19,112,521</u> | <u>\$ 22,668,172</u> |
| Interest rate range | | | |
| Time deposits | <u>0.09%~4.60%</u> | <u>0.20%~2.90%</u> | <u>0.95%~4.25%</u> |

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

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

| <u>Items</u> | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|---|---------------------------|--------------------------|---------------------------|
| Current items: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Derivative instruments | <u>\$ -</u> | <u>\$ 820</u> | <u>\$ -</u> |
| Current items: | | | |
| Financial liabilities mandatorily measured at fair value through profit or loss | | | |
| Derivative instruments | <u>\$ 33,391</u> | <u>\$ -</u> | <u>\$ -</u> |

A. The Group recognised net income (loss) amounting to \$71 thousand, \$0, (\$45,333) thousand and (\$147) thousand on financial assets and liabilities mandatorily measured at fair value through profit or loss - derivative instruments for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

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

| | <u>September 30, 2021</u> | |
|------------------------------------|---|------------------------|
| <u>Derivative instruments</u> | <u>Contract amount (Notional principal)</u> | <u>Contract period</u> |
| Current items: | | |
| Forward foreign exchange contracts | | |
| USD exchange to NTD | <u>USD 24,000 thousand</u> | 2021/09/01~2022/02/07 |
| Foreign exchange swap | | |
| USD exchange to NTD | <u>USD 36,000 thousand</u> | 2020/10/22~2021/11/08 |

| Derivative instruments | December 31, 2020 | |
|------------------------------------|---|-----------------------|
| | Contract amount (Notional principal) | Contract period |
| Current items: | | |
| Forward foreign exchange contracts | | |
| USD exchange to NTD | <u>USD 40,000 thousand</u> | 2020/11/09~2021/03/22 |
| Foreign exchange swap | | |
| USD exchange to NTD | <u>USD 60,000 thousand</u> | 2020/10/20~2021/11/08 |

The Group has no derivative assets and liabilities transactions on September 30, 2020.

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

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

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

| Items | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|----------------------|--------------------|-------------------|--------------------|
| Current items: | | | |
| Equity instruments | | | |
| Listed stocks | \$ 8,665 | \$ 8,665 | \$ 8,665 |
| Valuation adjustment | <u>12,676</u> | <u>21,152</u> | <u>16,971</u> |
| Total | <u>\$ 21,341</u> | <u>\$ 29,817</u> | <u>\$ 25,636</u> |
| Non-current items: | | | |
| Equity instruments | | | |
| Unlisted stocks | <u>\$ 58,187</u> | <u>\$ 58,187</u> | <u>\$ 58,187</u> |

A. The Group has elected to classify equity instruments investment that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$79,528 thousand, \$88,004 thousand and \$83,823 thousand as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

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

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|--|--|--|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive loss | (\$ <u>797</u>) | (\$ <u>3,771</u>) |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive loss | (\$ <u>8,476</u>) | (\$ <u>299</u>) |

C. Information relating to credit risk of financial assets at fair value through other comprehensive

loss/income is provided in Note 12(2).

(4) Notes and accounts receivable

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|----------------------|---------------------|---------------------|---------------------|
| Notes receivable | \$ 3,735,723 | \$ 4,553,334 | \$ 2,559,216 |
| Less: Loss allowance | (9,277) | (9,277) | (9,277) |
| | <u>\$ 3,726,446</u> | <u>\$ 4,544,057</u> | <u>\$ 2,549,939</u> |
| Accounts receivable | \$ 9,505,349 | \$ 9,533,434 | \$ 9,339,152 |
| Less: Loss allowance | (56,057) | (60,595) | (107,669) |
| | <u>\$ 9,449,292</u> | <u>\$ 9,472,839</u> | <u>\$ 9,231,483</u> |

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

| | September 30, 2021 | | December 31, 2020 | |
|------------------|---------------------|---------------------|---------------------|---------------------|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Without past due | \$ 7,403,883 | \$ 3,735,723 | \$ 8,285,062 | \$ 4,553,334 |
| Up to 30 days | 1,407,030 | - | 880,500 | - |
| 31 to 90 days | 477,073 | - | 212,594 | - |
| 91 to 180 days | 142,352 | - | 67,641 | - |
| Over 180 days | 75,011 | - | 87,637 | - |
| | <u>\$ 9,505,349</u> | <u>\$ 3,735,723</u> | <u>\$ 9,533,434</u> | <u>\$ 4,553,334</u> |
| | September 30, 2020 | | | |
| | Accounts receivable | Notes receivable | | |
| Without past due | \$ 7,978,119 | \$ 2,559,216 | | |
| Up to 30 days | 968,095 | - | | |
| 31 to 90 days | 183,671 | - | | |
| 91 to 180 days | 80,696 | - | | |
| Over 180 days | 128,571 | - | | |
| | <u>\$ 9,339,152</u> | <u>\$ 2,559,216</u> | | |

The above ageing analysis was based on past due date.

- B. As at September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2020, the balance of receivables from contracts with customers amounted to \$12,754,433 thousand.
- C. As at September 30, 2021, December 31, 2020 and September 30, 2020, 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 were \$3,726,446 thousand and \$9,449,292 thousand; \$4,544,057 thousand and \$9,472,839 thousand; \$2,549,939 thousand and \$9,231,483 thousand, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

| September 30, 2021 | | | |
|----------------------------------|----------------------|---------------------------------|----------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 7,865,449 | \$ - | \$ 7,865,449 |
| Work in progress | 2,255,881 | (1,763) | 2,254,118 |
| Finished goods | 7,841,158 | (113,746) | 7,727,412 |
| Buildings and land held for sale | 2,160,379 | - | 2,160,379 |
| Inventory in transit | 160,315 | - | 160,315 |
| | <u>\$ 20,283,182</u> | <u>(\$ 115,509)</u> | <u>\$ 20,167,673</u> |
| December 31, 2020 | | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 6,069,141 | \$ - | \$ 6,069,141 |
| Work in progress | 2,497,417 | (1,833) | 2,495,584 |
| Finished goods | 6,912,868 | (98,948) | 6,813,920 |
| Buildings and land held for sale | 2,249,841 | - | 2,249,841 |
| Inventory in transit | 658,730 | - | 658,730 |
| | <u>\$ 18,387,997</u> | <u>(\$ 100,781)</u> | <u>\$ 18,287,216</u> |
| September 30, 2020 | | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 5,084,785 | \$ - | \$ 5,084,785 |
| Work in progress | 2,206,218 | (417) | 2,205,801 |
| Finished goods | 5,565,667 | (137,031) | 5,428,636 |
| Buildings and land held for sale | 2,212,989 | - | 2,212,989 |
| Inventory in transit | 141,454 | - | 141,454 |
| | <u>\$ 15,211,113</u> | <u>(\$ 137,448)</u> | <u>\$ 15,073,665</u> |

A. The cost of inventories recognized as expense for the period:

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|-----------------------|--|--|
| Cost of goods sold | \$ 19,467,729 | \$ 20,212,776 |
| Others | (14,228) | (15,459) |
| | <u>\$ 19,453,501</u> | <u>\$ 20,197,317</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Cost of goods sold | \$ 59,868,539 | \$ 52,936,074 |
| Unallocated overheads | - | 185,460 |
| Others | (79,331) | (5,636) |
| | <u>\$ 59,789,208</u> | <u>\$ 53,115,898</u> |

B. On September 26, 2020, a fire damaged a plant located in Xizhou owned by the parent company of the Group. The book value of the inventories damaged by the fire amounted to \$10,912

thousand, shown as loss from fire damage under other gains and losses. Information relating to the fire damage is provided in Note 10.

(6) Investments accounted for using the equity method

- A. 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 September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amount of the Group's individually immaterial joint ventures amounted to \$180,210 thousand, \$172,981 thousand and \$167,819 thousand, respectively.

| | <u>Three-month period ended September 30, 2021</u> | <u>Three-month period ended September 30, 2020</u> |
|--|--|--|
| Share of profit of associates and joint ventures accounted for using the equity method | \$ 2,916 | (\$ 4) |
| Total comprehensive income (loss) | <u>\$ 2,916</u> | <u>(\$ 4)</u> |
| | <u>Nine-month period ended September 30, 2021</u> | <u>Nine-month period ended September 30, 2020</u> |
| Share of profit of associates and joint ventures accounted for using the equity method | \$ 17,229 | \$ 12,830 |
| Total comprehensive income | <u>\$ 17,229</u> | <u>\$ 12,830</u> |

- B. The recognition of gain on investments accounted for using the equity method was based on financial statements prepared by joint ventures and were not reviewed by independent auditors.

(7) Property, plant and equipment, net

| Nine-month period ended September 30, 2021 | | | | | | |
|--|-------------------------|-----------------------|---------------------|--------------------|---------------------------|-------------------------|
| | Beginning of period | Additions | Disposals | Transfers | Exchange rate differences | End of period |
| Cost | | | | | | |
| Land | \$ 4,575,780 | \$ - | \$ - | \$ - | (\$ 70,811) | \$ 4,504,969 |
| Buildings and structures | 50,291,676 | 100,699 | (52,200) | 874,224 | (1,065,749) | 50,148,650 |
| Machinery | 105,081,676 | 441,784 | (592,744) | 1,236,567 | (3,172,712) | 102,994,571 |
| Testing equipment | 4,014,621 | 15,060 | (13,909) | 35,817 | (103,779) | 3,947,810 |
| Transportation equipment | 1,455,856 | 24,090 | (25,685) | 19,771 | (23,421) | 1,450,611 |
| Office equipment | 1,087,554 | 11,523 | (8,301) | 11,889 | (23,988) | 1,078,677 |
| Other facilities | 35,467,514 | 908,642 | (118,370) | 500,372 | (1,373,028) | 35,385,130 |
| Unfinished construction and equipment under acceptance | 5,346,734 | 1,751,288 | (487) | (2,711,334) | (64,207) | 4,321,994 |
| | <u>\$ 207,321,411</u> | <u>\$ 3,253,086</u> | <u>(\$ 811,696)</u> | <u>(\$ 32,694)</u> | <u>(\$ 5,897,695)</u> | <u>\$ 203,832,412</u> |
| Accumulated depreciation | | | | | | |
| Buildings and structures | (\$ 20,594,065) | (\$ 1,475,401) | \$ 29,393 | (\$ 514) | \$ 459,079 | (\$ 21,581,508) |
| Machinery | (63,353,926) | (4,095,958) | 407,912 | (886) | 2,268,524 | (64,774,334) |
| Testing equipment | (3,168,136) | (203,963) | 13,232 | - | 72,036 | (3,286,831) |
| Transportation equipment | (1,130,596) | (67,665) | 23,616 | - | 11,164 | (1,163,481) |
| Office equipment | (836,928) | (85,546) | 7,722 | - | 21,718 | (893,034) |
| Other facilities | (28,425,770) | (2,264,944) | 106,300 | 1,400 | 1,268,023 | (29,314,991) |
| | <u>(\$ 117,509,421)</u> | <u>(\$ 8,193,477)</u> | <u>\$ 588,175</u> | <u>\$ -</u> | <u>\$ 4,100,544</u> | <u>(\$ 121,014,179)</u> |
| Accumulated impairment | | | | | | |
| Machinery | (\$ 240,391) | \$ - | \$ 56,551 | \$ - | \$ 3,323 | (\$ 180,517) |
| Testing equipment | (270) | - | - | - | 4 | (266) |
| Transportation equipment | (1,970) | - | - | - | 32 | (1,938) |
| Office equipment | (46) | - | - | - | 1 | (45) |
| Other facilities | (22,040) | - | 968 | - | 324 | (20,748) |
| | <u>(\$ 264,717)</u> | <u>\$ -</u> | <u>\$ 57,519</u> | <u>\$ -</u> | <u>\$ 3,684</u> | <u>(\$ 203,514)</u> |
| | <u>\$ 89,547,273</u> | | | | | <u>\$ 82,614,719</u> |

| Nine-month period ended September 30,2020 | | | | | | |
|--|-------------------------|-----------------------|---------------------|----------------|---------------------------|-------------------------|
| | Beginning of period | Additions | Disposals | Transfers | Exchange rate differences | End of period |
| Cost | | | | | | |
| Land | \$ 4,610,898 | \$ - | \$ - | \$ - | (\$ 49,484) | \$ 4,561,414 |
| Buildings and structures | 49,810,262 | 107,441 | (27,433) | 254,896 | (1,221,548) | 48,923,618 |
| Machinery | 102,641,974 | 685,016 | (317,427) | 2,096,945 | (2,467,346) | 102,639,162 |
| Testing equipment | 3,869,352 | 34,505 | (3,965) | 97,143 | (85,350) | 3,911,685 |
| Transportation equipment | 1,428,027 | 17,385 | (27,162) | 43,467 | (16,460) | 1,445,257 |
| Office equipment | 1,054,912 | 23,924 | (614) | 4,852 | (22,270) | 1,060,804 |
| Other facilities | 33,998,456 | 1,131,708 | (317,634) | 476,089 | (941,774) | 34,346,845 |
| Unfinished construction and equipment under acceptance | 5,563,842 | 2,851,871 | (810) | (2,973,036) | (126,537) | 5,315,330 |
| | <u>\$ 202,977,723</u> | <u>\$ 4,851,850</u> | <u>(\$ 695,045)</u> | <u>\$ 356</u> | <u>(\$ 4,930,769)</u> | <u>\$ 202,204,115</u> |
| Accumulated depreciation | | | | | | |
| Buildings and structures | (\$ 18,644,399) | (\$ 1,437,541) | \$ 10,733 | \$ - | \$ 384,975 | (\$ 19,686,232) |
| Machinery | (58,136,370) | (4,195,625) | 185,234 | (67) | 1,469,027 | (60,677,801) |
| Testing equipment | (2,888,108) | (209,172) | 2,312 | - | 51,352 | (3,043,616) |
| Transportation equipment | (1,061,464) | (74,647) | 24,502 | - | 7,474 | (1,104,135) |
| Office equipment | (710,600) | (98,141) | 542 | - | 14,405 | (793,794) |
| Other facilities | (25,364,441) | (2,591,312) | 280,312 | - | 742,211 | (26,933,230) |
| | <u>(\$ 106,805,382)</u> | <u>(\$ 8,606,438)</u> | <u>\$ 503,635</u> | <u>(\$ 67)</u> | <u>\$ 2,669,444</u> | <u>(\$ 112,238,808)</u> |
| Accumulated impairment | | | | | | |
| Machinery | (\$ 256,534) | \$ - | \$ 16,479 | \$ - | \$ 4,256 | (\$ 235,799) |
| Testing equipment | (271) | (417) | 417 | - | 2 | (269) |
| Transportation equipment | (1,960) | - | - | - | 16 | (1,944) |
| Office equipment | (58) | - | 13 | - | 1 | (44) |
| Other facilities | (23,933) | - | 1,777 | - | 188 | (21,968) |
| | <u>(\$ 282,756)</u> | <u>(\$ 417)</u> | <u>\$ 18,686</u> | <u>\$ -</u> | <u>\$ 4,463</u> | <u>(\$ 260,024)</u> |
| | <u>\$ 95,889,585</u> | | | | | <u>\$ 89,705,283</u> |

- A. On September 26, 2020, a fire damaged a plant located in Xizhou owned by the parent company of the Group. The book value of the buildings and equipment damaged by the fire amounted to \$51,591 thousand, shown as loss from fire damage under other gains and losses. Information relating to the fire damage is provided in Note 10.
- B. 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:

| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
|--|---|---|
| Amount capitalized | \$ 16,135 | \$ 16,623 |
| Range of the interest rates for capitalization | 3.39%~3.82% | 3.83%~4.68% |

(8) Leasing arrangements — lessee

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|--------------------------|--|--|---------------------|
| | Book value | Book value | Book value |
| Land | \$ 4,487,832 | \$ 4,639,486 | \$ 4,585,038 |
| Buildings and structures | 352,725 | 416,568 | 440,816 |
| Machinery | 13,518 | 17,917 | 18,078 |
| Transportation equipment | 129,141 | 172,707 | 155,787 |
| Office equipment | 2,690 | 6,645 | 7,557 |
| Other equipment | 27,319 | 25,223 | 26,006 |
| | <u>\$ 5,013,225</u> | <u>\$ 5,278,546</u> | <u>\$ 5,233,282</u> |
| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 | |
| | Depreciation expense | Depreciation expense | |
| Land | \$ 25,201 | \$ 25,165 | |
| Buildings and structures | 21,488 | 22,669 | |
| Machinery | 689 | 766 | |
| Transportation equipment | 18,493 | 27,178 | |
| Office equipment | 602 | 969 | |
| Other equipment | 2,626 | 2,881 | |
| | <u>\$ 69,099</u> | <u>\$ 79,628</u> | |

| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
|--------------------------|---|---|
| | Depreciation expense | Depreciation expense |
| Land | \$ 76,434 | \$ 78,096 |
| Buildings and structures | 64,945 | 69,707 |
| Machinery | 2,180 | 2,313 |
| Transportation equipment | 57,044 | 55,901 |
| Office equipment | 2,535 | 3,010 |
| Other equipment | 8,064 | 8,921 |
| | <u>\$ 211,202</u> | <u>\$ 217,948</u> |

D. For the three-month and the nine-month periods ended September 30, 2021 and 2020, the additions to right-of-use assets amounted to \$26,814 thousand, \$65,492 thousand, \$48,342 thousand and \$179,571 thousand, respectively.

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

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---------------------------------------|--|--|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 3,625 | \$ 5,053 |
| Expense on short-term lease contracts | 5,793 | 4,500 |
| Expense on leases of low-value assets | 666 | 965 |
| Expense on variable lease payments | 44,256 | 60,068 |
| | <u>\$ 54,340</u> | <u>\$ 70,586</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 11,526 | \$ 10,093 |
| Expense on short-term lease contracts | 12,383 | 13,638 |
| Expense on leases of low-value assets | 2,075 | 2,811 |
| Expense on variable lease payments | 128,663 | 166,044 |
| | <u>\$ 154,647</u> | <u>\$ 192,586</u> |

F. For the three-month and the nine-month periods ended September 30, 2021 and 2020, the Group's total cash outflow for leases amounted to \$96,460 thousand, \$118,757 thousand, \$297,148 thousand and \$329,685 thousand, respectively.

G. Variable lease payments

- (a) Some of the Group's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 35.17% and 40.45%, respectively, of lease payments are on the basis of variable payment terms for the nine-month periods ended September 30, 2021 and 2020 and are accrued based on the stored amount of tires. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.
- (b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$1,287 thousand and \$1,660 thousand for the nine-month periods ended September 30, 2021 and 2020, respectively.

(9) Investment property, net

| Nine-month period ended September 30, 2021 | | | | | |
|--|---|-------------|-------------|---------------------------------|--|
| | Opening net book amount as at January 1 | Additions | Transfer | Exchange rate differences | Closing net book amount as at September 30 |
| Cost | | | | | |
| Land | \$ 336,421 | \$ - | \$ - | \$ - | \$ 336,421 |
| Buildings and structures | 462,168 | - | - | (7,146) | 455,022 |
| | <u>\$ 798,589</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 7,146)</u> | <u>\$ 791,443</u> |
| Accumulated depreciation | | | | | |
| Buildings and structures | (\$ 216,454) | (\$ 17,419) | \$ - | \$ 3,298 | (\$ 230,575) |
| Accumulated impairment | | | | | |
| Land | (\$ 51,038) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | (\$ 51,038) |
| | <u>\$ 531,097</u> | | | | <u>\$ 509,830</u> |

| Nine-month period ended September 30, 2020 | | | | | |
|--|---|--------------|-------------|---------------------------------|--|
| | Opening net book amount as at January 1 | Additions | Transfer | Exchange rate differences | Closing net book amount as at September 30 |
| Cost | | | | | |
| Land | \$ 336,339 | \$ 82 | \$ - | \$ - | \$ 336,421 |
| Buildings and structures | 455,023 | - | - | (3,573) | 451,450 |
| | <u>\$ 791,362</u> | <u>\$ 82</u> | <u>\$ -</u> | <u>(\$ 3,573)</u> | <u>\$ 787,871</u> |
| Accumulated depreciation | | | | | |
| Buildings and structures | (\$ 190,168) | (\$ 17,163) | \$ - | \$ 1,360 | (\$ 205,971) |
| Accumulated impairment | | | | | |
| Land | (\$ 51,038) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | (\$ 51,038) |
| | <u>\$ 550,156</u> | | | | <u>\$ 530,862</u> |

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

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---|--|--|
| Rental income from investment property | <u>\$ 7,702</u> | <u>\$ 7,506</u> |
| Direct operating expenses arising from the investment property that generated rental income during the period | <u>\$ 5,765</u> | <u>\$ 5,718</u> |

| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
|---|---|---|
| Rental income from investment property | \$ 22,955 | \$ 20,534 |
| Direct operating expenses arising from the investment property that generated rental income during the period | \$ 17,419 | \$ 17,163 |

B. The fair value of the investment property held by the Group as at September 30, 2021, December 31, 2020 and September 30, 2020 was \$1,084,589 thousand, \$1,093,399 thousand and \$1,062,073 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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|-------------------|---------------------|-------------------|--------------------|
| Intangible assets | \$ 212,242 | \$ 181,768 | \$ 195,844 |
| Others | 804,654 | 731,200 | 708,462 |
| | <u>\$ 1,016,896</u> | <u>\$ 912,968</u> | <u>\$ 904,306</u> |

Movements in intangible assets:

| | | Nine-month period ended September 30, 2021 | | | | | | |
|--------------------------|------------|--|--------------------|-----------------|------------------|---------------------------|--|-----------------|
| | | Opening net book amount as at January 1 | Additions | Reductions | Transfer | Exchange rate differences | Closing net book amount as at September 30 | |
| Cost | | | | | | | | |
| Computer software | \$ | 530,046 | \$ 62,848 | (\$ 380) | \$ 32,694 | (\$ 11,937) | \$ | 613,271 |
| Others | | 7,892 | - | - | - | (130) | | 7,762 |
| | <u>\$</u> | <u>537,938</u> | <u>\$ 62,848</u> | <u>(\$ 380)</u> | <u>\$ 32,694</u> | <u>(\$ 12,067)</u> | <u>\$</u> | <u>621,033</u> |
| Accumulated amortisation | | | | | | | | |
| Computer software | (\$ | 353,013) | (\$ 61,151) | \$ 380 | \$ - | \$ 8,680 | (\$ | 405,104) |
| Others | (| 3,157) | (586) | - | - | 56 | (| 3,687) |
| | <u>(\$</u> | <u>356,170)</u> | <u>(\$ 61,737)</u> | <u>\$ 380</u> | <u>\$ -</u> | <u>\$ 8,736</u> | <u>(\$</u> | <u>408,791)</u> |
| | <u>\$</u> | <u>181,768</u> | | | | | <u>\$</u> | <u>212,242</u> |

| Nine-month period ended September 30, 2020 | | | | | | |
|--|---|--------------------|--------------------|-----------------|---------------------------------|--|
| | Opening net book amount as at January 1 | Additions | Reductions | Transfer | Exchange rate differences | Closing net book amount as at September 30 |
| Cost | | | | | | |
| Computer software | \$ 514,464 | \$ 26,413 | (\$ 12,540) | (\$ 356) | (\$ 9,444) | \$ 518,537 |
| Others | 7,762 | - | - | - | (65) | 7,697 |
| | <u>\$ 522,226</u> | <u>\$ 26,413</u> | <u>(\$ 12,540)</u> | <u>(\$ 356)</u> | <u>(\$ 9,509)</u> | <u>\$ 526,234</u> |
| Accumulated amortisation | | | | | | |
| Computer software | (\$ 273,107) | (\$ 73,728) | \$ 12,540 | \$ 67 | \$ 6,725 | (\$ 327,503) |
| Others | (2,329) | (576) | - | - | 18 | (2,887) |
| | <u>(\$ 275,436)</u> | <u>(\$ 74,304)</u> | <u>\$ 12,540</u> | <u>\$ 67</u> | <u>\$ 6,743</u> | <u>(\$ 330,390)</u> |
| | <u>\$ 246,790</u> | | | | | <u>\$ 195,844</u> |

Details of amortisation on intangible assets are as follows:

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|-----------------------------------|--|--|
| Operating costs | \$ 2,661 | \$ 2,634 |
| Selling expenses | 2,711 | 1,546 |
| Administrative expenses | 10,362 | 16,551 |
| Research and development expenses | 4,461 | 3,698 |
| | <u>\$ 20,195</u> | <u>\$ 24,429</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Operating costs | \$ 7,963 | \$ 7,944 |
| Selling expenses | 7,264 | 4,692 |
| Administrative expenses | 34,127 | 50,694 |
| Research and development expenses | 12,383 | 10,974 |
| | <u>\$ 61,737</u> | <u>\$ 74,304</u> |

(11) Short-term borrowings

| Type of borrowings | September 30, 2021 | Interest rate range | Collateral |
|---------------------------|----------------------|---------------------|------------|
| Bank borrowings | | | |
| Bank unsecured borrowings | <u>\$ 8,137,438</u> | 0.31% ~ 5.10% | None |
| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Bank unsecured borrowings | <u>\$ 7,222,391</u> | 0.45% ~ 5.95% | None |
| Type of borrowings | September 30, 2020 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Bank unsecured borrowings | <u>\$ 10,596,366</u> | 0.36% ~ 6.25% | None |

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

(12) Other payables

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|------------------------------------|---------------------|---------------------|---------------------|
| Dividend payable | \$ 656 | \$ 657 | \$ 657 |
| Wages and salaries payable | 1,293,332 | 1,485,019 | 1,384,832 |
| Payable on machinery and equipment | 589,558 | 607,905 | 698,036 |
| Employee compensation payable | 265,031 | 249,834 | 177,503 |
| Compensation due to directors | 88,633 | 101,019 | 51,854 |
| Others | 2,967,738 | 3,113,102 | 2,555,582 |
| | <u>\$ 5,204,948</u> | <u>\$ 5,557,536</u> | <u>\$ 4,868,464</u> |

(13) Other current liabilities

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|----------------------|----------------------|----------------------|
| Long-term liabilities due within one year | \$ 10,514,506 | \$ 9,765,552 | \$ 10,580,598 |
| Advance receipts | 2,896 | 804 | 2,636 |
| Refund liabilities | 297,406 | 451,827 | 211,116 |
| Others | 145,636 | 122,894 | 112,336 |
| | <u>\$ 10,960,444</u> | <u>\$ 10,341,077</u> | <u>\$ 10,906,686</u> |

(14) Bonds payable

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|-------------------------------|----------------------|---------------------|---------------------|
| Bonds payable -issued in 2016 | \$ - | \$ 2,500,000 | \$ 2,500,000 |
| Bonds payable -issued in 2017 | 3,500,000 | 7,000,000 | 7,000,000 |
| Bonds payable -issued in 2018 | 5,000,000 | 5,000,000 | 5,000,000 |
| Bonds payable -issued in 2021 | 8,000,000 | - | - |
| | 16,500,000 | 14,500,000 | 14,500,000 |
| Less: Current portion | (6,000,000) | (6,000,000) | (6,000,000) |
| | <u>\$ 10,500,000</u> | <u>\$ 8,500,000</u> | <u>\$ 8,500,000</u> |

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

(a) Interest accrued/paid:

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

(b) Redemption:

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

B. In order to 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.

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 August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:

(a) Interest accrued/paid:

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

(b) Redemption:

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

D. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/paid:

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

(b) Redemption:

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

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | September 30, 2021 |
|---------------------------|--|------------------------|------------|----------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Principal is repayable in installment until June 2027. | 0.70% ~ 1.87% | None | \$ 22,099,422 |
| Other borrowings | | | | |
| Unsecured borrowings | Principal is repayable in November 2022 at the maturity. | 6.65% | None | |
| | | | | <u>172,200</u> |
| | | | | 22,271,622 |
| Less: Current portion | | | | (4,514,506) |
| | | | | <u>\$ 17,757,116</u> |

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

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | September 30, 2020 |
|---------------------------|--|---------------------|------------|--------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Principal is repayable in installment until June | 0.70% ~ 4.50% | None | \$ 28,777,004 |
| Other borrowings | | | | |
| Unsecured borrowings | Principal is repayable in November 2022 at the maturity. | 6.65% | None | 213,450 |
| | | | | 28,990,454 |
| Less: Current portion | | | | (4,580,598) |
| | | | | \$ 24,409,856 |

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 June 30, 2021, December 31, 2020 and June 30, 2020.

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 | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|----------|--------------------|-------------------|--------------------|
| USD | \$ 12,431,312 | \$ 13,731,157 | \$ 15,231,910 |

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor

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

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$3,726 thousand, \$5,104 thousand, \$11,179 thousand and \$15,312 thousand for the three-month and the nine-month periods ended September 30, 2021 and 2020, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$18,853 thousand.
- 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 three-month and the nine-month periods ended September 30, 2021 and 2020 were \$37,932 thousand, \$38,104 thousand, \$113,877 thousand and \$118,071 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 nine-month periods ended September 30, 2021 and 2020 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 three-month and the nine-month periods ended September 30, 2021 and 2020, were \$138,139 thousand, \$75,641 thousand, \$299,793 thousand and \$160,709 thousand, respectively.
- (b) Other overseas entities contribute to the statutory pension insurance or pension fund for their employees are based on their wages and salaries in compliance with local laws and regulations. Other than the annual contributions, the entities have no further obligations. The pension costs under the defined contribution pension plan of the Group for the three-month and the nine-month periods ended September 30, 2021 and 2020 were \$12,572 thousand, \$12,616 thousand, \$38,958 thousand and \$40,016 thousand, respectively.

(17) Share capital

As at September 30, 2021, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The Company recognised dividends distributed to shareholders amounting to \$3,241,416 thousand and \$3,565,557 thousand (\$1.0 (in dollars) and \$1.1 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On July 29, 2021, the shareholders during their meeting resolved that total dividends for the distribution of earnings for the year of 2020 was \$3,889,699 thousand at \$1.2 (in dollars) per share.

(20) Other equity items

| 2021 | | | | |
|-----------------------------------|----------------------|--|-----|------------|
| | Currency translation | Unrealised gain (loss) on valuation of equity instruments at fair value through other comprehensive income | | Total |
| At January 1 | (\$ 6,632,448) | \$ 21,152 | (\$ | 6,611,296) |
| Valuation adjustment – Group | - | (8,476) | (| 8,476) |
| Currency translation differences: | | | | |
| – Group | (1,855,695) | - | (| 1,855,695) |
| – Tax on Group | 371,139 | - | | 371,139 |
| At September 30 | (\$ 8,117,004) | \$ 12,676 | (\$ | 8,104,328) |
| 2020 | | | | |
| | Currency translation | Unrealised gain (loss) on valuation of equity instruments at fair value through other comprehensive income | | Total |
| At January 1 | (\$ 6,921,515) | \$ 17,270 | (\$ | 6,904,245) |
| Valuation adjustment – Group | - | (299) | (| 299) |
| Currency translation differences: | | | | |
| – Group | (1,433,052) | - | (| 1,433,052) |
| – Tax on Group | 286,610 | - | | 286,610 |
| At September 30 | (\$ 8,067,957) | \$ 16,971 | (\$ | 8,050,986) |

(21) Operating revenue

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---------------------------------------|---|---|
| Revenue from contracts with customers | \$ 24,265,223 | \$ 27,927,586 |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Revenue from contracts with customers | \$ 77,360,351 | \$ 69,506,400 |

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:

| Three-month period ended September 30, 2021 | | | | | |
|---|--------------|---------------|--------------|--------------|---------------|
| | Taiwan | China | US | Others | Total |
| Revenue from external customer contracts | \$ 1,519,977 | \$ 11,723,050 | \$ 2,564,446 | \$ 8,457,750 | \$ 24,265,223 |
| Inter-segment revenue | 832,779 | 1,822,060 | 1,786,366 | 401,874 | 4,843,079 |
| Total segment revenue | \$ 2,352,756 | \$ 13,545,110 | \$ 4,350,812 | \$ 8,859,624 | \$ 29,108,302 |
| Three-month period ended September 30, 2020 | | | | | |
| | Taiwan | China | US | Others | Total |
| Revenue from external customer contracts | \$ 1,685,326 | \$ 14,651,604 | \$ 2,333,895 | \$ 9,256,761 | \$ 27,927,586 |
| Inter-segment revenue | 1,063,356 | 2,016,513 | 1,848,585 | 468,051 | 5,396,505 |
| Total segment revenue | \$ 2,748,682 | \$ 16,668,117 | \$ 4,182,480 | \$ 9,724,812 | \$ 33,324,091 |

| Nine-month period ended September 30, 2021 | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Taiwan | China | US | Others | Total |
| Revenue from external | | | | | |
| customer contracts | \$ 5,015,201 | \$ 37,533,920 | \$ 7,314,845 | \$ 27,496,385 | \$ 77,360,351 |
| Inter-segment revenue | 3,369,739 | 6,096,646 | 5,077,002 | 1,389,481 | 15,932,868 |
| Total segment revenue | <u>\$ 8,384,940</u> | <u>\$ 43,630,566</u> | <u>\$ 12,391,847</u> | <u>\$ 28,885,866</u> | <u>\$ 93,293,219</u> |
| Nine-month period ended September 30, 2020 | | | | | |
| | Taiwan | China | US | Others | Total |
| Revenue from external | | | | | |
| customer contracts | \$ 4,677,541 | \$ 36,263,554 | \$ 5,706,622 | \$ 22,858,683 | \$ 69,506,400 |
| Inter-segment revenue | 3,093,068 | 4,978,567 | 4,053,669 | 1,188,344 | 13,313,648 |
| Total segment revenue | <u>\$ 7,770,609</u> | <u>\$ 41,242,121</u> | <u>\$ 9,760,291</u> | <u>\$ 24,047,027</u> | <u>\$ 82,820,048</u> |

B. Contract liabilities

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

| | September 30, 2021 | December 31, 2020 |
|--|--|--|
| Contract liabilities: | | |
| Advance sales receipts | \$ 904,295 | \$ 1,118,360 |
| Customer loyalty programmes | 17,245 | 30,922 |
| Total | <u>\$ 921,540</u> | <u>\$ 1,149,282</u> |
| | September 30, 2020 | January 1, 2020 |
| Contract liabilities: | | |
| Advance sales receipts | \$ 932,709 | \$ 895,825 |
| Customer loyalty programmes | 23,490 | 39,794 |
| Total | <u>\$ 956,199</u> | <u>\$ 935,619</u> |
| Revenue recognised that was included in the contract liability balance at the beginning of the period: | | |
| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
| Advance sales receipts | \$ 10,819 | \$ 13,583 |
| Customer loyalty programmes | - | - |
| | <u>\$ 10,819</u> | <u>\$ 13,583</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Advance sales receipts | \$ 823,185 | \$ 656,470 |
| Customer loyalty programmes | 30,922 | 38,763 |
| | <u>\$ 854,107</u> | <u>\$ 695,233</u> |

(22) Interest income

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---|--|--|
| Interest income from bank deposits | \$ 25,268 | \$ 49,055 |
| Interest income from financial assets at fair value through profit or loss | 24,511 | - |
| | <u>\$ 49,779</u> | <u>\$ 49,055</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Interest income from bank deposits | \$ 87,469 | \$ 198,986 |
| Interest income from financial assets at fair value through profit or loss | 25,143 | - |
| | <u>\$ 112,612</u> | <u>\$ 198,986</u> |

(23) Other income

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---------------|--|--|
| Grant revenue | \$ 96,076 | \$ 196,165 |
| Other income | 63,479 | 147,272 |
| | <u>\$ 159,555</u> | <u>\$ 343,437</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Grant revenue | \$ 247,245 | \$ 486,810 |
| Other income | 219,154 | 336,322 |
| | <u>\$ 466,399</u> | <u>\$ 823,132</u> |

(24) Other gains and losses

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---|--|--|
| Net currency exchange gain (loss) | \$ 146,633 | (\$ 271,664) |
| Loss for fire damage | - | (62,503) |
| Loss on disposal of property, plant and equipment | (40,954) | (14,026) |
| Net gain on financial assets and liabilities at fair value through profit or loss | 71 | - |
| Other expenses | (35,160) | (21,142) |
| | <u>\$ 70,590</u> | <u>(\$ 369,335)</u> |

| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
|---|--|--|
| Net currency exchange loss | (\$ 415,315) | (\$ 880,442) |
| Loss for fire damage | - | (62,503) |
| Loss on disposal of property, plant and equipment | (80,540) | (31,826) |
| Net loss on financial assets and liabilities at fair value through profit or loss | (45,553) | (147) |
| Other expenses | (103,135) | (79,190) |
| | <u>(\$ 644,543)</u> | <u>(\$ 1,054,108)</u> |
| (25) <u>Finance costs</u> | | |
| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
| Interest expense: | | |
| Bank borrowings | \$ 87,179 | \$ 179,994 |
| Corporate bonds | 35,728 | 37,842 |
| Provisions-discount | 2,797 | 2,704 |
| Lease liability-interest expense | 3,625 | 5,053 |
| | <u>\$ 129,329</u> | <u>\$ 225,593</u> |
| Less: Capitalisation of qualifying assets | (3,067) | (6,904) |
| Finance costs | <u>\$ 126,262</u> | <u>\$ 218,689</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Interest expense: | | |
| Bank borrowings | \$ 299,417 | \$ 757,116 |
| Corporate bonds | 101,855 | 112,771 |
| Provisions-discount | 7,973 | 8,113 |
| Lease liability-interest expense | 11,526 | 10,093 |
| | <u>\$ 420,771</u> | <u>\$ 888,093</u> |
| Less: Capitalisation of qualifying assets | (16,135) | (16,623) |
| Finance costs | <u>\$ 404,636</u> | <u>\$ 871,470</u> |

(26) Expenses by nature

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|--|--|--|
| Employee benefit expense | | |
| Wages and salaries | \$ 2,803,791 | \$ 3,089,728 |
| Labour and health insurance fees | 165,242 | 173,089 |
| Pension costs | 192,369 | 131,465 |
| Directors' remuneration | 21,558 | 43,044 |
| Other personnel expenses | 216,642 | 202,059 |
| | <u>\$ 3,399,602</u> | <u>\$ 3,639,385</u> |
| Raw materials and supplies used | <u>\$ 11,529,101</u> | <u>\$ 12,560,009</u> |
| Depreciation expense on property, plant and equipment | <u>\$ 2,669,618</u> | <u>\$ 2,835,245</u> |
| Depreciation expense on right-of- use assets | <u>\$ 69,099</u> | <u>\$ 79,628</u> |
| Depreciation expense on investment property | <u>\$ 5,765</u> | <u>\$ 5,718</u> |
| Amortisation expense on intangible assets | <u>\$ 20,195</u> | <u>\$ 24,429</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Employee benefit expense | | |
| Wages and salaries | \$ 9,126,933 | \$ 8,596,472 |
| Labour and health insurance fees | 528,045 | 510,131 |
| Pension costs | 463,807 | 334,108 |
| Directors' remuneration | 103,935 | 55,224 |
| Other personnel expenses | 639,563 | 541,583 |
| | <u>\$ 10,862,283</u> | <u>\$ 10,037,518</u> |
| Raw materials and supplies used | <u>\$ 38,519,533</u> | <u>\$ 32,736,733</u> |
| Depreciation expense on property, plant and equipment | <u>\$ 8,193,477</u> | <u>\$ 8,606,438</u> |
| Depreciation expense on right-of- use assets | <u>\$ 211,202</u> | <u>\$ 217,948</u> |
| Depreciation expense on investment property | <u>\$ 17,419</u> | <u>\$ 17,163</u> |
| Amortisation expense on intangible assets | <u>\$ 61,737</u> | <u>\$ 74,304</u> |

Note: As at September 30, 2021 and 2020, the Company had 26,726 and 28,557 employees, of which both 9 directors were not the Company's employees, respectively.

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

compensation and shall not be higher than 3% for directors' remuneration.

- B. For the three-month and the nine-month periods ended September 30, 2021 and 2020, employees' compensation was accrued at \$24,882 thousand, \$60,254 thousand, \$107,097 thousand and \$69,202 thousand, respectively; while directors' remuneration was accrued at \$18,661 thousand, \$39,734 thousand, \$80,322 thousand and \$45,431 thousand, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.5%, respectively, of distributable profit of current year for the nine-month period ended September 30, 2021.

Employees' compensation for 2020 amounting to \$139,544 thousand as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. Directors' remuneration for 2020, the difference of \$13,047 thousand between the amount (resolved at 1.5%) resolved at the Board meeting and the amount of \$91,611 thousand (provided at 1.313%) recognised in the 2020 financial statements, mainly resulting from the adjustment of accrual for directors' remuneration, had been adjusted in the profit or loss of 2021. The employees' compensation for 2020 will be distributed in the form of cash. As of November 10, 2021, the employees' compensation for 2020 has not been distributed.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---|--|--|
| Current tax: | | |
| Current tax on profits for the period | \$ 713,149 | \$ 1,286,924 |
| Additional 5% tax on undistributed earnings | 89,676 | - |
| Prior year income tax overestimation | (18,638) | (57,796) |
| Total current tax | <u>784,187</u> | <u>1,229,128</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (443,900) | (368,432) |
| Total current tax | <u>(443,900)</u> | <u>(368,432)</u> |
| Income tax expense | <u>\$ 340,287</u> | <u>\$ 860,696</u> |

| | <u>Nine-month period ended September 30, 2021</u> | <u>Nine-month period ended September 30, 2020</u> |
|--|--|--|
| Current tax: | | |
| Current tax on profits for the period | \$ 1,674,863 | \$ 1,802,545 |
| Additional 5% tax on undistributed earnings | 89,676 | - |
| Prior year income tax overestimation | (119,781) | (123,352) |
| Total current tax | <u>1,644,758</u> | <u>1,679,193</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (153,953) | (251,298) |
| Total current tax | (153,953) | (251,298) |
| Income tax expense | <u>\$ 1,490,805</u> | <u>\$ 1,427,895</u> |
| (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: | | |
| | <u>Three-month period ended September 30, 2021</u> | <u>Three-month period ended September 30, 2020</u> |
| Generated during the period: | | |
| Currency translation differences | <u>\$ 85,669</u> | <u>(\$ 154,464)</u> |
| | <u>Nine-month period ended September 30, 2021</u> | <u>Nine-month period ended September 30, 2020</u> |
| Generated during the period: | | |
| Currency translation differences | <u>\$ 371,139</u> | <u>\$ 286,610</u> |

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(28) Earnings per share

| Three-month period ended September 30, 2021 | | | |
|---|---------------------|---|---------------------------------------|
| | 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 | \$ 950,776 | 3,241,416 | \$ 0.29 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 950,776 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 705 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 950,776 | 3,242,121 | \$ 0.29 |
| Three-month period ended September 30, 2020 | | | |
| | 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 | \$ 2,543,639 | 3,241,416 | \$ 0.78 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 2,543,639 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,673 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 2,543,639 | 3,243,089 | \$ 0.78 |

| Nine-month period ended September 30, 2021 | | | |
|---|---------------------|---|---------------------------------------|
| | 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 | \$ 4,351,754 | 3,241,416 | \$ 1.34 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 4,351,754 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 4,055 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 4,351,754 | 3,245,471 | \$ 1.34 |

| Nine-month period ended September 30, 2020 | | | |
|---|---------------------|---|---------------------------------------|
| | 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 | \$ 2,818,893 | 3,241,416 | \$ 0.87 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | 2,818,893 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | - | 2,903 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 2,818,893 | 3,244,319 | \$ 0.87 |

(29) Supplemental cash flow information

Investing activities with partial cash payments:

| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
|--|---|---|
| Purchase of property, plant and equipment | \$ 3,253,086 | \$ 4,851,850 |
| Add: Opening balance of payable on equipment | 607,905 | 1,128,354 |
| Less: Ending balance of payable on equipment | (589,558) | (698,036) |
| Cash paid during the period | \$ 3,271,433 | \$ 5,282,168 |

(30) Changes in liabilities from financing activities

| | 2021 | | | | | | |
|--|-----------------------|----------------------|----------------------|-------------------|-------------------|-----------------------------|---|
| | Short-term borrowings | Long-term borrowings | Bonds payable | Dividends payable | Lease liability | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1 | \$ 7,222,391 | \$ 26,706,526 | \$ 14,500,000 | \$ 657 | \$ 714,351 | \$ 257,773 | \$ 49,401,698 |
| Changes in cash flow from financing activities | 1,287,056 | (4,309,993) | 2,000,000 | (3,889,699) | (142,501) | (11,839) | (5,066,976) |
| Interest paid | - | - | - | - | (11,526) | - | (11,526) |
| Additions | - | - | - | 3,889,699 | 39,722 | - | 3,929,421 |
| Amortisation of interest expense | - | - | - | - | 11,526 | - | 11,526 |
| Impact of changes in foreign exchange rate | (372,009) | (124,911) | - | (1) | (22,592) | - | (519,513) |
| At September 30 | <u>\$ 8,137,438</u> | <u>\$ 22,271,622</u> | <u>\$ 16,500,000</u> | <u>\$ 656</u> | <u>\$ 588,980</u> | <u>\$ 245,934</u> | <u>\$ 47,744,630</u> |
| | 2020 | | | | | | |
| | Short-term borrowings | Long-term borrowings | Bonds payable | Dividends payable | Lease liability | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1 | \$ 16,843,366 | \$ 30,702,861 | \$ 17,000,000 | \$ 657 | \$ 708,927 | \$ 248,381 | \$ 65,504,192 |
| Changes in cash flow from financing activities | (5,667,663) | (1,153,803) | (2,500,000) | (3,277,104) | (137,099) | (6,284) | (12,741,953) |
| Interest paid | - | - | - | - | (10,093) | - | (10,093) |
| Additions | - | - | - | 3,277,104 | 172,243 | - | 3,449,347 |
| Amortisation of interest expense | - | - | - | - | 10,093 | - | 10,093 |
| Impact of changes in foreign exchange rate | (579,337) | (558,604) | - | - | (26,035) | - | (1,163,976) |
| At September 30 | <u>\$ 10,596,366</u> | <u>\$ 28,990,454</u> | <u>\$ 14,500,000</u> | <u>\$ 657</u> | <u>\$ 718,036</u> | <u>\$ 242,097</u> | <u>\$ 55,047,610</u> |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|--|
| Toyo Tire & Rubber Co., Ltd. | Associate which invests in subsidiary by using the equity method |
| New Pacific IND. CD., LTD. | Investee accounted for using the equity method |
| MERIDA INDUSTRY CO., LTD. | The Company's director is the company's vice chairman |
| Maxxis (XiaMen) Trading CO., LTD. | The Company's director is the company's representative |
| Jye Luo Memory Co Ltd. | The Company's director is the company's representative (Note) |
| Luo, Jye | Relative of the Company's director within first degree of relationship |
| Lo, Ming-Ling | Spouse of the Company's director |
| Lo, Ming-I | Spouse of the Company's chairman |
| Lo, Tsai-Jen | The Company's director |
| Luo, Yuan-Yo | Relative of the Company's director within first degree of relationship |
| Lo, Yuan-Long | Relative of the Company's director within first degree of relationship |
| Chen, Po-Chia | Relative of the Company's director within first degree of relationship |
| Chen, Ping-Hao | Relative of the Company's chairman within first degree of relationship |
| Note: This company was established on September 24, 2020. | |

(2) Significant related party transactions

A. Operating revenue

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|------------------------|--|--|
| Sales of goods: | | |
| -Other related parties | \$ 57,250 | \$ 68,611 |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Sales of goods: | | |
| -Other related parties | \$ 178,064 | \$ 183,955 |

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|------------------------|--------------------|-------------------|--------------------|
| Accounts receivable: | | | |
| -Other related parties | \$ 34,389 | \$ 43,474 | \$ 44,235 |

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|----------------------------------|--------------------|-------------------|--------------------|
| Payables due to related parties: | | | |
| -Other related parties | \$ 172,200 | \$ 218,850 | \$ 213,450 |

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

D. Lease transactions - lessee

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

(b) Lease liabilities

i. Outstanding balance

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|--------------------------|--------------------|-------------------|--------------------|
| Key management personnel | \$ 27,764 | \$ 41,546 | \$ 41,450 |

ii. Interest expense

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|--------------------------|--|--|
| Key management personnel | \$ 65 | \$ 96 |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Key management personnel | \$ 194 | \$ 289 |

(3) Key management compensation

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|------------------------------|--|--|
| Short-term employee benefits | \$ 60,531 | \$ 77,027 |
| Post-employment benefits | 347 | 509 |
| | <u>\$ 60,878</u> | <u>\$ 77,536</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Short-term employee benefits | \$ 195,951 | \$ 160,269 |
| Post-employment benefits | 1,042 | 1,528 |
| | <u>\$ 196,993</u> | <u>\$ 161,797</u> |

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|-------------------------------|---------------------|---------------------|---------------------|
| Property, plant and equipment | <u>\$ 2,634,779</u> | <u>\$ 3,634,056</u> | <u>\$ 3,406,911</u> |

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|--------------------|-------------------|--------------------|
| Amount of letter of credit that has been issued but not yet used | <u>\$ 5,892</u> | <u>\$ 22,886</u> | <u>\$ 33,107</u> |

10. SIGNIFICANT DISASTER LOSS

On September 26, 2020, a fire damaged a plant located in Xizhou owned by the parent company of the Group and destroyed some buildings, equipment and inventories in the plant. The book value of the damaged properties amounted to \$62,503 thousand, including buildings and equipment as well as inventories of \$51,591 thousand and \$10,912 thousand, respectively, which were all recognised as loss from fire damage under other gains and losses for the nine-month period ended September 30, 2020. However, the Company has relevant property insurance and received a claim settlement in the amount of \$62,000 thousand from the insurance company in 2021.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

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 nine-month period ended September 30, 2021, the Group's strategy was unchanged from

2020. The gearing ratio as at September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|--------------------------|--------------------|-------------------|--------------------|
| Total liabilities | \$ 65,723,994 | \$ 70,349,872 | \$ 73,439,407 |
| Total equity | \$ 79,958,528 | \$ 80,975,281 | \$ 76,353,890 |
| Less : Intangible assets | (212,242) | (181,768) | (195,844) |
| Tangible equity | \$ 79,746,286 | \$ 80,793,513 | \$ 76,158,046 |
| Debt-equity ratio | 82% | 87% | 96% |

(2) Financial instruments

A. Financial instruments by category

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|----------------------|----------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through profit or loss - current | | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ - | \$ 820 | \$ - |
| Financial assets at fair value through other comprehensive income - current | | | |
| Designation of equity instrument | 21,341 | 29,817 | 25,636 |
| Financial assets at fair value through other comprehensive income - non-current | | | |
| Designation of equity instrument | 58,187 | 58,187 | 58,187 |
| Financial assets at amortised cost/Loans and receivables | | | |
| Cash and cash equivalents | 18,945,951 | 19,112,521 | 22,668,172 |
| Notes receivable, net | 3,726,446 | 4,544,057 | 2,549,939 |
| Accounts receivable (including related parties) | 9,483,681 | 9,516,313 | 9,275,718 |
| Guarantee deposits paid | 47,405 | 62,291 | 48,298 |
| Other financial assets | 132,882 | 4,943 | 8,638 |
| | <u>\$ 32,415,893</u> | <u>\$ 33,328,949</u> | <u>\$ 34,634,588</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at fair value through profit or loss - current | | | |
| Financial liabilities mandatorily measured at fair value through profit or loss | \$ 33,391 | \$ - | \$ - |

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|----------------------|----------------------|----------------------|
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 8,137,438 | \$ 7,222,391 | \$ 10,596,366 |
| Notes payable | 287,904 | 157,811 | 511,617 |
| Accounts payable | 6,636,677 | 8,442,030 | 6,892,469 |
| Other accounts payable | 5,204,948 | 5,557,536 | 4,868,464 |
| Corporate bonds payable | | | |
| (including current portion) | 16,500,000 | 14,500,000 | 14,500,000 |
| Long-term borrowings | | | |
| (including current portion) | 22,271,622 | 26,706,526 | 28,990,454 |
| Guarantee deposits received | 245,934 | 257,773 | 242,097 |
| | <u>\$ 59,317,914</u> | <u>\$ 62,844,067</u> | <u>\$ 66,601,467</u> |
| Lease liabilities | | | |
| (including current portion) | <u>\$ 588,980</u> | <u>\$ 714,351</u> | <u>\$ 718,036</u> |

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

September 30, 2021

| | | Sensitivity analysis | | | | |
|--|------------|----------------------|-------------------------------------|------------------------|-----------------------------|--|
| Foreign currency amount (thousands) | | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : TWD | \$ 263,700 | 27.850 | \$ 7,344,045 | 1% | \$ 73,440 | \$ - |
| RMB : TWD | 73,000 | 4.305 | 314,265 | 1% | 3,143 | - |
| EUR : TWD | 40,076 | 32.320 | 1,295,256 | 1% | 12,953 | - |
| JPY : TWD | 850,477 | 0.249 | 211,769 | 1% | 2,118 | - |
| GBP : TWD | 3,737 | 37.460 | 139,988 | 1% | 1,400 | - |
| USD : RMB | 65,800 | 6.469 | 1,832,467 | 1% | 18,325 | - |
| EUR : RMB | 23,177 | 7.508 | 749,126 | 1% | 7,491 | - |
| JPY : RMB | 768,334 | 0.058 | 191,845 | 1% | 1,918 | - |
| RUB : RMB | 431,634 | 0.089 | 165,378 | 1% | 1,654 | - |
| USD : THB | 48,709 | 33.619 | 1,355,890 | 1% | 13,559 | - |
| EUR : THB | 4,675 | 39.015 | 151,023 | 1% | 1,510 | - |
| USD : VND | 6,240 | 23,016.529 | 173,784 | 1% | 1,738 | - |
| USD : CAD | 13,069 | 1.271 | 363,940 | 1% | 3,639 | - |

| September 30, 2021 | | | | | | | | | | |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|----|--------|----|---|
| (Foreign currency: functional currency) | 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 | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| <u>Financial liabilities</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD : TWD | \$ | 23,762 | 27.850 | \$ | 661,772 | 1% | \$ | 6,618 | \$ | - |
| USD : RMB | | 19,153 | 6.469 | | 533,393 | 1% | | 5,334 | | - |
| USD : THB | | 24,890 | 33.619 | | 692,851 | 1% | | 6,929 | | - |
| USD : VND | | 60,897 | 23,016.529 | | 1,695,981 | 1% | | 16,960 | | - |
| USD : CAD | | 8,543 | 1.271 | | 237,902 | 1% | | 2,379 | | - |
| USD : IDR | | 306,254 | 14,065,657 | | 8,529,174 | 1% | | 85,292 | | - |
| USD : INR | | 191,420 | 74.247 | | 5,331,057 | 1% | | 53,311 | | - |

| December 31, 2020 | | | | | | |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|
| (Foreign currency: functional currency) | 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 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : TWD | \$ 226,440 | 28.480 | \$ 6,449,011 | 1% | \$ 64,490 | \$ - |
| RMB : TWD | 68,852 | 4.377 | 301,365 | 1% | 3,014 | - |
| EUR : TWD | 17,025 | 35.020 | 596,216 | 1% | 5,962 | - |
| JPY : TWD | 588,719 | 0.276 | 162,486 | 1% | 1,625 | - |
| USD : RMB | 70,406 | 6.507 | 2,005,243 | 1% | 20,052 | - |
| EUR : RMB | 16,611 | 8.001 | 581,723 | 1% | 5,817 | - |
| RUB : RMB | 715,658 | 0.088 | 275,654 | 1% | 2,757 | - |
| USD : THB | 58,900 | 29.803 | 1,678,159 | 1% | 16,782 | - |
| EUR : THB | 3,301 | 36.647 | 115,649 | 1% | 1,156 | - |
| USD : VND | 34,788 | 25,657.658 | 990,762 | 1% | 9,908 | - |
| USD : CAD | 22,301 | 1.274 | 634,996 | 1% | 6,350 | - |
| USD : IDR | 28,121 | 14,029.557 | 800,886 | 1% | 8,009 | - |

| December 31, 2020 | | | | | | |
|--|---|---------------|-------------------------------------|------------------------|-----------------------------|--|
| (Foreign currency: functional currency) | 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 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : TWD | \$ 33,170 | 28.480 | \$ 944,682 | 1% | \$ 9,447 | \$ - |
| USD : RMB | 30,354 | 6.507 | 864,516 | 1% | 8,645 | - |
| EUR : RMB | 6,212 | 8.001 | 217,547 | 1% | 2,175 | - |
| USD : THB | 20,328 | 29.803 | 579,179 | 1% | 5,792 | - |
| USD : VND | 39,847 | 25,657.658 | 1,134,843 | 1% | 11,348 | - |
| USD : CAD | 7,764 | 1.274 | 221,071 | 1% | 2,211 | - |
| USD : IDR | 301,861 | 14,029.557 | 8,597,001 | 1% | 85,970 | - |
| USD : INR | 192,566 | 73.026 | 5,484,307 | 1% | 54,843 | - |

September 30, 2020

**(Foreign currency:
functional currency)**

Financial assets

Monetary items

| | 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 |
| USD : TWD | \$ 282,768 | 29.100 | \$ 8,228,549 | 1% | \$ 82,285 | \$ - |
| RMB : TWD | 151,167 | 4.269 | 645,332 | 1% | 6,453 | - |
| EUR : TWD | 11,557 | 34.150 | 394,672 | 1% | 3,947 | - |
| JPY : TWD | 621,869 | 0.276 | 171,636 | 1% | 1,716 | - |
| USD : RMB | 63,108 | 6.817 | 1,836,555 | 1% | 18,366 | - |
| EUR : RMB | 18,360 | 8.000 | 627,031 | 1% | 6,270 | - |
| GBP : RMB | 3,326 | 8.737 | 124,054 | 1% | 1,241 | - |
| RUB : RMB | 690,313 | 0.088 | 259,331 | 1% | 2,593 | - |
| USD : THB | 54,055 | 31.487 | 1,572,676 | 1% | 15,727 | - |
| EUR : THB | 3,763 | 36.951 | 128,479 | 1% | 1,285 | - |
| USD : VND | 21,847 | 25,752.212 | 635,748 | 1% | 6,357 | - |
| USD : CAD | 23,768 | 1.340 | 691,763 | 1% | 6,918 | - |

| September 30, 2020 | | | | | | | | | | |
|---|---|------------------|-------------------------------------|------------------------|-----------------------------|--|----|--------|----|---|
| (Foreign currency: functional currency) <u>Financial liabilities</u> <u>Monetary items</u> | 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 | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| USD : TWD | \$ | 18,068 | 29.100 | \$ | 525,779 | 1% | \$ | 5,258 | \$ | - |
| USD : RMB | | 50,406 | 6.817 | | 1,466,904 | 1% | | 14,669 | | - |
| EUR : RMB | | 5,330 | 8.000 | | 182,030 | 1% | | 1,820 | | - |
| USD : THB | | 20,373 | 31.487 | | 592,732 | 1% | | 5,927 | | - |
| USD : VND | | 40,793 | 25,752.212 | | 1,187,076 | 1% | | 11,871 | | - |
| USD : CAD | | 9,534 | 1.340 | | 277,485 | 1% | | 2,775 | | - |
| USD : IDR | | 299,761 | 14,696.970 | | 8,723,045 | 1% | | 87,230 | | - |
| USD : INR | | 230,620 | 73.727 | | 6,711,053 | 1% | | 67,111 | | - |

- iv. The exchange gain (loss) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 amounted to \$146,633 thousand, (\$271,664) thousand, (\$415,315) thousand and (\$880,442) 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 nine-month periods ended September 30, 2021 and 2020 would have increased/decreased by \$795 thousand and \$838 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 nine-month periods ended September 30, 2021 and 2020, 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 September 30, 2021 and 2020, if interest rates on TWD, USD, THB, RMB, EUR and INR denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the nine-month periods ended September 30, 2021 and 2020 would have been \$30,173 thousand and \$39,537 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.
 - ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
 - iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 30 days.
 - iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial

- reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As at September 30, 2021, December 31, 2020 and September 30, 2020, the Group has no written-off financial assets that are still under recourse procedures.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable; accounts receivable that are significantly past due are assessed individually for their expected credit losses. As at September 30, 2021, December 31, 2020 and September 30, 2020, the provision matrix is as follows:

| <u>September 30, 2021</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
|---------------------------|---------------------------|-------------------------|-----------------------|
| Without past due | 0.00% | \$ 7,403,883 | \$ - |
| Up to 30 days | 0.12% | 1,407,030 | 1,688 |
| 31 to 90 days | 0.91% | 477,073 | 4,334 |
| 91 to 180 days | 3.45% | 142,352 | 4,911 |
| Over 180 days | 8.85% | 32,789 | 2,902 |
| Individual | 100.00% | 42,222 | 42,222 |
| | | <u>\$ 9,505,349</u> | <u>\$ 56,057</u> |
| <u>December 31, 2020</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
| Without past due | 0.00% | \$ 8,285,062 | \$ - |
| Up to 30 days | 0.82% | 880,500 | 7,220 |
| 31 to 90 days | 1.48% | 212,594 | 3,146 |
| 91 to 180 days | 4.55% | 67,641 | 3,078 |
| Over 180 days | 9.72% | 44,845 | 4,359 |
| Individual | 100.00% | 42,792 | 42,792 |
| | | <u>\$ 9,533,434</u> | <u>\$ 60,595</u> |
| <u>September 30, 2020</u> | <u>Expected loss rate</u> | <u>Total book value</u> | <u>Loss allowance</u> |
| Without past due | 0.00% | \$ 7,978,119 | \$ - |
| Up to 30 days | 1.87% | 968,095 | 18,103 |
| 31 to 90 days | 4.65% | 183,671 | 8,543 |
| 91 to 180 days | 9.53% | 80,664 | 7,685 |
| Over 180 days | 18.98% | 67,080 | 12,732 |
| Individual | 98.51% | 61,523 | 60,606 |
| | | <u>\$ 9,339,152</u> | <u>\$ 107,669</u> |

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

| | 2021 | 2020 |
|---------------------------------|------------------|-------------------|
| At January 1 | 60,595 | 41,615 |
| Provision for impairment | 442 | 67,161 |
| Write-offs | (4,060) | (939) |
| Effect of exchange rate changes | (920) | (168) |
| At September 30 | <u>\$ 56,057</u> | <u>\$ 107,669</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.

September 30, 2021

| Non-derivative financial liabilities | Less than three months | Between three and six months | Between six months and 1 year | Over 1 year | Total |
|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------|--------------|
| Short-term borrowings | \$ 5,882,836 | \$ 1,117,822 | \$ 1,158,610 | \$ - | \$ 8,159,268 |
| Notes and accounts payable | 6,924,581 | - | - | - | 6,924,581 |
| Other payables | 4,830,034 | 144,069 | 109,438 | 121,407 | 5,204,948 |
| Lease liability | 41,746 | 61,749 | 69,480 | 416,005 | 588,980 |
| Guarantee deposits received | 85 | 4 | 12 | 245,833 | 245,934 |
| Long-term borrowings | 402,573 | 1,582,259 | 2,728,605 | 18,046,410 | 22,759,847 |
| Bonds payable | - | - | 6,127,550 | 10,689,750 | 16,817,300 |

December 31, 2020

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

September 30, 2020

| Non-derivative financial liabilities | Less than three months | Between three and six months | Between six months and 1 year | Over 1 year | Total |
|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------|---------------|
| Short-term borrowings | \$ 8,602,854 | \$ 1,549,464 | \$ 493,157 | \$ - | \$ 10,645,475 |
| Notes and accounts payable | 7,330,227 | - | 38,421 | 35,438 | 7,404,086 |
| Other payables | 4,612,162 | 110,463 | 76,075 | 69,764 | 4,868,464 |
| Lease liability | 38,027 | 44,925 | 90,495 | 544,589 | 718,036 |
| Guarantee deposits received | - | - | 370 | 241,727 | 242,097 |
| Long-term borrowings | 660,589 | 1,353,784 | 2,865,558 | 25,131,776 | 30,011,707 |
| Bonds payable | - | - | 6,089,850 | 8,601,300 | 14,691,150 |

(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 and structured deposits are 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.

| September 30, 2021 | | | | |
|------------------------|---------------|---------|---------------|------|
| Carrying amount | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | |
| Financial liabilities: | | | | |
| Bonds payable | \$ 16,500,000 | \$ - | \$ 16,518,348 | \$ - |
| December 31, 2020 | | | | |
| Carrying amount | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | |
| Financial liabilities: | | | | |
| Bonds payable | \$ 14,500,000 | \$ - | \$ 14,546,679 | \$ - |

| September 30, 2020 | | | | |
|------------------------|-----------------|------------|---------------|---------|
| | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | \$ 14,500,000 | \$ - | \$ 14,516,428 | \$ - |

(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:

| September 30, 2021 | | | | |
|---|-----------|---------|-----------|-----------|
| | 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 | \$ 21,341 | \$ - | \$ 58,187 | \$ 79,528 |

Liabilities

Recurring fair value measurements

| | | | | |
|--|------|-----------|------|-----------|
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivative instruments | \$ - | \$ 33,391 | \$ - | \$ 33,391 |

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

| September 30, 2020 | | | | |
|---|-----------|---------|-----------|-----------|
| | 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 | \$ 25,636 | \$ - | \$ 58,187 | \$ 83,823 |

- (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, 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 nine-month periods ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- F. There was no movement in Level 3 for the nine-month periods ended September 30, 2021 and 2020.

(4) Other matters

Due to the spread of Covid-19 pandemic globally, production of all factories of the Group's subsidiary, Maxxis Rubber India Private Limited, was suspended to allow for disinfection from May 10, 2021 to May 14, 2021. However, it did not affect the Group's internal capacity allocation and operations of the Group continued normally. As of the third quarter of 2021, the overall business and finance were not significantly impacted by the pandemic based on the Group's assessment. The Group will continue to monitor the development of the pandemic and coordinate with the government's pandemic prevention programs to maintain regular operations.

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(24) 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 nine-month period ended September 30, 2021: please refer to tables 4, 5 and 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

Three-month period ended September 30, 2021

| | CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments | Total |
|------------------------------------|--|--|--|--|-----------------------|----------------------|
| Revenue | | | | | | |
| Revenue from external customers | \$ 3,776,873 | \$ 4,071,746 | \$ 6,246,685 | \$ 2,003,678 | \$ 4,716,333 | \$ 20,815,315 |
| Revenue from inter-segment revenue | <u>2,421,958</u> | <u>373,065</u> | <u>109,042</u> | <u>359,395</u> | <u>1,287,132</u> | <u>4,550,592</u> |
| Total segment revenue | <u>\$ 6,198,831</u> | <u>\$ 4,444,811</u> | <u>\$ 6,355,727</u> | <u>\$ 2,363,073</u> | <u>\$ 6,003,465</u> | <u>\$ 25,365,907</u> |
| Geographical regions | | | | | | |
| Taiwan | \$ 2,216,691 | \$ 57,324 | \$ 17,605 | \$ 2,967 | \$ 43,764 | \$ 2,338,351 |
| China | 97,751 | 3,273,927 | 5,079,602 | 2,084 | 4,598,048 | 13,051,412 |
| US | 1,715,357 | 119,241 | - | 315,387 | 147,734 | 2,297,719 |
| Others | <u>2,169,032</u> | <u>994,319</u> | <u>1,258,520</u> | <u>2,042,635</u> | <u>1,213,919</u> | <u>7,678,425</u> |
| Total | <u>\$ 6,198,831</u> | <u>\$ 4,444,811</u> | <u>\$ 6,355,727</u> | <u>\$ 2,363,073</u> | <u>\$ 6,003,465</u> | <u>\$ 25,365,907</u> |
| Segment income | <u>\$ 864,637</u> | <u>(\$ 13,508)</u> | <u>\$ 32,870</u> | <u>\$ 136,164</u> | <u>\$ 489,783</u> | <u>\$ 1,509,946</u> |

Three-month period ended September 30, 2020

| | 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 | \$ 3,699,803 | \$ 4,511,745 | \$ 8,538,393 | \$ 2,716,614 | \$ 5,484,157 | \$ 24,950,712 |
| Revenue from inter-segment revenue | <u>2,675,064</u> | <u>391,427</u> | <u>185,375</u> | <u>420,837</u> | <u>1,546,154</u> | <u>5,218,857</u> |
| Total segment revenue | <u>\$ 6,374,867</u> | <u>\$ 4,903,172</u> | <u>\$ 8,723,768</u> | <u>\$ 3,137,451</u> | <u>\$ 7,030,311</u> | <u>\$ 30,169,569</u> |
| Geographical regions | | | | | | |
| Taiwan | \$ 2,611,996 | \$ 48,956 | \$ 35,157 | \$ 3,507 | \$ 24,044 | \$ 2,723,660 |
| China | 120,476 | 3,694,196 | 7,433,741 | 2,281 | 5,147,069 | 16,397,763 |
| US | 1,793,616 | 103,595 | 16 | 385,603 | 73,224 | 2,356,054 |
| Others | <u>1,848,779</u> | <u>1,056,425</u> | <u>1,254,854</u> | <u>2,746,060</u> | <u>1,785,974</u> | <u>8,692,092</u> |
| Total | <u>\$ 6,374,867</u> | <u>\$ 4,903,172</u> | <u>\$ 8,723,768</u> | <u>\$ 3,137,451</u> | <u>\$ 7,030,311</u> | <u>\$ 30,169,569</u> |
| Segment income | <u>\$ 811,377</u> | <u>\$ 372,767</u> | <u>\$ 1,038,607</u> | <u>\$ 216,851</u> | <u>\$ 1,511,830</u> | <u>\$ 3,951,432</u> |

Nine-month period ended September 30, 2021

| | CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments | Total |
|------------------------------------|--|--|--|--|-----------------------|----------------------|
| Revenue | | | | | | |
| Revenue from external customers | \$ 11,629,069 | \$ 12,848,020 | \$ 20,471,314 | \$ 7,336,392 | \$ 15,366,088 | \$ 67,650,883 |
| Revenue from inter-segment revenue | 7,802,147 | 1,237,199 | 360,526 | 1,145,805 | 4,402,800 | 14,948,477 |
| Total segment revenue | <u>\$ 19,431,216</u> | <u>\$ 14,085,219</u> | <u>\$ 20,831,840</u> | <u>\$ 8,482,197</u> | <u>\$ 19,768,888</u> | <u>\$ 82,599,360</u> |
| Geographical regions | | | | | | |
| Taiwan | \$ 7,778,809 | \$ 192,859 | \$ 81,270 | \$ 105,749 | \$ 173,370 | \$ 8,332,057 |
| China | 273,911 | 10,373,264 | 17,031,708 | 5,955 | 14,392,089 | 42,076,927 |
| US | 5,157,406 | 339,055 | 61 | 702,510 | 360,240 | 6,559,272 |
| Others | 6,221,090 | 3,180,041 | 3,718,801 | 7,667,983 | 4,843,189 | 25,631,104 |
| Total | <u>\$ 19,431,216</u> | <u>\$ 14,085,219</u> | <u>\$ 20,831,840</u> | <u>\$ 8,482,197</u> | <u>\$ 19,768,888</u> | <u>\$ 82,599,360</u> |
| Segment income | <u>\$ 2,489,296</u> | <u>\$ 340,436</u> | <u>\$ 1,011,828</u> | <u>\$ 569,555</u> | <u>\$ 2,686,495</u> | <u>\$ 7,097,610</u> |

Nine-month period ended September 30, 2020

| | 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 | \$ 9,874,481 | \$ 10,917,230 | \$ 21,046,245 | \$ 6,848,875 | \$ 13,533,361 | \$ 62,220,192 |
| Revenue from inter-segment revenue | 6,567,308 | 976,004 | 443,535 | 1,004,878 | 3,802,925 | 12,794,650 |
| Total segment revenue | <u>\$ 16,441,789</u> | <u>\$ 11,893,234</u> | <u>\$ 21,489,780</u> | <u>\$ 7,853,753</u> | <u>\$ 17,336,286</u> | <u>\$ 75,014,842</u> |
| Geographical regions | | | | | | |
| Taiwan | \$ 7,432,340 | \$ 145,654 | \$ 85,057 | \$ 11,903 | \$ 48,221 | \$ 7,723,175 |
| China | 260,923 | 8,859,448 | 18,750,225 | 3,887 | 12,500,450 | 40,374,933 |
| US | 3,981,145 | 233,777 | 2,065 | 918,725 | 207,666 | 5,343,378 |
| Others | 4,767,381 | 2,654,355 | 2,652,433 | 6,919,238 | 4,579,949 | 21,573,356 |
| Total | <u>\$ 16,441,789</u> | <u>\$ 11,893,234</u> | <u>\$ 21,489,780</u> | <u>\$ 7,853,753</u> | <u>\$ 17,336,286</u> | <u>\$ 75,014,842</u> |
| Segment income | <u>\$ 1,274,921</u> | <u>\$ 290,078</u> | <u>\$ 1,623,274</u> | <u>\$ 133,548</u> | <u>\$ 2,821,583</u> | <u>\$ 6,143,404</u> |

(4) Reconciliation for segment income (loss)

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

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|--|--|--|
| Adjusted revenue from reportable segments | \$ 25,365,907 | \$ 30,169,569 |
| Adjusted revenue from other operating segments | 3,742,395 | 3,154,522 |
| Total operating segments | 29,108,302 | 33,324,091 |
| Elimination of inter-segment revenue | (4,843,079) | (5,396,505) |
| Total consolidated operating revenue | <u>\$ 24,265,223</u> | <u>\$ 27,927,586</u> |
| Geographical regions | | |
| Geographical regions from reportable segments | \$ 25,365,907 | \$ 30,169,569 |
| Geographical regions from other operating segments | | |
| Taiwan | 14,405 | 25,022 |
| China | 493,698 | 270,354 |
| US | 2,053,093 | 1,826,426 |
| Others | 1,181,199 | 1,032,720 |
| Total geographical regions | 29,108,302 | 33,324,091 |
| Elimination of inter-segment revenue | (4,843,079) | (5,396,505) |
| Total consolidated operating revenue | <u>\$ 24,265,223</u> | <u>\$ 27,927,586</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Adjusted revenue from reportable segments | \$ 82,599,360 | \$ 75,014,842 |
| Adjusted revenue from other operating segments | 10,693,859 | 7,805,206 |
| Total operating segments | 93,293,219 | 82,820,048 |
| Elimination of inter-segment revenue | (15,932,868) | (13,313,648) |
| Total consolidated operating revenue | <u>\$ 77,360,351</u> | <u>\$ 69,506,400</u> |
| Geographical regions | | |
| Geographical regions from reportable segments | \$ 82,599,360 | \$ 75,014,842 |
| Geographical regions from other operating segments | | |
| Taiwan | 52,883 | 47,434 |
| China | 1,553,639 | 867,188 |
| US | 5,832,575 | 4,416,913 |
| Others | 3,254,762 | 2,473,671 |
| Total geographical regions | 93,293,219 | 82,820,048 |
| Elimination of inter-segment revenue | (15,932,868) | (13,313,648) |
| Total consolidated operating revenue | <u>\$ 77,360,351</u> | <u>\$ 69,506,400</u> |

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

| | Three-month period ended September 30, 2021 | Three-month period ended September 30, 2020 |
|---|--|--|
| Adjusted income from reportable segments before income tax | \$ 1,509,946 | \$ 3,951,432 |
| Adjusted loss from other operating segments before income tax | (190,460) | (520,490) |
| Total operating segments | 1,319,486 | 3,430,942 |
| Loss from elimination of inter-segment revenue | (26,172) | (25,578) |
| Income from continuing operations before income tax | <u>\$ 1,293,314</u> | <u>\$ 3,405,364</u> |
| | Nine-month period ended September 30, 2021 | Nine-month period ended September 30, 2020 |
| Adjusted income from reportable segments before income tax | \$ 7,097,610 | \$ 6,143,404 |
| Adjusted loss from other operating segments before income tax | (1,195,699) | (1,869,534) |
| Total operating segments | 5,901,911 | 4,273,870 |
| Loss from elimination of inter-segment revenue | (35,909) | (11,801) |
| Income from continuing operations before income tax | <u>\$ 5,866,002</u> | <u>\$ 4,262,069</u> |

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Nine-month period ended September 30, 2021

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 nine-month period ended September 30, 2021 | Balance at September 30, 2021 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 2 、 3 、 4) | Ceiling on total loans granted (Note 5 、 6) | Footnote |
|-------------------|--|--|------------------------------|-----------------------|---|---|-----------------------------|---------------|-------------------|---|---------------------------------------|---------------------------------------|------------|---|---|--|----------|
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Other receivables | Yes | \$ 3,288,000 | \$ 3,228,750 | \$ 2,793,945 | 3.85% | Note 7 | \$ - | Operating capital | \$ - | None | | \$ 4,991,295 | \$ 8,318,825 | Note 9 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Other receivables | Yes | 3,228,750 | 3,228,750 | 1,851,150 | 3.85% | Note 7 | - | Operating capital | - | None | - | 4,991,295 | 8,318,825 | Note 9 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Other receivables | Yes | 569,920 | 559,650 | 400,365 | 4.85% | Note 7 | - | Operating capital | - | None | - | 4,995,295 | 8,318,825 | Note 9 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. | Other receivables | Yes | 12,927 | 12,915 | 8,610 | 3.85% | Note 7 | - | Operating capital | - | None | - | 4,991,295 | 8,318,825 | Note 9 |
| 2 | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | Other receivables | Yes | 876,800 | 861,000 | 861,000 | 3.25% | Note 7 | - | Operating capital | - | None | - | 5,004,301 | 10,008,602 | Note 9 |
| 3 | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Other receivables | Yes | 2,192,000 | 2,152,500 | 744,765 | 3.85% | Note 7 | - | Operating capital | - | None | - | 7,258,678 | 12,097,797 | Note 9 |
| 3 | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Other receivables | Yes | 649,350 | 645,750 | 68,880 | 3.85% | Note 7 | - | Operating capital | - | None | - | 7,258,678 | 12,097,797 | Note 9 |
| 4 | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD. | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD | Other receivables | Yes | 8,768 | - | - | - | Note 7 | - | Operating capital | - | None | - | 28,069 | 112,276 | Note 9 |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
 (1) The Company is ‘0’.
 (2) The subsidiaries are numbered in order starting from ‘1’.

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

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

Note 4: Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 10% of above Companies' net assets.

Note 5: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of above Companies' net assets.

Note 6: Limit on loans granted by CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to others is 40% of above Companies' net assets.

Note 7: 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 8: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 9: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of September 30, 2021 | Outstanding endorsement/ guarantee amount at September 30, 2021 | 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 | \$ 39,703,059 | \$ 1,903,600 | \$ 828,400 | \$ 118,627 | \$ - | 1.04 | \$ 55,584,283 | Y | N | N | Note 2 、 Note 3 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited | Subsidiary | 39,703,059 | 7,623,093 | 7,487,720 | 6,136,758 | - | 9.43 | 55,584,283 | Y | N | N | Note 2 、 Note 3 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia | Subsidiary | 39,703,059 | 12,574,275 | 12,574,275 | 8,270,522 | - | 15.84 | 55,584,283 | Y | N | N | Note 2 、 Note 3 |

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

(1) The Company is '0'.

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

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

\$ 55,584,283

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

\$ 15,881,224

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

\$ 39,703,059

Note 3: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at September 30, 2021.

CHENG SHIN RUBBER IND. CO., LTD.

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

September 30, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | As of September 30, 2021 | | | | |
|----------------------------------|--------------------------------|---|---|--------------------------|------------|-----|------------|----------|
| | | | | Number of | Ownership | | | Footnote |
| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer | General ledger account | shares/ units | Book value | (%) | Fair value | |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares | - | Current financial assets at fair value through other comprehensive income | - | \$ 21,341 | - | \$ 21,341 | Note 2 |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares | - | Non-current financial assets at fair value through other comprehensive income | - | 58,187 | - | 58,187 | Note 2 |

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Nine-month period ended September 30, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | |
|--|---|------------------------------------|-------------------|----------------|---|---|--|-------------|-------------------------------------|---|-------------------|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | Percentage of total purchases (sales) (%) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) (%) | Footnote (Note 2) |
| | | | Purchases (sales) | Amount | | | | | | | |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Subsidiary | (sales) | (\$ 4,281,905) | (26.34) | Collect within 90 days after shipment of goods | Same | Same | \$ 1,891,602 | 48.30 | Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | Subsidiary | (sales) | (497,957) | (3.06) | Collect within 90 days after shipment of goods | Same | Same | 133,285 | 3.40 | Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD. | Subsidiary | (sales) | (2,697,406) | (16.60) | Collect within 30 days | Same | Same | 306,387 | 7.82 | Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia | Subsidiary | (sales) | (104,307) | (0.64) | Collect within 60~90 days after shipment of goods | Same | Same | 34,201 | 0.87 | Note 3 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | TIANJIN TAFENG RUBBER IND CO., LTD. | Same ultimate parent | (sales) | (116,279) | (0.83) | Collect within 60~90 days after shipment of goods | Same | Same | 15,735 | 0.62 | Note 3 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent | (sales) | (752,854) | (5.34) | Collect within 60~90 days after shipment of goods | Same | Same | 313,056 | 12.29 | Note 3 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent | (sales) | (122,863) | (0.87) | Collect within 60~90 days after shipment of goods | Same | Same | 15,195 | 0.60 | Note 3 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent | (sales) | (1,283,437) | (38.07) | Collect within 60~90 days after shipment of goods | Same | Same | 157,378 | 14.24 | Note 3 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Same ultimate parent | (sales) | (302,199) | (8.96) | Collect within 60~90 days after shipment of goods | Same | Same | 62,528 | 5.66 | Note 3 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent | (sales) | (171,420) | (5.08) | Collect within 60~90 days after shipment of goods | Same | Same | 32,445 | 2.94 | Note 3 |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent | (sales) | (1,324,406) | (15.78) | Collect within 60~90 days after shipment of goods | Same | Same | 327,783 | 42.81 | Note 3 |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent | (sales) | (293,196) | (26.47) | Collect within 60~90 days after shipment of goods | Same | Same | 55,777 | 23.03 | Note 3 |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent | (sales) | (191,689) | (17.30) | Collect within 60~90 days after shipment of goods | Same | Same | 39,150 | 16.17 | Note 3 |
| CHENG SHIN LOGISTIC (XIAMEN) IND., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Same ultimate parent | (sales) | (157,905) | (14.25) | Collect within 60~90 days after shipment of goods | Same | Same | 14,984 | 6.19 | Note 3 |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN RUBBER CANADA, INC. | Same ultimate parent | (sales) | (160,138) | (1.17) | Collect within 60~90 days after shipment of goods | Same | Same | 53,522 | 1.53 | Note 3 |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent | (sales) | (795,537) | (20.58) | Collect within 60~90 days after shipment of goods | Same | Same | 254,247 | 32.36 | Note 3 |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | KUNSHAN MAXXIS TIRE CO., LTD. | Same ultimate parent | (sales) | (133,415) | (3.45) | Collect within 60~90 days after shipment of goods | Same | Same | 42,956 | 5.47 | Note 3 |
| MAXXIS International (Thailand) Co., Ltd. | Cheng Shin Rubber Ind. Co., Ltd. | Ultimate parent | (sales) | (327,388) | (3.86) | Collect within 30~60 days after shipment of goods | Same | Same | 660 | 0.05 | Note 3 |
| MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Same ultimate parent | (sales) | (702,510) | (8.28) | Collect within 60~90 days after shipment of goods | Same | Same | 307,540 | 21.12 | Note 3 |

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

September 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at September 30, 2021 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date (Note 1) | Allowance for doubtful accounts |
|--|--|---------------------------------------|-------------------------------------|------------------|---------------------|--------------|---|---------------------------------------|
| | | | | | Amount | Action taken | | |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Subsidiary (Note 4) | \$ 1,891,602 | 2.84 | \$ - | - | \$ 467,795 | \$ - |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | Subsidiary (Note 4) | 133,413 | Note 3 | - | - | 52,317 | - |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Sub-subsidiary (Note 4) | 115,835 | Note 2 | - | - | 7,079 | - |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD. | Subsidiary (Note 4) | 308,885 | Note 3 | - | - | 306,400 | - |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent (Note 4) | 313,056 | 2.60 | - | - | 165,391 | - |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent (Note 4) | 159,058 | Note 3 | - | - | 87,334 | - |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent (Note 4) | 328,897 | Note 3 | - | - | 124,663 | - |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent (Note 4) | 254,247 | 3.03 | - | - | 147,784 | - |
| MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Same ultimate parent (Note 4) | 307,540 | 2.78 | - | - | 122,068 | - |

Note 1: Subsequent collection is the amount collected as of November 3, 2021.

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Nine-month period ended September 30, 2021

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 | \$ 4,281,905 | Collect within 90 days after shipment of goods | 5.54% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 1 | Accounts receivable | 1,891,602 | Collect within 90 days after shipment of goods | 1.30% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | 1 | Sales | 497,957 | Collect within 90 days after shipment of goods | 0.64% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD. | 1 | Sales | 2,697,406 | The term is 30 days after monthly billing | 3.49% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD. | 1 | Accounts receivable | 306,387 | The term is 30 days after monthly billing | 0.21% |
| 1 | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Sales | 752,854 | Collect within 60~90 days after shipment of goods | 0.97% |
| 1 | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Accounts receivable | 313,056 | Collect within 60~90 days after shipment of goods | 0.21% |
| 2 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Sales | 1,283,437 | 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 | Notes receivable | 388,076 | Pay depends on maturity date | 0.27% |
| 2 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | 3 | Sales | 302,199 | Collect within 60~90 days after shipment of goods | 0.39% |
| 2 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | 3 | Other receivables | 2,793,945 | Pay interest quarterly | 1.92% |
| 2 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Other receivables | 1,851,150 | Pay interest quarterly | 1.27% |
| 2 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD | 3 | Other receivables | 400,365 | Pay interest quarterly | 0.27% |
| 3 | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | 3 | Other receivables | 744,765 | Pay interest quarterly | 0.51% |
| 4 | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Sales | 1,324,406 | Collect within 60~90 days after shipment of goods | 1.71% |
| 4 | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Accounts receivable | 327,783 | Collect within 60~90 days after shipment of goods | 0.22% |
| 4 | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Notes receivable | 335,775 | Pay depends on maturity | 0.23% |
| 5 | CHENG SHIN LOGISTIC (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Sales | 293,196 | Collect within 60~90 days after shipment of goods | 0.38% |

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Nine-month period ended September 30, 2021

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 | |
| 6 | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | 3 | Other receivable | \$ 861,000 | Pay interest quarterly | 0.59% |
| 7 | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Sales | 795,537 | Collect within 60~90 days after shipment of goods | 1.03% |
| 7 | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Accounts receivable | 254,247 | Collect within 60~90 days after shipment of goods | 0.17% |
| 8 | MAXXIS International (Thailand) Co., Ltd. | Cheng Shin Rubber Ind. Co., Ltd. | 2 | Sales | 327,388 | Collect within 30~60 days after shipment of goods | 0.42% |
| 8 | MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 3 | Sales | 702,510 | Collect within 60~90 days after shipment of goods | 0.91% |
| 8 | MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 3 | Accounts receivable | 307,540 | Collect within 60~90 days after shipment of goods | 0.21% |

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.

Table 7

| CHENG SHIN RUBBER IND. CO., LTD. | | | | | | | | | | | |
|--|--|------------------------|--|----------------------------------|---------------------------------|--------------------------------------|---------------|---------------|--|--|----------------------------|
| Information on investees | | | | | | | | | | | |
| Nine-month period ended September 30, 2021 | | | | | | | | | | | |
| Expressed in thousands of NTD (Except as otherwise indicated) | | | | | | | | | | | |
| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at September 30, 2021 | | | Net profit (loss) of the investee for the nine-month period ended September 30, 2021 | Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2021 (Note 1) | Footnote |
| | | | | Balance as at September 30, 2021 | Balance as at December 31, 2020 | 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 | \$ 41,847,759 | \$ 1,131,109 | \$ 1,135,247 | 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 | 27,157,390 | 1,594,026 | 1,591,243 | 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 | 9,697,529 | 1,242,283 | 1,194,919 | 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 | 2,346,040 | (59,448) | (59,416) | 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 | 625,322 | (33,891) | (33,891) | 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 | 180,210 | 34,458 | 17,229 | 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 | 62,506 | (10,445) | (10,445) | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS International Indonesia | Indonesia | Production and sales of various types of tires | 4,233,389 | 4,233,389 | 139,994,750 | 100.00 | 270,948 | (393,928) | (394,629) | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Rubber India Private Limited | India | Production and sales of various types of tires | 4,027,544 | 4,027,544 | 874,992,906 | 100.00 | - | (703,673) | (701,684) | Subsidiary Note 3 、 Note 5 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis (Taiwan) Trading Co., LTD. | Taiwan | Wholesale and retail of tires | 100,000 | 100,000 | 10,000,000 | 100.00 | 417,952 | 210,545 | 210,545 | 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 | 40,579 | 9,312 | 9,312 | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis Europe B.V. | Netherlands | Import and export of tires | 17,700 | 17,700 | 500,000 | 100.00 | 3,907 | (126) | (126) | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS RUBBER JAPAN CO., LTD. | Japan | Import and export of tires | 13,820 | 13,820 | 5,000 | 100.00 | 11,360 | (52) | (52) | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico | Import and export of tires | 593 | 593 | - | 20.00 | 647 | 1,354 | 271 | Note 3 、 Note 4 |

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Nine-month period ended September 30, 2021

Table 7

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at September 30, 2021 | | | Net profit (loss) of the investee for the nine-month period ended September 30, 2021 | Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2021 (Note 1) | Footnote |
|---------------------------------|--|------------------------|--|----------------------------------|---------------------------------|--------------------------------------|---------------|---------------|--|--|-----------------------|
| | | | | Balance as at September 30, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| MAXXIS International Co., Ltd | MAXXIS International (HK) Ltd. | Hong Kong | Holding company | \$ - | \$ - | \$ 226,801,983 | 100.00 | \$ 33,928,695 | \$ 1,379,447 | \$ 1,379,447 | Sub-subsidiary Note 3 |
| CST Trading Ltd. | Cheng Shin International (HK) Ltd. | Hong Kong | Holding company | - | - | 246,767,840 | 100.00 | 27,000,126 | 1,597,360 | 1,597,360 | Sub-subsidiary Note 3 |
| MAXXIS Trading Ltd. | MAXXIS Holdings (BVI) Co., Ltd. | British Virgin Islands | Holding company | 7,669,780 | 7,669,780 | 237,811,720 | 100.00 | 10,054,513 | 1,242,414 | 1,242,414 | Sub-subsidiary Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Thailand | Production and sales of truck and automobile tires | 5,724,372 | 5,724,372 | 65,000,000 | 100.00 | 6,902,694 | 569,555 | 532,743 | Sub-subsidiary Note 3 |
| MAXXIS Holdings (BVI) Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd. | Vietnam | Production and sales of various types of tires | 1,945,408 | 1,945,408 | 62,000,000 | 100.00 | 3,149,085 | 672,965 | 662,414 | Sub-subsidiary Note 3 |
| CHENG SHIN RUBBER USA, INC. | MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. | Mexico | Import and export of tires | 2,228 | 2,278 | - | 80.00 | 2,590 | 1,354 | 1,083 | Note 3 、 Note 4 |

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Joint ventures are accounted for under the equity method.

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

Note 4: The Company comprehensive holds 100% of share ownership in the investee, of which 20% is directly held and 80% is indirectly held through CHENG SHIN RUBBER USA, INC.

Note 5: The Company continusly provides financial support the investee accounted for using the equity method, and transferred the credit balance fo long-term investments to 'other non-current liabilities.'
The transaction was eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Nine-month period ended September 30, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital (Note 6) | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 | Net income of investee as of September 30, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021, (Note 2) | Book value of investments in Mainland China as of September 30, 2021 | Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021 | Footnote |
|---|--|-----------------------------|-------------------------------|--|---|------|---|--|--|---|--|--|---------------------|
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products | \$ 4,873,750 | 2 | \$ 910,834 | \$ - | \$ - | \$ 910,834 | \$ 782,132 | 100.00 | \$ 786,662 | \$ 23,838,339 | \$ 19,447,406 | (Note 3 、 5 、 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 | 6,266,250 | 2 | 2,385,506 | - | - | 2,385,506 | 1,475,151 | 100.00 | 1,479,538 | 25,021,506 | 23,027,258 | (Note 4 、 7) |
| CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. | Plastic machinery, molds and its accessory products | 236,725 | 2 | 68,602 | - | - | 68,602 | 20,610 | 50.00 | 10,305 | 303,185 | 478,714 | (Note 7) |
| 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 | 2,785,000 | 2 | - | - | - | - | 345,232 | 100.00 | 346,841 | 5,644,468 | 1,480,799 | (Note 4 、 7) |
| KUNSHAN MAXXIS TIRE CO., LTD | Retail of accessories for rubber tires | 21,525 | 2 | - | - | - | - | 3,192 | 100.00 | 3,192 | 45,301 | - | (Note 7) |
| TIANJIN TAFENG RUBBER IND CO., LTD. | Warehouse logistics and after- sales service centre | 501,300 | 2 | - | - | - | - | (32,950) | 100.00 | (32,950) | 671,838 | 757,407 | (Note 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 | 3,620,500 | 2 | - | - | - | - | (355,149) | 100.00 | (355,149) | 12,109,392 | 4,245,663 | (Note 3 、 7) |

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Nine-month period ended September 30, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital (Note 6) | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 | Net income of investee as of September 30, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021, (Note 2) | Book value of investments in Mainland China as of September 30, 2021 | Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021 | Footnote |
|--|--|-----------------------------|-------------------------------|--|---|------|---|--|--|---|--|--|--------------|
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products | \$ 1,253,250 | 2 | \$ - | \$ - | \$ - | \$ - | \$ 469,831 | 100.00 | \$ 469,427 | \$ 8,318,825 | \$ 5,886,139 | (Note 7) |
| CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks | 557,000 | 2 | - | - | - | - | (72,888) | 100.00 | (72,888) | - | - | |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. | Distribution of rubber and components of tires | 150,675 | 2 | - | - | - | - | (2,772) | 95.00 | (2,633) | 95,354 | - | (Note 7) |
| CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. | International container transportation business | 62,043 | 2 | - | - | - | - | 26,033 | 49.00 | 12,756 | 137,538 | - | (Note 7) |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products | 4,089,750 | 2 | - | - | - | - | 801,763 | 100.00 | 801,774 | 7,136,115 | 790,653 | (Note 5 、 7) |
| XIAMEN ESATE CO., LTD. | Construction and trading of employees' housing | 1,635,900 | 2 | - | - | - | - | 19,244 | 100.00 | 19,244 | 2,000,275 | - | (Note 7) |

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd, respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 27.85: USD 1 and NTD 4.305: RMB 1 prevailing on September 30, 2021.

Note 7: Investment income (loss) was recognised based on the financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

CHENG SHIN RUBBER IND. CO., LTD.
Ceiling on investments in Mainland China
Nine-month period ended September 30, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 (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. | \$ 3,422,765 | \$ 18,740,465 | \$ - |

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

September 30, 2021

Table 10

| Name of major shareholders | Shares | |
|----------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| Luo, Ming-Han | 370,176,378 | 11.42 |
| Luo Jye Memory Co Ltd. | 324,430,630 | 10.00 |
| Luo, Jye | 224,163,978 | 6.91 |

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were held by registered and the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System.