

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 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' REPORT TRANSLATED FROM CHINESE

PWCR 21004219

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

Opinion

We have audited the accompanying balance sheets of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) as at December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the “other matter” section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(31). For the detail of sales revenue, please refer to Note 6(21). For the year ended December 31, 2021, the sales revenue amounted to NT\$20,707,983 thousand.

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

How our audit addressed the matter

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

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

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

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2021, the unfinished construction and equipment under acceptance amounted to NT\$770,410 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$9,594,273 thousand and NT\$3,651,433 thousand, representing 8% and 3% of total assets as at December 31, 2021 and 2020, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$1,416,841 thousand and NT\$881,676 thousand, representing 33% and 14% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2022

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

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,222,074	8	\$ 6,119,194	5
1110	Financial assets at fair value through profit or loss - current	6(2)	17,648	-	820	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	23,083	-	29,817	-
1150	Notes receivable, net	6(4)	55,293	-	33,790	-
1170	Accounts receivable, net	6(4)	955,676	1	1,307,148	1
1180	Accounts receivable - related parties	7	1,882,288	2	1,825,562	2
130X	Inventories	6(5)	2,783,085	2	2,314,673	2
1410	Prepayments		91,981	-	92,383	-
1470	Other current assets	7	359,956	-	619,867	1
11XX	Current Assets		15,391,084	13	12,343,254	11
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	58,187	-	58,187	-
1550	Investments accounted for using the equity method	6(6)	83,420,591	72	84,402,691	74
1600	Property, plant and equipment, net	6(7)(29)	15,540,737	13	16,234,596	14
1755	Right-of-use assets	6(8)	73,639	-	102,073	-
1760	Investment property, net	6(9)	288,881	-	289,427	-
1780	Intangible assets	6(10)	23,483	-	8,740	-
1840	Deferred income tax assets	6(27)	1,744,851	2	1,543,156	1
1900	Other non-current assets		1,934	-	1,726	-
15XX	Non-current assets		101,152,303	87	102,640,596	89
1XXX	Total assets		\$ 116,543,387	100	\$ 114,983,850	100

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CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(11)(30)	\$ 2,800,000	2	\$ 1,400,000	1
2130	Current contract liabilities	6(21)	257,430	-	116,293	-
2170	Accounts payable		1,204,144	1	1,286,500	1
2180	Accounts payable - related parties	7	44,103	-	380,533	-
2200	Other payables	6(12) and 7	1,714,016	2	1,629,607	2
2230	Current income tax liabilities	6(27)	828,168	1	800,063	1
2280	Current lease liabilities	7	40,111	-	41,976	-
2320	Long-term liabilities, current portion	6(14)(15)(30)	7,700,000	7	7,658,333	7
2399	Other current liabilities, others	6(13)	86,970	-	72,639	-
21XX	Current Liabilities		14,674,942	13	13,385,944	12
Non-current liabilities						
2530	Corporate bonds payable	6(14)(30)	10,500,000	9	8,500,000	7
2540	Long-term borrowings	6(15)(30)	7,700,000	7	10,541,667	9
2570	Deferred income tax liabilities	6(27)	855,071	1	982,529	1
2580	Non-current lease liabilities	7	34,178	-	60,213	-
2600	Other non-current liabilities	6(6)(16)	1,860,727	1	1,076,402	1
25XX	Non-current liabilities		20,949,976	18	21,160,811	18
2XXX	Total liabilities		35,624,918	31	34,546,755	30
Equity						
Share capital						
3110	Shares capital - common stock	6(17)	32,414,155	28	32,414,155	28
Capital surplus						
3200	Capital surplus	6(18)	67,770	-	53,267	-
Retained earnings						
3310	Legal reserve	6(19)	16,132,580	14	15,533,661	14
3320	Special reserve		6,611,296	6	6,904,245	6
3350	Unappropriated retained earnings		33,280,806	28	32,143,063	28
Other equity interest						
3400	Other equity interest	6(20)	(7,588,138)	(7)	(6,611,296)	(6)
3XXX	Total equity		80,918,469	69	80,437,095	70
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 116,543,387	100	\$ 114,983,850	100

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 20,707,983	100	\$ 18,926,294	100
5000	Operating costs	6(5)	(15,190,338)	(73)	(14,228,603)	(75)
5900	Net operating margin		5,517,645	27	4,697,691	25
5910	Unrealized loss (profit) from sales		32,649	-	(138,985)	(1)
5950	Gross profit from operation		5,550,294	27	4,558,706	24
	Operating expenses					
6100	Selling expenses		(1,527,034)	(8)	(1,689,243)	(9)
6200	General and administrative expenses		(1,056,241)	(5)	(812,274)	(4)
6300	Research and development expenses		(795,155)	(4)	(1,103,893)	(6)
6000	Total operating expenses		(3,378,430)	(17)	(3,605,410)	(19)
6900	Operating profit		2,171,864	10	953,296	5
	Non-operating income and losses					
7100	Interest income	6(22) and 7	30,382	-	82,028	-
7010	Other income	6(23) and 7	1,084,370	5	1,231,200	7
7020	Other gains and losses	6(24)	(215,385)	(1)	(176,563)	(1)
7050	Finance costs	6(25)	(222,166)	(1)	(267,079)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method		3,457,430	17	4,923,152	26
7000	Total non-operating income and losses		4,134,631	20	5,792,738	31
7900	Profit before income tax		6,306,495	30	6,746,034	36
7950	Income tax expense	6(27)	(1,036,488)	(5)	(757,332)	(4)
8200	Profit for the year		\$ 5,270,007	25	\$ 5,988,702	32
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(16)	\$ 81,712	-	\$ 1,267	-
8316	Unrealized gain on valuation of equity instruments at fair value through profit or loss	6(3)	(6,734)	-	3,882	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)	(1,965)	-	(528)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(16,342)	-	(253)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		56,671	-	4,368	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(1,212,635)	(6)	361,334	2
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	242,527	2	(72,267)	(1)
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(970,108)	(4)	289,067	1
8300	Other comprehensive (loss) income for the year		(\$ 913,437)	(4)	\$ 293,435	1
8500	Total comprehensive income for the year		\$ 4,356,570	21	\$ 6,282,137	33
9750	Basic earnings per share	6(28)	\$ 1.63		\$ 1.85	
9850	Diluted earnings per share	6(28)	\$ 1.62		\$ 1.85	

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Capital Surplus				Retained Earnings			Other equity interest		
									Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings			Total equity
<u>Year ended December 31, 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
		-	-	-	-	-	-	5,988,702	-	-	5,988,702
	6(20)	-	-	-	-	-	-	486	289,067	3,882	293,435
		-	-	-	-	-	-	5,989,188	289,067	3,882	6,282,137
Appropriation and distribution of 2019 earnings:											
		-	-	-	-	346,683	-	(346,683)	-	-	-
		-	-	-	-	-	1,703,947	(1,703,947)	-	-	-
	6(19)	-	-	-	-	-	-	(3,241,416)	-	-	(3,241,416)
		-	-	-	691	-	-	-	-	-	691
		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 691</u>	<u>\$ 15,533,661</u>	<u>\$ 6,904,245</u>	<u>\$ 32,143,063</u>	<u>(\$ 6,632,448)</u>	<u>\$ 21,152</u>	<u>\$ 80,437,095</u>
<u>Year ended December 31, 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
		-	-	-	-	-	-	5,270,007	-	-	5,270,007
	6(20)	-	-	-	-	-	-	63,405	(970,108)	(6,734)	(913,437)
		-	-	-	-	-	-	5,333,412	(970,108)	(6,734)	4,356,570
Appropriation and distribution of 2020 earnings:											
		-	-	-	-	598,919	-	(598,919)	-	-	-
		-	-	-	-	-	(292,949)	292,949	-	-	-
	6(19)	-	-	-	-	-	-	(3,889,699)	-	-	(3,889,699)
		-	-	-	14,503	-	-	-	-	-	14,503
		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 15,194</u>	<u>\$ 16,132,580</u>	<u>\$ 6,611,296</u>	<u>\$ 33,280,806</u>	<u>(\$ 7,602,556)</u>	<u>\$ 14,418</u>	<u>\$ 80,918,469</u>

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,306,495	\$ 6,746,034
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised gain (loss) on inter-company transaction		(43,800)	133,967
Depreciation	6(7)(26)	1,547,795	1,586,627
Depreciation expense on right-of-use assets	6(8)(26)	45,408	49,640
Depreciation on investment property	6(9)(26)	546	606
Amortisation expense	6(10)(26)	24,450	42,088
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(24)	2,687	755
Gain on disposal of property, plant and equipment	6(7)(24)	(100,957)	(139,775)
Share of profit of associates and joint ventures accounted for using equity method		(3,457,430)	(4,923,152)
Interest income	6(22)	(30,382)	(82,028)
Dividends received		(7,265)	-
Interest expense	6(25)	222,166	267,079
Disaster loss	6(5)(7)(24) and 10	-	279
Effect of exchange rate changes on cash and cash equivalents		(216,162)	(188,697)
Changes in operating assets and liabilities			
Changes in operating assets			
Net changes in financial assets at fair value through profit or loss		(19,515)	(1,575)
Notes receivable, net		(21,503)	(10,871)
Accounts receivable		351,471	145,760
Accounts receivable - related parties		(56,725)	(446,354)
Inventories		(466,259)	215,410
Other current assets		240,063	57,137
Changes in operating liabilities			
Contract liabilities - current		141,137	16,415
Accounts payable		(82,356)	238,639
Accounts payable - related parties		(336,430)	335,368
Other payables		86,808	85,602
Accrued pension liabilities		(10,469)	(156,356)
Other current liabilities		14,331	6,776
Cash inflow generated from operations		4,134,104	3,687,854
Interest received		53,837	83,030
Dividends received		4,249,370	3,141,139
Interest paid		(223,110)	(272,345)
Income tax paid		(1,111,352)	(670,034)
Net cash flows from operating activities		7,102,849	5,969,644

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CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method		\$ -	(\$ 2,689,340)
Acquisition of property, plant and equipment	6(7)(29)	(861,701)	(1,392,925)
Proceeds from disposal of property, plant and equipment		4,769	61,719
Acquisition of investment properties	6(9)	-	(82)
Acquisition of intangible assets	6(10)	(39,193)	(10,195)
Increase in refundable deposits		(210)	(391)
Net cash flows used in investing activities		(896,335)	(4,031,214)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(11)(30)	4,800,000	2,800,000
Decrease in short-term borrowings	6(11)(30)	(3,400,000)	(3,850,000)
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)	3,600,000	6,800,000
Repayments of long-term borrowings	6(15)(30)	(6,400,000)	(4,500,000)
Increase in guarantee deposits received	6(30)	971	1,746
Repayments of principal portion of lease liabilities	6(8)(30)	(45,571)	(44,526)
Cash dividends paid	6(19)(30)	(3,889,699)	(3,241,416)
Capital surplus arising from donated assets		14,503	691
Net cash flows used in financing activities		(3,319,796)	(4,533,505)
Effect of exchange rate changes on cash and cash equivalents		216,162	188,697
Net increase (decrease) in cash and cash equivalents		3,102,880	(2,406,378)
Cash and cash equivalents at beginning of year	6(1)	6,119,194	8,525,572
Cash and cash equivalents at end of year	6(1)	\$ 9,222,074	\$ 6,119,194

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

CHENG SHIN RUBBER IND. CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated on December 1969 and is primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery. The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements have been authorized for issuance by the Board of Directors on March 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from Applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendments 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 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 IFRS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

(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 IFRS 17, 'Initial application of IFRS 17 and IFRS 9—comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The accompanying parent company only financial statements are prepared in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The accompanying parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

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

(4) Classification of current and non-current items

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

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

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

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

(5) Cash equivalents

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

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

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

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

C. At initial recognition, the Company measures the financial assets at fair value and recognises the

transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

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

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

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

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

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit

or loss when the related assets or liabilities are disposed of.

- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

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

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

or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and

the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

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

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

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

(17) Investment property

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

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 8 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

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

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

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

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

(23) Bonds payable

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

(24) Derecognition of financial liabilities

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

(25) Offsetting financial instruments

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

(26) Financial guarantee contracts

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(27) Non-hedging derivatives

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

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected

to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Employees', directors' and supervisors' remuneration

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

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the

year the stockholders resolve to retain the earnings.

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

(30) Dividends

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

(31) Revenue recognition

Sales of goods

- A. The Company manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for

acceptance have been satisfied.

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

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There are no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 1,002	\$ 550
Checking deposits	14,977	1,728
Demand deposits	2,083,887	1,368,747
Foreign currency deposits	7,122,208	4,684,693
Time deposits	-	63,476
	<u>\$ 9,222,074</u>	<u>\$ 6,119,194</u>
Interest rate range		
Time deposits	<u>\$ -</u>	<u>1.70%~2.20%</u>

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

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

Item	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ <u>17,648</u>	\$ <u>820</u>

A. The Company recognized net loss amounting to \$2,687 thousand and \$755 thousand on financial assets mandatorily measured at fair value through profit or loss – derivative instruments for the years ended December 31, 2021 and 2020, respectively.

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

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

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

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

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

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

Items	December 31, 2021	December 31, 2020
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	14,418	21,152
Total	<u>\$ 23,083</u>	<u>\$ 29,817</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>

- A. The Company has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$81,270 thousand and \$88,004 thousand as at December 31, 2021 and 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:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	<u>(\$ 6,734)</u>	<u>\$ 3,882</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 receivables

	December 31, 2021	December 31, 2020
Notes receivable	\$ 64,570	\$ 43,067
Less: Loss allowance	<u>(9,277)</u>	<u>(9,277)</u>
	<u>\$ 55,293</u>	<u>\$ 33,790</u>
Accounts receivable	\$ 967,394	\$ 1,318,866
Less: Loss allowance	<u>(11,718)</u>	<u>(11,718)</u>
	<u>\$ 955,676</u>	<u>\$ 1,307,148</u>

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 812,143	\$ 64,570	\$ 1,156,459	\$ 43,067
Up to 30 days	107,924	-	124,191	-
31 -90 days	38,069	-	23,146	-
91 -180 days	4,825	-	7,046	-
Over 180 days	4,433	-	8,024	-
	<u>\$ 967,394</u>	<u>\$ 64,570</u>	<u>\$ 1,318,866</u>	<u>\$ 43,067</u>

The above ageing analysis was based on past due date.

- B. As at December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2020, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$2,563,515 thousand.
- C. As at December 31, 2021 and 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 Company's notes and accounts receivable was \$55,293 thousand and \$33,790 thousand; \$955,676 thousand and \$1,307,148 thousand, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 1,328,125	\$ -	\$ 1,328,125
Work in progress	447,047	-	447,047
Finished goods	1,021,817	(13,904)	1,007,913
	<u>\$ 2,796,989</u>	<u>(\$ 13,904)</u>	<u>\$ 2,783,085</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,005,128	\$ -	\$ 1,005,128
Work in progress	725,376	-	725,376
Finished goods	598,073	(13,904)	584,169
	<u>\$ 2,328,577</u>	<u>(\$ 13,904)</u>	<u>\$ 2,314,673</u>

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of goods sold	\$ 15,220,854	\$ 14,156,766
Unallocated overheads	-	88,566
Others	(30,516)	(16,729)
	<u>\$ 15,190,338</u>	<u>\$ 14,228,603</u>

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

(6) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Subsidiaries:		
MAXXIS International Co., Ltd.	\$ 42,473,721	\$ 42,371,102
CST Trading Ltd.	27,697,590	26,823,193
MAXXIS Trading Ltd.	9,287,333	10,627,664
CHENG SHIN RUBBER USA, INC.	2,321,753	2,495,535
PT MAXXIS International Indonesia	135,796	685,105
CHENG SHIN RUBBER CANADA, INC.	647,155	677,839
MAXXIS (Taiwan) Trading CO., LTD	543,185	421,097
MAXXIS Tech Center Europe B.V.	76,451	78,617
PT. MAXXIS TRADING INDONESIA	42,593	32,572
Maxxis Europe B.V.	2,606	3,917
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	689	408
MAXXIS RUBBER JAPAN CO., LTD.	11,302	12,661
Associates:		
NEW PACIFIC INDUSTRY COMPANY LIMITED	180,417	172,981
	<u>\$ 83,420,591</u>	<u>\$ 84,402,691</u>

A. As at December 31, 2021, the credit balance of long-term equity investments, shown as 'other non-current liabilities', is due to the Company continuously providing financial support.

	December 31, 2021	December 31, 2020
Subsidiary:		
MAXXIS Rubber India Private Limited	<u>\$ 1,358,435</u>	<u>\$ 484,002</u>

B. Subsidiary

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2021.

C. Joint ventures

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

As at December 31, 2021 and 2020, the carrying amount of the Company's individually immaterial joint ventures amounted to \$180,417 thousand and \$172,981 thousand, respectively.

	Year ended December 31, 2021	Year ended December 31, 2020
Share of profit of joint ventures accounted for using equity method	\$ 19,401	\$ 18,520
Other comprehensive loss - net of tax	(1,965)	(528)
Total comprehensive income	<u>\$ 17,436</u>	<u>\$ 17,992</u>

(7) Property, plant and equipment, net

	Year ended December 31, 2021				
	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,563,263	76,375	-	218,780	6,858,418
Machinery	13,831,156	311,390	(76,529)	90,087	14,156,104
Testing equipment	819,918	1,495	(928)	5,939	826,424
Transportation equipment	196,801	1,718	(731)	-	197,788
Office equipment	192,593	7,238	-	-	199,831
Other facilities	4,615,654	218,689	(10,951)	26,347	4,849,739
Unfinished construction and equipment under acceptance	872,265	245,142	(487)	(346,510)	770,410
	<u>\$ 31,017,118</u>	<u>\$ 862,047</u>	<u>(\$ 89,626)</u>	<u>(\$ 5,357)</u>	<u>\$ 31,784,182</u>
Accumulated depreciation					
Buildings and structures	(\$ 2,504,676)	(\$ 187,346)	\$ -	\$ -	(\$ 2,692,022)
Machinery	(7,739,977)	(760,448)	76,529	-	(8,423,896)
Testing equipment	(713,846)	(44,559)	928	-	(757,477)
Transportation equipment	(149,270)	(15,522)	538	-	(164,254)
Office equipment	(144,271)	(29,016)	-	-	(173,287)
Other facilities	(3,530,482)	(510,904)	8,877	-	(4,032,509)
	<u>(\$ 14,782,522)</u>	<u>(\$ 1,547,795)</u>	<u>\$ 86,872</u>	<u>\$ -</u>	<u>(\$ 16,243,445)</u>
	<u>\$ 16,234,596</u>				<u>\$ 15,540,737</u>

Year ended December 31, 2020					
	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,390,907	47,874	(7,234)	131,716	6,563,263
Machinery	12,717,065	414,320	(184,248)	884,019	13,831,156
Testing equipment	771,319	21,749	-	26,850	819,918
Transportation equipment	198,861	650	(2,710)	-	196,801
Office equipment	175,642	16,951	-	-	192,593
Other facilities	4,171,958	322,876	(3,166)	123,986	4,615,654
Unfinished construction and equipment under acceptance	1,673,323	368,710	(810)	(1,168,958)	872,265
	<u>\$ 30,024,543</u>	<u>\$ 1,193,130</u>	<u>(\$ 198,168)</u>	<u>(\$ 2,387)</u>	<u>\$ 31,017,118</u>
Accumulated depreciation					
Buildings and structures	(\$ 2,326,005)	(\$ 180,888)	\$ 2,217	\$ -	(\$ 2,504,676)
Machinery	(7,131,601)	(743,640)	135,377	(113)	(7,739,977)
Testing equipment	(669,399)	(44,447)	-	-	(713,846)
Transportation equipment	(132,315)	(18,263)	1,308	-	(149,270)
Office equipment	(110,539)	(33,732)	-	-	(144,271)
Other facilities	(2,966,430)	(565,657)	1,492	113	(3,530,482)
	<u>(\$ 13,336,289)</u>	<u>(\$ 1,586,627)</u>	<u>\$ 140,394</u>	<u>\$ -</u>	<u>(\$ 14,782,522)</u>
	<u>\$ 16,688,254</u>				<u>\$ 16,234,596</u>

On September 26, 2020, a plant located in Xizhou owned by the Company absorbed some fire damage. The book value of the buildings and equipment which were damaged by the fire amounted to \$51,367 thousand. The Company has relevant property insurance and has filed a claim to the insurance company. The related losses and estimated insurance claims income are presented in net amount and are shown as losses under other gains and losses. Information relating to the fire damage is provided in Note 10.

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land, buildings, business vehicles, and multifunction printers. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets of land may not be used as security for borrowing purposes.
- B. Short-term leases comprise forklift trucks and stacking machines. Low-value assets comprise of defibrillators.
- C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2021	December 31, 2020
	Book value	Book value
Land	\$ 27,440	\$ 41,159
Buildings and structures	1,158	3,788
Transportation equipment	31,984	37,976
Office equipment	3,253	4,854
Other equipment	9,804	14,296
	<u>\$ 73,639</u>	<u>\$ 102,073</u>
	Year ended December 31, 2021	Year ended December 31, 2020
	Depreciation expense	Depreciation expense
Land	\$ 13,720	\$ 16,925
Buildings and structures	2,630	3,125
Transportation equipment	23,706	23,526
Office equipment	1,335	1,798
Other equipment	4,017	4,266
	<u>\$ 45,408</u>	<u>\$ 49,640</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$20,538 thousand and \$44,419 thousand, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Items affecting profit or loss		
Interest expense on lease liabilities	\$ 734	\$ 990
Expense on short-term lease contracts	1,188	3,019
Expense on leases of low-value assets	87	87
Expense on variable lease payments	<u>3,281</u>	<u>8,953</u>
	<u>\$ 5,290</u>	<u>\$ 13,049</u>

- F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases amounted to \$45,571 thousand and \$45,516 thousand, respectively.
- G. Variable lease payments
- (a) Some of the Company's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 6.47% and 14.28% of

lease payments are on the basis of variable payment terms and are accrued based on the stored amount of tires for the years ended December 31, 2021 and 2020, respectively. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

- (b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$33 thousand and \$90 thousand for the years ended December 31, 2021 and 2020, respectively.

(9) Investment property, net

Year ended December 31, 2021				
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,421	\$ -	\$ -	\$ 336,421
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,187</u>
Accumulated depreciation				
Buildings and structures	(\$ 23,722)	(\$ 546)	\$ -	(\$ 24,268)
Accumulated impairment				
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 289,427</u>			<u>\$ 288,881</u>
Year ended December 31, 2020				
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,339	\$ 82	\$ -	\$ 336,421
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,105</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 364,187</u>
Accumulated depreciation				
Buildings and structures	(\$ 23,116)	(\$ 606)	\$ -	(\$ 23,722)
Accumulated impairment				
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 289,951</u>			<u>\$ 289,427</u>

A. Rental income from investment property is shown below:

	Year ended December 31, 2021	Year ended December 31, 2020
Rental income from investment property	\$ 9,288	\$ 8,725
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 546	\$ 606

- B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 were both \$557,821 thousand, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.
- C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Intangible assets

Year ended December 31, 2021					
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	\$ 126,108	\$ 39,193	(\$ 18,373)	\$ -	\$ 146,928
Accumulated amortisation					
Software	(\$ 117,368)	(\$ 24,450)	\$ 18,373	\$ -	(\$ 123,445)
	<u>\$ 8,740</u>				<u>\$ 23,483</u>
Year ended December 31, 2020					
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	\$ 128,454	\$ 10,195	(\$ 12,541)	\$ -	\$ 126,108
Accumulated amortisation					
Software	(\$ 87,821)	(\$ 42,088)	\$ 12,541	\$ -	(\$ 117,368)
	<u>\$ 40,633</u>				<u>\$ 8,740</u>

Details of amortization on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating costs	\$ 1,051	\$ 1,016
Administrative expenses	13,467	29,481
Research and development expenses	9,932	11,591
	<u>\$ 24,450</u>	<u>\$ 42,088</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 2,800,000</u>	0.38%~0.52%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 1,400,000</u>	0.45%~0.74%	None

(12) Other payables

	December 31, 2021	December 31, 2020
Employee compensation payable	\$ 270,248	\$ 232,596
Wages and salaries payable	654,732	518,769
Payable on machinery and equipment	128,196	127,850
Compensation due to directors	98,028	91,611
Others	562,812	658,781
	<u>\$ 1,714,016</u>	<u>\$ 1,629,607</u>

(13) Other current liabilities

	December 31, 2021	December 31, 2020
Receipts under custody	86,002	69,158
Others	968	3,481
	<u>\$ 86,970</u>	<u>\$ 72,639</u>

(14) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable - issued in 2016	\$ -	\$ 2,500,000
Bonds payable - issued in 2017	3,500,000	7,000,000
Bonds payable - issued in 2018	5,000,000	5,000,000
Bonds payable - issued in 2021	8,000,000	-
	<u>16,500,000</u>	<u>14,500,000</u>
Less: Current portion	(6,000,000)	(6,000,000)
	<u>\$ 10,500,000</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 FSC on July 27, 2021 and completed on August 5, 2021. The bonds were fully issued and total issuance amount was \$8 billion with a coupon rate of 0.60%. The issuance period of the bonds was 5 years, which is from August 5, 2021 to August 5, 2026. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- D. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:

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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until October, 2025.	0.70%~0.81%	None	\$ 9,400,000
Less: Current portion				(1,700,000)
				<u>\$ 7,700,000</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until October, 2025.	0.70%~1.00%	None	\$ 12,200,000
Less: Current portion				(1,658,333)
				<u>\$ 10,541,667</u>

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2021 and 2020.

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor

pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 1,170,562	\$ 1,278,916
Fair value of plan assets	(678,036)	(695,313)
Net defined benefit liability	\$ 492,526	\$ 583,603

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

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

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

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2021 and 2020, the actual return on plan assets was \$13,052 thousand and \$28,358 thousand, respectively.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	<u>0.70%</u>	<u>0.30%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

For the years ended December 31, 2021 and 2020, assumptions regarding future mortality experience are set based on the 6th and 5th empirical life table estimation in Taiwan life insurance industry, respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 25,473)	\$ 26,377	\$ 22,962	(\$ 22,331)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 30,281)	\$ 31,415	\$ 27,471	(\$ 26,674)

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$13,256 thousand.
- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 9 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

Within 1 year	\$	135,273
2-5 years		289,387
Over 6 years		306,008
	\$	<u>730,668</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$148,645 thousand and \$152,470 thousand, respectively.

(17) Share capital

As at December 31, 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 Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The Company recognised dividends distributed to shareholders amounting to \$3,889,699 thousand and \$3,241,416 thousand (\$1.2 (in dollars) and \$1.0 (in dollars) per share) for the years ended December 31, 2021 and 2020, respectively. On March 24, 2022, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2021 was \$3,889,699 thousand at \$1.2 (in dollars) per share.

(20) Other equity items

2021			
	Currency translation	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 6,632,448)	\$ 21,152	(\$ 6,611,296)
Valuation adjustment – Company	-	(6,734)	(6,734)
Currency translation differences:			
– Subsidiaries and associates	(1,212,635)	-	(1,212,635)
– Tax on subsidiaries and associates	242,527	-	242,527
At December 31	<u>(\$ 7,602,556)</u>	<u>\$ 14,418</u>	<u>(\$ 7,588,138)</u>
2020			
	Currency translation	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 6,921,515)	\$ 17,270	(\$ 6,904,245)
Valuation adjustment – Company	-	3,882	3,882
Currency translation differences:			
– Subsidiaries and associates	361,334	-	361,334
– Tax on subsidiaries and associates	(72,267)	-	(72,267)
At December 31	<u>(\$ 6,632,448)</u>	<u>\$ 21,152</u>	<u>(\$ 6,611,296)</u>

(21) Operating revenue

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue from contracts with customers	<u>\$ 20,707,983</u>	<u>\$ 18,926,294</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2021					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 2,397,277	\$ 291,833	\$ 1,108,187	\$ 7,154,261	\$ 10,951,558
Inter-segment revenue	<u>3,687,771</u>	<u>68,707</u>	<u>5,205,401</u>	<u>794,546</u>	<u>9,756,425</u>
Total segment revenue	<u>\$ 6,085,048</u>	<u>\$ 360,540</u>	<u>\$ 6,313,588</u>	<u>\$ 7,948,807</u>	<u>\$ 20,707,983</u>
Year ended December 31, 2020					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 1,955,732	\$ 258,970	\$ 1,221,036	\$ 5,953,795	\$ 9,389,533
Inter-segment revenue	<u>3,798,690</u>	<u>85,560</u>	<u>4,763,551</u>	<u>888,960</u>	<u>9,536,761</u>
Total segment revenue	<u>\$ 5,754,422</u>	<u>\$ 344,530</u>	<u>\$ 5,984,587</u>	<u>\$ 6,842,755</u>	<u>\$ 18,926,294</u>

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities:			
Advance sales receipts	\$ <u>257,430</u>	\$ <u>116,293</u>	\$ <u>99,878</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period:			
	Year ended December 31, 2021	Year ended December 31, 2020	
Advance sales receipts	\$ <u>105,516</u>	\$ <u>81,161</u>	

(22) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	\$ 15,836	\$ 64,822
Interest income endorsements/guarantees	<u>14,546</u>	<u>17,206</u>
	<u>\$ 30,382</u>	<u>\$ 82,028</u>

(23) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue from patent royalties	\$ 442,228	\$ 454,383
Revenue from trademark royalties	323,453	322,076
Revenue from commission	205,087	183,359
Revenue from dividend	7,265	17,694
Revenue from per diem	12,620	10,700
Others	<u>93,717</u>	<u>242,988</u>
	<u>\$ 1,084,370</u>	<u>\$ 1,231,200</u>

(24) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
Net currency exchange loss	(\$ 301,958)	(\$ 299,383)
Gain on disposal of property, plant and equipment	100,957	139,775
Loss on financial assets and liabilities at fair value through profit or loss	(2,687)	(755)
Disaster loss	-	(279)
Miscellaneous disbursements	(11,697)	(15,921)
	<u>(\$ 215,385)</u>	<u>(\$ 176,563)</u>

(25) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense:		
Bank borrowings	\$ 87,427	\$ 119,706
Corporate bonds	134,005	146,383
Lease liability-interest expense	734	990
	<u>\$ 222,166</u>	<u>\$ 267,079</u>

(26) Expenses by nature

	Year ended December 31, 2021		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,677,179	\$ 1,371,487	\$ 4,048,666
Labour and health insurance fees	240,080	119,725	359,805
Pension costs	109,224	54,326	163,550
Directors' remuneration	-	113,941	113,941
Other personnel expenses	78,591	17,314	95,905
	<u>\$ 3,105,074</u>	<u>\$ 1,676,793</u>	<u>\$ 4,781,867</u>
Raw materials and supplies used	<u>\$ 8,402,513</u>	<u>\$ -</u>	<u>\$ 8,402,513</u>
Depreciation expense on property, plant and equipment	<u>\$ 1,381,979</u>	<u>\$ 165,816</u>	<u>\$ 1,547,795</u>
Depreciation expense on right-of-use assets	<u>\$ 20,709</u>	<u>\$ 24,699</u>	<u>\$ 45,408</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 546</u>
Amortisation expense on intangible assets	<u>\$ 1,051</u>	<u>\$ 23,399</u>	<u>\$ 24,450</u>
Year ended December 31, 2020			
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,663,121	\$ 1,373,297	\$ 4,036,418
Labour and health insurance fees	249,375	124,210	373,585
Pension costs	112,404	60,482	172,886
Directors' remuneration	-	95,691	95,691
Other personnel expenses	86,328	20,384	106,712
	<u>\$ 3,111,228</u>	<u>\$ 1,674,064</u>	<u>\$ 4,785,292</u>
Raw materials and supplies used	<u>\$ 7,544,078</u>	<u>\$ -</u>	<u>\$ 7,544,078</u>
Depreciation expense on property, plant and equipment	<u>\$ 1,395,316</u>	<u>\$ 191,311</u>	<u>\$ 1,586,627</u>
Depreciation expense on right-of-use assets	<u>\$ 21,187</u>	<u>\$ 28,453</u>	<u>\$ 49,640</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ 606</u>
Amortisation expense on intangible assets	<u>\$ 1,016</u>	<u>\$ 41,072</u>	<u>\$ 42,088</u>

Note: As at December 31, 2021 and 2020, the Company had 5,262 and 5,904 employees, respectively, of which 9 directors were not the Company's employee.

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. Average employee benefit costs for the year ended December 31, 2021 was \$889 thousand ((Total employee benefit costs for the year ended December 31, 2021 – Total directors' remuneration for the year ended December 31, 2021) / (Number of employees for the year ended December 31, 2021 – Number of non-employee directors for the year ended December 31, 2021)). Average employee benefit costs for the year ended December 31, 2020 was \$796 thousand ((Total

employee benefit costs for the year ended December 31, 2020 – Total directors' remuneration for the year ended December 31, 2020) / (Number of employees for the year ended December 31, 2020 – Number of non-employee directors for the year ended December 31, 2020)).

- C. Average employee wages and salaries for the year ended December 31, 2021 were \$771 thousand (Total employee wages and salaries for the year ended December 31, 2021 / (Number of employees for the year ended December 31, 2021 – Number of non-employee directors for the year ended December 31, 2021)). Average employee wages and salaries for the year ended December 31, 2020 were \$685 thousand (Total employee wages and salaries for the year ended December 31, 2020 / (Number of employees for the year ended December 31, 2020 – Number of non-employee directors for the year ended December 31, 2020)).
- D. Changes of average employee wages and salaries was 12.55% ((Average employee wages and salaries for the year ended December 31, 2021 - Average employee wages and salaries for the year ended December 31, 2020) / Average employee wages and salaries for the year ended December 31, 2020).

(a) The Company has set up an audit committee, so there are no supervisors.

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

The Company's independent director remuneration is delegated to the Board to decide and will be decided according to their participation procedure and contribution to the Company's operation and the common standard in the industry. The independent directors receive a fixed amount of remuneration and the traveling expenses of attending meetings. They do not receive other forms of remuneration and may not participate in the distribution of the Company's director remuneration.

The employees' emolument of the Company mainly includes salary, bonus, employee compensation, etc. The payment standard is set according to the industry salary standard, the Company's operating conditions, employees' personal performance, the position held and the responsibility assumed as well as in compliance with the laws and regulations. The employees' compensation is distributed according to the Company's Articles of Incorporation and distributable profit of the year. The employees' emolument do not vary according to age, gender, race, religion, political affiliation, marital status and union membership.

- E. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$130,705 thousand and \$139,544 thousand, respectively; while directors' remuneration was accrued at \$98,028 thousand and \$91,611 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2% and 1.5% of distributable profit of current year for the year ended December 31, 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 March 24, 2022, 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:

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax:		
Current tax on profits for the period	\$ 1,086,432	\$ 1,261,903
Prior year income tax overestimation	(1,987)	(196,115)
Additional 5% tax on undistributed earnings	55,011	-
Total current tax	1,139,456	1,065,788
Deferred tax:		
Origination and reversal of temporary differences	(102,968)	(308,456)
Income tax expense	<u>\$ 1,036,488</u>	<u>\$ 757,332</u>

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

	Year ended December 31, 2021	Year ended December 31, 2020
Generated during the period:		
Currency translation differences	\$ 242,527	(\$ 72,267)
Remeasurement of defined benefit obligations	(16,342)	(253)
Total generated during the period	226,185	72,520
Income tax from other comprehensive income	<u>\$ 226,185</u>	<u>(\$ 72,520)</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	\$ 1,261,299	\$ 1,349,207
Effects from items disallowed by tax regulation	70,321	81,147
Income from investing overseas subsidiaries not recognized as deferred tax liabilities	(598,266)	(820,398)
Temporary differences not recognised as deferred tax assets	321,145	550,979
Tax exempt income by tax regulation	(71,035)	(51,193)
Effect from investment tax credits	-	(156,295)
Prior year income tax overestimation	(1,987)	(196,115)
Additional 5% tax on undistributed earnings	55,011	-
Income tax expense	<u>\$ 1,036,488</u>	<u>\$ 757,332</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 156,234	(\$ 28,548)	\$ -	\$ 127,686
Remeasurement of defined benefit obligations	165,549	-	(16,342)	149,207
Exchange differences on translation of foreign financial statements	1,136,794	-	242,527	1,379,321
Unrealised exchange loss	68,818	(42,256)	-	26,562
Others	15,761	46,314	-	62,075
Subtotal	<u>\$ 1,543,156</u>	<u>(\$ 24,490)</u>	<u>\$ 226,185</u>	<u>\$ 1,744,851</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 449,284)	\$ 115,209	\$ -	(\$ 334,075)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Others	(18,512)	12,249	-	(6,263)
Subtotal	<u>(\$ 982,529)</u>	<u>\$ 127,458</u>	<u>\$ -</u>	<u>(\$ 855,071)</u>
Total	<u>\$ 560,627</u>	<u>\$ 102,968</u>	<u>\$ 226,185</u>	<u>\$ 889,780</u>

	2020			December 31
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 146,333	\$ 9,901	\$ -	\$ 156,234
Remeasurement of defined benefit obligations	165,802	- (	253)	165,549
Exchange differences on translation of foreign financial statements	1,209,061	- (	72,267)	1,136,794
Unrealised exchange loss	64,214	4,604	-	68,818
Others	33,132	(17,371)	-	15,761
Subtotal	<u>\$ 1,618,542</u>	<u>(\$ 2,866)</u>	<u>(\$ 72,520)</u>	<u>\$ 1,543,156</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 738,159)	\$ 288,875	\$ -	(\$ 449,284)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Others	(40,959)	22,447	-	(18,512)
Subtotal	<u>(\$ 1,293,851)</u>	<u>\$ 311,322</u>	<u>\$ -</u>	<u>(\$ 982,529)</u>
Total	<u>\$ 324,691</u>	<u>\$ 308,456</u>	<u>(\$ 72,520)</u>	<u>\$ 560,627</u>

D. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2021 and 2020 were \$50,581,303 thousand and \$47,546,817 thousand, respectively.

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

(28) Earnings per share

	Year ended December 31, 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 for the year	<u>\$ 5,270,007</u>	<u>3,241,416</u>	<u>\$ 1.63</u>
<u>Diluted earnings per share</u>			
Profit for the year	5,270,007	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,450	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,270,007</u>	<u>3,245,866</u>	<u>\$ 1.62</u>

	Year ended December 31, 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 for the year	\$ 5,988,702	3,241,416	\$ 1.85
<u>Diluted earnings per share</u>			
Profit for the year	5,988,702	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,035	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	\$ 5,988,702	3,245,451	\$ 1.85

(29) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of property, plant and equipment	\$ 862,047	\$ 1,193,130
Add: Opening balance of payable on equipment	127,850	327,645
Less: Ending balance of payable on equipment	(128,196)	(127,850)
Cash paid during the period	\$ 861,701	\$ 1,392,925

(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	\$ 1,400,000	\$ 12,200,000	\$ 14,500,000	\$ 647	\$ 102,188	\$ 8,796	\$ 28,211,631
Changes in cash flow from financing activities	1,400,000	(2,800,000)	2,000,000	(3,889,699)	(45,571)	971	(3,334,299)
Interest paid	-	-	-	-	(734)	-	(734)
Additions	-	-	-	3,889,699	17,672	-	3,907,371
Changes in non-cash items	-	-	-	(647)	-	-	(647)
Amortisation of interest expense	-	-	-	-	734	-	734
At December 31	\$ 2,800,000	\$ 9,400,000	\$ 16,500,000	\$ -	\$ 74,289	\$ 9,767	\$ 28,784,056

	2020						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 2,450,000	\$ 9,900,000	\$ 17,000,000	\$ 647	\$ 104,141	\$ 7,050	\$ 29,461,838
Changes in cash flow from financing activities	(1,050,000)	2,300,000	(2,500,000)	(3,241,416)	(45,516)	1,746	(4,535,186)
Interest paid	-	-	-	-	(990)	-	(990)
Additions	-	-	-	3,241,416	43,563	-	3,284,979
Amortisation of interest expense	-	-	-	-	990	-	990
At December 31	\$ 1,400,000	\$ 12,200,000	\$ 14,500,000	\$ 647	\$ 102,188	\$ 8,796	\$ 28,211,631

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
MERIDA INDUSTRY CO., LTD.	The Company's director is the company's vice chairman
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

Except for the related parties shown above, other are investee companies. Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods:		
– Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	\$ 3,687,771	\$ 3,798,690
CHENG SHIN RUBBER USA, INC.	5,205,401	4,763,551
Others	863,253	974,520
– Other related parties	66,619	54,148
	<u>\$ 9,823,044</u>	<u>\$ 9,590,909</u>

The Company's sales price to related parties was approximately the same as third parties. Credit term for exporting sales amount was the same as third parties, which was collected after 60 days to 90 days.

B. Purchases

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods:		
Subsidiaries	\$ 734,721	\$ 961,007

The credit term for purchases from related parties is the same with third parties. Except for Maxxis (Thailand) which is paid 30 days after the purchase, other payments are the same with third parties, which are 90 days after the purchase.

C. Property transactions

(a) Proceeds from sales of property and gain (loss) on disposal:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Sales amount	Gain on disposal	Sales amount	Gain on disposal
Subsidiaries	\$ 4,769	\$ 2,776	\$ 158,098	\$ 59,445

(b) Ending balance of receivables from sales of property:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 2,145	\$ 61,619

Abovementioned receipt from sales of fixed assets to related parties are collected 60~90 days after the sales of equipment.

D. Revenue from patent royalties (listed other income) and other receivables (shown as 'Other current assets')

(a) Revenue from patent royalties:

	Year ended December 31, 2021	Year ended December 31, 2020
Subsidiaries	\$ 442,228	\$ 454,383

(b) Ending balance of royalty receivables from technology:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 113,831	\$ 158,688

Abovementioned royalty revenue for technology was calculated by applying the agreed upon ratio to net sales amounts, and payment was originally collected yearly and was changed to quarterly since 2014.

E. Interest income-endorsements/guarantees (listed other income) and other receivables (shown as 'Other current assets')

(a) Interest income-endorsements/guarantees:

	Year ended December 31, 2021	Year ended December 31, 2020
Subsidiaries	\$ 14,546	\$ 17,206

(b) Ending balance of interest receivables from endorsements and guarantees:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 8,269</u>	<u>\$ 31,715</u>

Abovementioned interest income from endorsements and guarantees was calculated by applying the agreed ratio to the amount guaranteed and payment was originally collected yearly but was changed to quarterly since 2014.

F. Revenue from commission (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from commission:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Subsidiaries	<u>\$ 205,087</u>	<u>\$ 183,359</u>

(b) Ending balance of receivables from commission:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 40,405</u>	<u>\$ 56,675</u>

Abovementioned commission revenue was determined at certain rate of sales amounts and payment was originally collected yearly but was changed to quarterly since 2014.

G. Revenue from trademark royalties (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from trademark royalties:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Subsidiaries	<u>\$ 323,453</u>	<u>\$ 322,076</u>

(b) Ending balance of receivables from trademark royalties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 70,547</u>	<u>\$ 97,518</u>

Abovementioned revenue from trademark royalties was determined at certain rate of sales and was originally collected yearly but was changed to quarterly since 2014.

H. Revenue from per diem (listed other income) and other receivables (shown as ‘Other current assets’)

(a) Revenue from per diem:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Subsidiaries	<u>\$ 12,620</u>	<u>\$ 10,700</u>

(b) Ending balance of receivables from per diem:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 7,899</u>	<u>\$ 32,801</u>

The aforementioned per diem income is based on agreed per diem rate multiplied by traveling days. Collection terms have been revised from yearly to quarterly since year 2014.

I. Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable		
–Subsidiaries		
CHENG SHIN RUBBER USA, INC.	\$ 1,328,328	\$ 1,121,502
MAXXIS (Taiwan) Trading CO., LTD.	410,080	433,464
CHENG SHIN RUBBER CANADA, INC.	56,081	179,366
Others	70,626	71,178
–Other related parties	17,173	20,052
	<u>\$ 1,882,288</u>	<u>\$ 1,825,562</u>

J. Other receivables (shown as ‘Other current assets’)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 4,155</u>	<u>\$ 61,619</u>

Other receivables mainly arose from supplies and packaging material sold to related parties and payment on behalf of related parties.

K. Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 44,103</u>	<u>\$ 380,533</u>

L. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 76,418	\$ 125,550
Associates	30	191
	<u>\$ 76,448</u>	<u>\$ 125,741</u>

Abovementioned payments are advertisement expense and sponsorship to racing drivers paid by related parties on behalf of the Company.

M. Lease transactions – lessee

(a) The Company leases lands from 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Key management personnel	<u>\$ 27,829</u>	<u>\$ 41,546</u>

ii. Interest expense

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Key management personnel	\$ 258	\$ 385

N. Information about guarantees

As of December 31, 2021 and 2020, the Company and the financial institutions agreed that the Company's subsidiaries may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details are as follows:

<u>Obligee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2021</u>
Subsidiaries	USD 680,000 thousand	USD 518,551 thousand
	THB 1,000,000 thousand	THB 85,920 thousand
	INR 2,900,000 thousand	INR 2,193,384 thousand

<u>Obligee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2020</u>
Subsidiaries	USD 613,100 thousand	USD 481,899 thousand
	THB 2,000,000 thousand	THB 571,680 thousand
	INR 1,450,000 thousand	INR 1,434,048 thousand

As of December 31, 2021 and 2020, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Short-term employee benefits	\$ 245,199	\$ 216,350
Post-employment benefits	1,389	2,038
	<u>\$ 246,588</u>	<u>\$ 218,388</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

Information about related parties' guarantees is provided in Note 7.

(2) Commitments

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 100,642	\$ 226,155

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amount of letter of credit that has been issued but not yet used	\$ 554	\$ 570

10. SIGNIFICANT DISASTER LOSS

On September 26, 2020, a fire damaged a plant located in Xizhou owned by the Company and destroyed

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

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2021, the Company's strategy was unchanged from 2020. The company maintained the gearing ratios below 200%. The gearing ratios at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 35,624,918	\$ 34,546,755
Total equity	\$ 80,918,469	\$ 80,437,095
Less : Intangible assets	(23,483)	(8,740)
Tangible equity	<u>\$ 80,894,986</u>	<u>\$ 80,428,355</u>
Debt-equity ratio	<u>44.04%</u>	<u>42.95%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss-current		
Financial assets mandatorily measured at fair value through profit or loss	\$ 17,648	\$ 820
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	23,083	29,817
Financial assets at fair value through other comprehensive income - non-current		
Designation of equity instrument	58,187	58,187
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	9,222,074	6,119,194
Notes receivable, net	55,293	33,790
Accounts receivable (including related parties)	2,837,964	3,132,710
Guarantee deposits paid	1,898	1,689
	<u>\$ 12,216,147</u>	<u>\$ 9,376,207</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,800,000	\$ 1,400,000
Accounts payable (including related parties)	1,248,247	1,667,033
Other accounts payable	1,714,016	1,629,607
Corporate bonds payable (including current portion)	16,500,000	14,500,000
Long-term borrowings (including current portion)	9,400,000	12,200,000
Guarantee deposits received	9,767	8,796
	<u>\$ 31,672,030</u>	<u>\$ 31,405,436</u>
Lease liabilities (including current portion)	<u>\$ 74,289</u>	<u>\$ 102,189</u>

B. Financial risk management policies

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

financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2021

	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
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 299,575	27.680	\$ 8,292,236	1%	\$ 82,922	\$ -
EUR : TWD	20,586	31.320	644,754	1%	6,448	-
JPY : TWD	1,343,878	0.241	323,203	1%	3,232	-
RMB : TWD	33,049	4.344	143,565	1%	1,436	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD : TWD	\$ 129,032	27.680	\$ 3,571,606	1%	\$ 12,499	\$ 23,218
RMB : TWD	404,915	4.344	1,758,951	1%	17,590	-
IDR : TWD	90,095,766	0.002	178,390	1%	-	1,784
CAD : TWD	29,933	21.620	647,151	1%	-	6,472
EUR : TWD	19,794	31.320	619,948	1%	5,362	838
JPY : TWD	1,774,998	0.241	426,887	1%	4,089	180
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 18,108	27.680	501,229	1%	\$ 5,012	-
<u>Non-monetary items</u>						
USD : TWD	\$ 8,759	27.680	242,449	1%	\$ 2,424	-

December 31, 2020

December 31, 2020						
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 226,440	28.480	\$ 6,449,011	1%	\$ 64,490	\$ -
EUR : TWD	17,025	35.020	596,216	1%	5,962	-
RMB : TWD	68,727	4.377	300,818	1%	3,008	-
JPY : TWD	588,719	0.276	162,486	1%	1,625	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD : TWD	\$ 121,147	28.480	\$ 3,450,267	1%	\$ 9,548	\$ 24,955
RMB : TWD	356,953	4.377	1,562,383	1%	15,624	-
IDR : TWD	353,535,820	0.002	717,678	1%	-	7,177
CAD : TWD	30,328	22.350	677,831	1%	-	6,778
EUR : TWD	19,130	35.020	669,933	1%	5,827	872
JPY : TWD	1,668,213	0.276	460,427	1%	4,410	194
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 33,170	28.480	944,682	1%	\$ 9,447	-
<u>Non-monetary items</u>						
USD : TWD	\$ 3,520	28.480	100,250	1%	\$ 1,003	-

- iv. The exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to (\$301,958) thousand and (\$299,383) thousand, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2021 and 2020 would have increased/decreased by \$813 thousand and \$880 thousand, respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in the TWD.
- ii. The Company's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. At December 31, 2021 and 2020, if interest rates on TWD denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have been \$9,760 thousand and \$10,880 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As at December 31, 2021 and 2020, the Company has no written-off financial assets that are still under recourse procedures.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2021 and 2020, the provision matrix is as follows:

<u>December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 812,143	\$ -
Up to 30 days	3.85%	107,924	4,155
31 to 90 days	7.02%	38,069	2,672
91 to 180 days	38.88%	4,825	1,876
Over 180 days	68.03%	4,433	3,016
		<u>\$ 967,394</u>	<u>\$ 11,718</u>
<u>December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 1,156,459	\$ -
Up to 30 days	1.90%	124,191	2,360
31 to 90 days	4.99%	23,146	1,155
91 to 180 days	38.90%	7,046	2,741
Over 180 days	68.08%	8,024	5,463
		<u>\$ 1,318,866</u>	<u>\$ 11,718</u>

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

	<u>2021</u>
At January 1 and December 31_IFRS 9	<u>\$ 11,718</u>
	<u>2020</u>
At January 1 and December 31_IFRS 9	<u>\$ 11,718</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational

needs so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

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

December 31, 2021

<u>Non-derivative financial liabilities</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$ 2,800,000	\$ -	\$ -	\$ -	\$ 2,800,000
Accounts payable					
(including related parties)	1,248,247	-	-	-	1,248,247
Other payables	1,432,397	-	150,914	130,705	1,714,016
Lease liabilities	21,231	6,864	12,016	34,178	74,289
Guarantee deposits received	-	-	-	9,767	9,767
Long-term borrowings	16,969	17,835	1,729,639	7,754,156	9,518,599
Bonds payable	-	-	6,127,550	10,689,750	16,817,300

December 31, 2020

<u>Non-derivative financial liabilities</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$ 1,401,460	\$ -	\$ -	\$ -	\$ 1,401,460
Accounts payable					
(including related parties)	1,667,033	-	-	-	1,667,033
Other payables	1,346,222	-	143,841	139,544	1,629,607
Lease liabilities	21,311	7,086	13,580	60,212	102,189
Guarantee deposits received	-	-	-	8,796	8,796
Long-term borrowings	150,630	25,630	1,582,144	10,655,521	12,413,925
Bonds payable	-	-	6,133,350	8,601,300	14,734,650

As at December 31, 2021 and 2020, there was no financial derivative liabilities transaction.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and

volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, is included in Level 1.

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

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

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

C. Financial instruments not measured at fair value

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

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

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

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

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

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

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

	December 31, 2021			
	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	-	17,648	-	17,648
Financial assets at fair value through other comprehensive income - Equity securities	\$ 23,083	\$ -	\$ 58,187	\$ 81,270
	<u>\$ 23,083</u>	<u>\$ 17,648</u>	<u>\$ 58,187</u>	<u>\$ 98,918</u>
	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
	<u>\$ 29,817</u>	<u>\$ 820</u>	<u>\$ 58,187</u>	<u>\$ 88,824</u>

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

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

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2021 and 2020.

(4) Assessment of impact of the COVID-19

Due to the spread of Covid-19 pandemic globally, production of all factories of the Company'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 fourth quarter of 2021, the overall business and finance were not significantly impacted by the pandemic based on the Company'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), (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 year ended December 31, 2021: please refer to tables 4, 5 and 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 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 year ended December 31,	Balance at December 31,	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
					2021	(Note 8)							Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,288,000	\$ 3,258,000	\$ 2,641,152	3.85%	Note 7	\$ -	Operating capital	\$ -	None	\$ -	\$ 5,133,202	\$ 8,555,336	Note 9
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,270,000	3,258,000	1,346,640	3.85%	Note 7	-	Operating capital	-	None	-	5,133,202	8,555,336	Note 9
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	569,920	564,720	412,680	4.85%	Note 7	-	Operating capital	-	None	-	5,133,202	8,555,336	Note 9
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	13,080	13,032	8,688	3.85%	Note 7	-	Operating capital	-	None	-	5,133,202	8,555,336	Note 9
2	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Other receivables	Yes	876,800	434,400	434,400	3.25%	Note 7	-	Operating capital	-	None	-	5,100,663	10,201,326	Note 9
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,192,000	1,086,000	521,280	3.85%	Note 7	-	Operating capital	-	None	-	7,192,694	11,987,823	Note 9
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	654,000	651,600	69,504	3.85%	Note 7	-	Operating capital	-	None	-	7,192,694	11,987,823	Note 9
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	8,768	-	-	0.00%	Note 7	-	Operating capital	-	None	-	29,330	117,322	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 the Company's net assets.

Note 4: Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 10% of the Company's 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 others is 100% of above Companies' net assets.

Note 6: Limit on loans granted by CHEN SHIN LOGISTIC (XIAMEN) CO., LTD and CHENG SHIN TIRE & RUBBER (CHINA) 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
Year ended December 31, 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 December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 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	\$ 40,459,235	\$ 1,903,600	\$ 834,700	\$ 71,717	\$ -	1.03	\$ 56,642,928	Y	N	N	Note 2 , Note 3
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	40,459,235	7,623,093	7,551,584	6,119,211	-	9.33	56,642,928	Y	N	N	Note 2 , Note 3
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	40,459,235	12,574,275	12,461,536	9,050,437	-	15.40	56,642,928	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.

\$ 56,642,928

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

\$ 16,183,694

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

\$ 40,459,234

Note 3: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2021.

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares/ units	Book value	Ownership (%)	Fair value	
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares		- Current financial assets at fair value through other comprehensive income	-	\$ 23,083	-	\$ 23,083	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
Year ended December 31, 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)	(\$ 5,205,976) (	25.14)	Collect within 120 days after shipment of goods	Same	Same	\$ 1,328,328	45.58	Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(552,846) (	2.67)	Collect within 90 days after shipment of goods	Same	Same	56,081	1.92	Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,688,796) (	17.81)	Collect within 30 days	Same	Same	410,080	14.07	Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	(sales)	(109,963) (	0.53)	Collect within 60~90 days after shipment of goods	Same	Same	5,640	0.19	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(144,514) (	0.78)	Collect within 60 days after shipment of goods	Same	Same	24,580	0.98	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(116,381) (	0.63)	Collect within 60~90 days after shipment of goods	Same	Same	-	-	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(1,142,319) (	6.16)	Collect within 60~90 days after shipment of goods	Same	Same	348,011	13.93	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(169,037) (	0.91)	Collect within 60~90 days after shipment of goods	Same	Same	32,280	1.29	Note 3
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,510,223) (	33.73)	Collect within 60~90 days after shipment of goods	Same	Same	349,365	35.12	Note 3
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(373,909) (	8.35)	Collect within 60~90 days after shipment of goods	Same	Same	49,639	4.99	Note 3
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(217,085) (	4.85)	Collect within 60~90 days after shipment of goods	Same	Same	36,325	3.65	Note 3
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,747,540) (	16.06)	Collect within 60~90 days after shipment of goods	Same	Same	760,580	88.71	Note 3
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(382,881) (	26.42)	Collect within 60~90 days after shipment of goods	Same	Same	50,563	23.49	Note 3
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(246,238) (	16.99)	Collect within 60~90 days after shipment of goods	Same	Same	25,619	11.90	Note 3
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(189,229) (	13.06)	Collect within 60~90 days after shipment of goods	Same	Same	13,501	6.27	Note 3
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(179,622) (	0.97)	Collect within 60~90 days after shipment of goods	Same	Same	19,257	0.61	Note 3
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(114,536) (	0.62)	Collect within 60~90 days after shipment of goods	Same	Same	20,816	0.66	Note 3
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(1,172,316) (	22.42)	Collect within 60~90 days after shipment of goods	Same	Same	279,542	31.50	Note 3
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(236,376) (	4.52)	Collect within 60~90 days after shipment of goods	Same	Same	28,987	3.27	Note 3
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(107,225) (	58.64)	Collect within 60~90 days after shipment of goods	Same	Same	5,885	27.99	Note 3
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(103,225) (	1.98)	Collect within 60~90 days after shipment of goods	Same	Same	8,712	2.06	Note 3

CHENG SHIN RUBBER IND. CO., LTD.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 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)			
			Transaction									
					Percentage of total purchases (sales) (%)				Percentage of total notes/accounts receivable (payable) (%)		Footnote (Note 2)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount			Credit term	Unit price	Credit term	Balance		
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(\$ 334,931)	(3.17)		Collect within 30~60 days after shipment of goods	Same	Same	\$ 2,726	0.19	Note 3
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(855,433)	(8.10)		Collect within 120 days after shipment of goods	Same	Same	154,467	10.83	Note 3
PT MAXXIS International Indonesia	Maxxis Rubber India Private Limited	Same ultimate parent	(sales)	(117,478)	(6.88)		Collect within 60~90 days after shipment of goods	Same	Same	37,465	11.42	Note 3

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 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)	\$ 1,328,341	Note 3	-	-	\$ 758,237	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 4)	414,226	Note 3	-	-	410,080	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 4)	348,525	Note 3	-	-	158,911	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 4)	114,530	Note 3	-	-	25,615	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 4)	350,724	Note 3	-	-	167,271	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 4)	763,682	Note 3	-	-	427,237	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 4)	279,542	4.26			159,767	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 4)	154,467	4.86	-	-	38,643	-

Note 1: Subsequent collection is the amount collected as of March 9, 2022.

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 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	\$ 5,205,976	Collect within 120 days after shipment of goods	5.13%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	1,328,328	Collect within 120 days after shipment of goods	0.89%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	552,846	Collect within 90 days after shipment of goods	0.54%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	3,688,796	The term is 30 days after monthly billing.	3.63%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	410,080	The term is 30 days after monthly billing.	0.27%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	1,142,319	Collect within 60~90 days after shipment of goods	1.13%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	348,011	Collect within 60~90 days after shipment of goods	0.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,510,223	Collect within 60~90 days after shipment of goods	1.49%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	373,909	Collect within 60~90 days after shipment of goods	0.37%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	217,085	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,641,152	Pay interest quarterly	1.76%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,346,640	Pay interest quarterly	0.90%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	3	Other receivables	412,680	Pay interest quarterly	0.28%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	521,280	Pay interest quarterly	0.35%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,747,540	Collect within 60~90 days after shipment of goods	1.72%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	337,040	Collect within 60~90 days after shipment of goods	0.23%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Notes receivable	423,541	Payment at sight after due date	0.28%
5	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	382,881	Collect within 60~90 days after shipment of goods	0.38%
5	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	246,238	Collect within 60~90 days after shipment of goods	0.24%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Other receivables	434,400	Pay interest quarterly	0.29%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)		
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	3	Sales	\$ 236,276	Collect within 60~90 days after shipment of goods	0.23%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	1,172,316	Collect within 60~90 days after shipment of goods	1.15%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	279,542	Collect within 60~90 days after shipment of goods	0.19%
8	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	2	Sales	334,931	Collect within 30~60 days after shipment of goods	0.33%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	855,433	Collect within 120 days after shipment of goods	0.84%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT\$200 million.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2020					
Investor	Investee	Location	Main business activities	Balance	Balance	Number of shares	Ownership (%)	Book value	Net profit (loss)	Investment income(loss)	Footnote
				as at December 31, 2021	as at December 31, 2020				of the investee for the year ended December 31, 2021	recognised by the Company for the year ended December 31, 2021 (Note 1)	
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 42,473,721	\$ 1,365,320	\$ 1,369,788	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	27,697,590	1,874,660	1,868,286	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	9,287,333	1,443,654	1,416,491	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	2,321,753	(92,588)	(92,558)	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	647,155	(28,268)	(28,268)	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	180,417	38,801	19,401	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	76,451	6,500	6,500	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	135,796	(534,571)	(535,236)	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	-	(911,536)	(911,536)	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	543,185	335,772	335,772	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	42,593	11,824	11,824	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	2,606	(3,645)	(3,645)	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	11,302	299	299	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	689	1,551	310	Note 3, Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income(loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Footnote
				Balance as at December 31, 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	34,619,064	1,763,430	1,763,430	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	27,525,203	1,878,903	1,878,903	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	9,596,955	1,443,846	1,443,846	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	7,017,499	626,259	608,729	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	2,576,774	817,745	808,113	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	2,214	2,278	-	80.00	2,756	1,551	1,241	Note 3, Note 4

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

Note 2: Investee companies are accounted for under the equity method.

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021, (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				as of January 1, 2021	Remitted to Mainland China	Remitted back to Taiwan							
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 4,844,000	2	\$ 910,834	\$ -	\$ -	\$ 910,834	\$ 987,372	100.00	\$ 991,973	\$ 24,258,973	\$ 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	6,228,000	2	2,385,506	-	-	2,385,506	1,731,427	100.00	1,742,185	25,503,316	23,027,258	(Note、4、7)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	235,280	2	68,602	-	-	68,602	12,943	50.00	6,471	302,086	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	2,768,000	2	-	-	-	-	432,944	100.00	427,518	5,783,064	1,480,799	(Note 4、7)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,720	2	-	-	-	-	5,253	100.00	5,253	47,772	-	(Note 7)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	498,240	2	-	-	-	-	(50,206)	100.00	(50,206)	660,687	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	3,598,400	2	-	-	-	-	(574,897)	100.00	(574,897)	11,999,418	4,245,663	(Note 3、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 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 year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021, (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
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	\$ 1,245,600	2	\$ -	\$ -	\$ -	\$ -	\$ 631,295	100.00	\$ 631,150	\$ 8,555,336	\$ 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	553,600	2	-	-	-	-	(96,856)	100.00	(96,856)	-	-	
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	152,040	2	-	-	-	-	(1,019)	95.00	(968)	97,887	-	(Note 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	62,605	2	-	-	-	-	36,123	49.00	17,700	143,719	-	(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	4,126,800	2	-	-	-	-	966,902	100.00	966,913	7,365,297	790,653	(Note 5 、 7)
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	1,650,720	2	-	-	-	-	75,791	100.00	75,791	2,074,961	-	(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 27.68: USD 1 and NTD 4.344: RMB 1 prevailing on December 31, 2021.

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

CHENG SHIN RUBBER IND. CO., LTD.
Ceiling on investments in Mainland China
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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.	\$ 3,401,872	\$ 18,625,872	\$ -

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

December 31, 2021

Table 9

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

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021

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

Table 1

Item		Description		Amount
Cash on hand and petty cash				\$ 1,002
Bank deposits				
Check deposits				14,977
Demand deposits				2,083,887
Foreign currency deposits	USD	255,964 thousand	Exchange rate 27.68	7,122,208
	EUR	14,488 thousand	Exchange rate 31.32	
	JPY	1,203,000 thousand	Exchange rate 0.241	
	GBP	2,137 thousand	Exchange rate 37.30	
	RMB	10,299 thousand	Exchange rate 4.344	
				<u>\$ 9,222,074</u>

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021

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

Table 2

Name of Customer	Description	Amount	Remark
Maxxis International GMBH		\$ 103,609	
T&R Imports Trust		86,728	
Polaris Industries Inc.		66,789	
Giant Maunfacturing Co. Ltd.		74,028	
TREK Components Group		51,810	
			None of the balances of each remaining accounts is greater than 5% of this account balance.
Others		584,430	
		967,394	
Less: Allowance for bad debts		(11,718)	
		\$ 955,676	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021

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

Table 3

Item	Description	Amount		Remark
		Cost	Market price	Method for determining market price
Raw materials		\$ 1,328,125	\$ 1,334,430	Note
Work in process		447,047	452,449	Note
Finished goods		<u>1,021,817</u>	<u>1,263,291</u>	Note
		2,796,989	<u>\$ 3,050,170</u>	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		(<u>13,904</u>)		
		<u>\$ 2,783,085</u>		

Note: Inventories are measured at the lower of cost and net realisable value on an item-by-item basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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CHENG SHIN RUBBER IND. CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 4

Investee	As of January 1, 2021		Addition		Deductions		As of December 31, 2021		Market price or net in equity		Guarantee or pledge as collaterals
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	Unit price	Total	
MAXXIS International Co., Ltd.	35,050,000	\$ 42,371,102	-	\$ 1,060,340	-	(\$ 957,721) Note 1	35,050,000	\$ 42,473,721	\$ 1,212	\$ 42,473,721	None
CST Trading Ltd.	72,900,000	26,823,193	-	1,671,245	-	(796,848) Note 1	72,900,000	27,697,590	380	27,697,590	None
MAXXIS Trading Ltd.	237,811,720	10,627,664	-	923,494	-	(2,263,825) Note 1	237,811,720	9,287,333	39	9,287,333	None
PT MAXXIS International Indonesia	139,994,750	685,105	-	(549,309)	-	-	139,994,750	135,796	1	135,796	None
Cheng Shin Rubber USA, Inc.	1,800,000	2,495,535	-	(173,782)	-	-	1,800,000	2,321,753	1,290	2,321,753	None
MAXXIS Rubber India Private Limited	874,992,906	(484,002)	-	(874,433)	-	-	874,992,906	(1,358,435) Note 2	(2)	(1,358,435)	None
PT.MAXXIS TRADING INDONESIA	9,990	32,572	-	10,021	-	-	9,990	42,593	4,264	42,593	
Cheng Shin Rubber Canada, Inc.	1,000,000	677,839	-	(30,684)	-	-	1,000,000	647,155	647	647,155	None
NEW PACIFIC INDUSTRY COMPANY LIMITED	5,000,000	172,981	-	19,401	-	(11,965) Note 1	5,000,000	180,417	36	180,417	None
MAXXIS Tech Center Europe B.V.	1,000,000	78,617	-	(2,166)	-	-	1,000,000	76,451	76	76,451	None
Maxxis Europe B.V.	500,000	3,917	-	(1,311)	-	-	500,000	2,606	5	2,606	None
Maxxis (Taiwan) Trading Co., LTD.	10,000,000	421,097	-	335,797	-	(213,709) Note 1	10,000,000	543,185	54	543,185	None
MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	-	408	-	281	-	-	-	689	-	689	None
MAXXIS RUBBER JAPAN CO., LTD.	5,000	12,661	-	(1,359)	-	-	5,000	11,302	2,260	11,302	None
		<u>\$ 83,918,689</u>		<u>\$ 2,387,535</u>		<u>(\$ 4,244,068)</u>		<u>\$ 82,062,156</u>		<u>\$ 82,062,156</u>	

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2021.

Note 2: Credit balance of long-term equity investments, shown as 'other non-current liabilities', is due to the Company continuously providing financial support to investee company accounted for using equity method.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021

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

Table 5

Type of Borrowings	Description	Balance as at December 31, 2021	Contract Period	Interest Rate	Line of Credit	Pledges or collaterals	Remark
Bank Unsecured Borrowings	CHINA BILLS FINANCE CORPORATION	\$ 1,000,000	2021.12.03~2022.03.16	Note	\$ 1,000,000	None	
Bank Unsecured Borrowings	KGI BANK, LTD.	300,000	2021.12.03~2022.03.03	Note	800,000	None	
Bank Unsecured Borrowings	MEGA BILLS FINANCE CO., LTD.	1,500,000	2021.12.16~2022.03.16	Note	2,000,000	None	
		<u>\$ 2,800,000</u>					

Note: For the year ended December 31, 2021, interest rate of borrowing ranged between 0.38%~0.52%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021

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

Table 6

Creditor	Amount of borrowings	Contract period	Interest Rate	Pledges or collaterals	Remark
FIRST COMMERCIAL BANK CO., LTD.	\$ 3,700,000	2020.09.11~2025.09.11	Note	None	
HUA NAN COMMERCIAL BANK LTD.	1,700,000	2019.07.15~2022.07.15	Note	None	
CHANG HWA COMMERCIAL BANK, LTD.	300,000	2020.04.23~2023.04.23	Note	None	
HSBC BANK (TAIWAN) LIMITED	400,000	2021.12.21~2023.12.21	Note	None	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	2020.07.20~2023.05.05	Note	None	
BANK OF TAIWAN	1,000,000	2021.11.23~2024.11.23	Note	None	
MIZUHO BANK, LTD.	1,300,000	2021.03.23~2023.06.16	Note	None	
	<u>9,400,000</u>				
Less: maturity at one year	(<u>1,700,000</u>)				
	<u>\$ 7,700,000</u>				

Note: For the year ended December 31, 2021, interest rate of borrowing ranged between 0.70%~0.81%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SALES REVENUE, NET
YEAR ENDED DECEMBER 31, 2021

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

Table 7

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	5,954	\$ 8,274,105	
Cover tires for motorcycles	6,083	4,546,191	
Cover tires for automobiles	2,531	2,112,573	
Cover tires for bicycles	9,953	3,385,389	
Radial ply truck tyres	205	1,218,563	
Cover tires for industrial use	780	460,322	
Tubes for bicycles	6,355	332,194	
			None of the balances of each remaining accounts is greater than NT\$100
Others	-	397,864	million.
		20,727,201	
Less: Sales returns and discounts		(19,218)	
		<u>\$ 20,707,983</u>	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2021

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

Table 8

Item	Amount
Direct material	
Opening balance of materials	\$ 779,742
Add: Purchases in the period	8,869,118
Gain on physical inventory for raw materials	38
Less: Materials sold	(87,206)
Transfer to expenses	(187,787)
Scrapping of raw material	(803)
Ending balance of raw materials	(1,152,603)
Materials used during the period	8,220,499
Direct labour	1,458,262
Manufacturing overhead	5,336,443
Manufacturing costs	15,015,204
Add: Opening balance of work in process	725,376
Work in process purchased	462,170
Gain on physical inventory for work in process	1,468
Amortisation of difference	6,723
Less: Work in process sold	(32,982)
Transferred to expenses	(424,285)
Scrapping of inventory	(880)
Ending balance of work in progress	(447,047)
Cost of finished goods	15,305,747
Add: Opening balance of finished goods	598,073
Finished goods purchased	520,618
Gain on physical inventory for finished goods	1,513
Amortisation of difference	6,527
Less: Transferred to expenses	(308,698)
Scrapping of finished goods	(1,297)
Ending balance of finished goods	(1,021,817)
Cost of manufacturing and sales of goods for the period	15,100,666
Cost of materials sold	87,206
Cost of work in process sold	32,982
Cost of production and sales of goods	15,220,854
Add: Scrapping of inventory	2,980
Less: Revenue from sale of scraps	(30,477)
Gain on physical inventory	(3,019)
Total cost of sales	\$ 15,190,338

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2021

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

Table 9

Item	Description	Amount	Note
Wages and salaries		\$ 1,473,247	
Depreciation		1,402,688	
Utilities expense		572,163	
Repairs and maintenance expense		307,527	
			None of the balances of each remaining accounts is greater than 5% of this account balance.
Other expenses		1,580,818	
		<u>\$ 5,336,443</u>	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2021

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

Table 10

Item	Description	Selling expenses	General and administrative expenses	Research expenses	Remark
Taxes		\$ 391,343	\$ -	\$ -	
Advertisement expense		229,696	-	-	
Wages and salaries		320,485	781,792	437,476	
Freight		85,737	-	-	
Import/export (customs) expense		141,394	-	-	
Repairs and maintenance expense		-	-	-	
Depreciation		-	-	71,089	
Insurance		-	53,430	41,699	
Commissioned research		-	-	164,019	
Other expenses		358,379	221,019	80,872	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 1,527,034</u>	<u>\$ 1,056,241</u>	<u>\$ 795,155</u>	

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