



CHENG SHIN RUBBER IND. CO., LTD.

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Annual Report 2019



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CHENG SHIN RUBBER IND. CO., LTD.

2019 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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<http://mops.twse.com.tw>

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Printed on April 30, 2020

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Contents

I.	LETTER TO SHAREHOLDERS.....	1
1.1	RESULTS OF OPERATIONS IN 2019.....	2
1.2	OUTLINE OF 2020 BUSINESS PLAN.....	4
1.3	FUTURE DEVELOPMENT STRATEGIES	6
1.4	IMPACT FROM EXTERNAL COMPETITION AND OVERALL BUSINESS ENVIRONMENT	6
1.5	IMPACT OF REGULATORY ENVIRONMENT.....	7
II.	COMPANY PROFILE.....	9
2.1	DATE OF INCORPORATION	9
2.2	COMPANY HISTORY	9
III.	CORPORATE GOVERNANCE REPORT.....	16
3.1	ORGANIZATION.....	16
3.2	DIRECTORS, INDEPENDENT DIRECTORS AND MANAGEMENT TEAM.....	19
3.3	IMPLEMENTATION OF CORPORATE GOVERNANCE	34
3.4	ACCOUNTING FEES	83
3.5	CHANGE OF AUDITORS: THE CHANGE IS TO FOLLOW THE ACCOUNTING FIRM’S INTERNAL JOB ROTATION POLICY.	83
3.6	DISCLOSURE OF ANY OF THE COMPANY’S CHAIRMAN, GENERAL MANAGER, GENERAL MANAGER, MANAGER IN CHARGE OF FINANCIAL OR ACCOUNTING AFFAIRS WHO HAS HELD A POSITION AT THE COMPANY’S INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM OR ITS AFFILIATES WITHIN THE LAST YEAR: NONE.	83
3.7	TRANSFER OR PLEDGE OF SHARES BY DIRECTORS, MANAGERS AND SHAREHOLDERS WHO HOLD 10% OF THE COMPANY’S SHARES OR MORE DURING THE CURRENT FISCAL YEAR AND AS OF THE DATE OF THE ANNUAL REPORT.....	84
3.8	INFORMATION OF THE TOP TEN LARGEST SHAREHOLDERS WHO ARE RELATED PARTIES OR HAVE A SPOUSAL OR FAMILIAL RELATIONSHIP WITHIN THE SECOND DEGREE OF KINSHIP.....	86
3.9	SHARE OWNERSHIP IN AFFILIATED COMPANIES	88
IV.	CAPITALIZATION.....	89
4.1	CAPITAL AND SHARES.....	89
4.2	CORPORATE BONDS.....	97
4.3	PREFERRED SHARES: NONE	98
4.4	GLOBAL DEPOSITORY RECEIPTS (GDR): NONE.....	98
4.5	EMPLOYEE STOCK OPTIONS AND RESTRICTED STOCKS FOR EMPLOYEE: NONE.....	98
4.6	ISSUANCE OF NEW SHARES DUE TO MERGERS AND ACQUISITIONS OR ACQUISITION OF SHARES FROM OTHER COMPANIES: NONE	98
4.7	FINANCING PLANS AND IMPLEMENTATION.....	99
V.	OPERATIONAL OVERVIEW	102
5.1	BUSINESS ACTIVITIES	102
5.2	MARKET AND SALES OVERVIEW	107
5.3	EMPLOYEE COMPOSITION ANALYSIS WITHIN THE MOST RECENT TWO YEARS	119

5.4	ENVIRONMENTAL RELATED EXPENDITURE	119
5.5	LABOR	120
5.6	MATERIAL CONTRACTS: NONE	123
VI.	FINANCIAL HIGHLIGHTS AND ANALYSIS	124
6.1	THE CONDENSED BALANCE SHEET, CONSOLIDATED INCOME STATEMENT OVER THE PAST FIVE YEARS, NAMES OF THE CERTIFIED PUBLIC ACCOUNTANTS AND THEIR AUDIT OPINIONS:	124
6.2	ANALYSES OF FINANCE OVER THE PAST FIVE YEARS	129
6.3	REVIEW REPORT ISSUED BY THE SUPERVISORS' OVER THE FINANCIAL STATEMENTS OF THE LATEST YEAR	133
6.4	CONSOLIDATED FINANCIAL STATEMENTS OF THE LATEST YEAR DULY AUDITED BY THE CERTIFIED PUBLIC ACCOUNTANTS	134
6.5	INDIVIDUAL CONSOLIDATED FINANCIAL STATEMENTS DULY AUDITED BY THE CERTIFIED PUBLIC ACCOUNTANTS IN RECENT YEARS.....	227
6.6	FACTS REGARDING THE COMPANY AND ITS AFFILIATED ENTERPRISES WHICH HAVE DEVELOPED HARD-UP FINANCIAL STANDING IN RECENT YEAR AND THE PERIOD AS OF THE ANNUAL REPORT DATE: NIL.....	318
VII.	ANALYSIS FOR FINANCIAL CONDITION AND OPERATING RESULTS AND RISK MANAGEMENT	318
7.1	COMPARATIVE ANALYSIS OF FINANCIAL CONDITION	318
7.2	ANALYSIS OF OPERATING RESULTS	319
7.3	CASH FLOW.....	320
7.4	IMPACT OF MAJOR CAPITAL EXPENDITURE OVER THE LATEST YEAR ON FINANCIAL OPERATIONS	320
7.5	REINVESTMENT POLICY OVER THE LATEST YEAR AND MAJOR REASONS FOR PROFIT OR LOSS; PLAN FOR IMPROVEMENT AND INVESTMENT PLAN FOR THE COMING YEAR:.....	321
7.6	ANALYSIS AND EVALUATION OF RISK FACTORS	321
7.7	OTHER MATERIAL MATTERS: NONE.	330
VIII.	SPECIAL NOTES.....	331
8.1	INFORMATION ON AFFILIATED COMPANIES	331
8.2	PRIVATE PLACEMENT OF SECURITIES OVER THE LATEST YEAR AND AS AT THE DATE OF THE PRINTING OF THE ANNUAL REPORT: NONE.	343
8.3	SHAREHOLDING OR DISPOSITION OF SHARES OF THE COMPANY BY ANY SUBSIDIARY OVER THE LATEST YEAR AND AS AT THE DATE OF THE PRINTING OF THE ANNUAL REPORT: NONE.....	343
8.4	OTHER MATTERS REQUIRED TO BE SPECIFIED: NONE	343
8.5	MATERIAL MATTERS SPECIFIED BY ARTICLE 36(3)(II) OF THE SECURITIES AND EXCHANGE ACT THAT HAS A MATERIAL IMPACT ON INTERESTS OF SHAREHOLDERS OR PRICE OF SECURITIES OVER THE LATEST YEAR AND AS OF THE DATE THE PRINTING OF THE ANNUAL REPORT: NONE.	343

I. Letter to Shareholders

In retrospect, the continuation of trade conflicts between China and the US adversely impacted the global economy in 2019. In the beginning of 2020, the two countries have finally reached a consensus on the trade matters and signed the Phase 1 deal of the trade agreement. However, the impact of such agreement to the world remains unknown. For Cheng Shin Rubber Ind. Co., Ltd. (“CST” or “the Group”), the negative growth of the mobile market in China for the past two consecutive years, the over-supplied situation in the tire industry and the rapid growth and expansion of competitors in recent years have bogged CST down to a price war of all product series. These external environmental factors were the challenges we struggled with. As a result, our consolidated operating revenue in 2019 in the amount of NT\$109.5 billion remained at the same level as it was in the previous year.

However, there is an opportunity in every crisis, and it is imperative for us to continue to adapt to the external environments in order to thrive in this recession time. Our technologies are well-received within the industry and we have earned customer trust by demonstrating our product quality, evidenced by the recognition and awards received from numerous tire magazines and test reviews at home and abroad. The MAXXIS proving ground in Kunshan, China is a world-leading facility where various testing of tire performance, durability, noise, and safety are conducted. Many automakers use our facility for the R&D and testing of new vehicles, which provides us opportunities to pitch for new orders. Within the Group, upholding the spirit of “specializing in what we do while preparing for changes, execution always comes first”, we adopt delicacy manufacture management to enhance our product quality and the utilization rate, thereby lower the operational cost. We have also continued to enhance our organizational and management capabilities, strengthen talent development, and cultivate our corporate culture— leading the way to transforming adversity into advantage and to breaking the market limitation with powerful execution.

We have firmly believed in our strategies that “driving the tire repair market (RE) with the vehicles assembly factories (OE),” and “boosting the collaboration between vehicles assembly factories (OE) with the tire repair market (RE).” Our market strategy further incorporates the concept of driving sales with increased numbers of client visits and reinforce the existing client base and enhancing marketing by researches and discovering new markets. Only by understanding the needs of customers and the market trends can the Group overcome the external challenges, transform adversity into advantage, and forge a brand-new future.

1.1 Results of Operations in 2019

(1) Results of operations based on our business plan for 2019

1. Sales and Production

(pcs. in thousands)

Products	2019 Production	2019 Sales	2018 Sales	% Change
PCR	38,045	39,151	42,511	-7.9%
TBR	4,839	4,793	4,665	2.74%
MC	37,898	37,823	35,491	6.57%
BC	81,693	80,048	71,994	11.19%
TUBE	121,371	120,625	118,032	2.20%
OTHER TIRES	20,182	20,562	20,684	-0.59%

2. Operation Summary

IFRS Consolidated

in NT\$1000

Item	2019	2018	% Change
Net Sales	109,507,773	109,221,209	0.26%
Cost of Goods Sold	85,548,240	84,898,267	0.77%
Operating Expenses	16,956,401	16,907,753	0.29%
Operating Profit	7,003,132	7,415,189	-5.56%
Net Profit	3,515,697	3,574,638	-1.65%

IFRS Individual

in NT\$1000

Item	2019	2018	% Change
Net Sales	19,497,888	19,374,623	0.64%
Cost of Goods Sold	15,805,867	14,887,361	6.17%
Operating Expenses	3,789,106	3,777,633	0.30%
Operating Profit	-56,880	648,205	-108.78%
Net Profit	3,466,827	3,520,320	-1.52%

(2) Revenue Forecast and Realization

The sales revenue in 2019 totaled NT\$109.5 billion, a realization of 91.87% of the sales forecast, which was NT\$119.2 billion.

(3) Financial Position and Profitability Analysis
IFRS Consolidated

in NT\$1000

Item			2019	2018	% Change
Income Statement	Sales Revenue		109,507,773	109,221,209	0.26%
	Gross Profit		23,959,533	24,322,942	-1.49%
	Net Profit		3,515,697	3,574,638	-1.65%
Profitability	Return on Assets (ROA) (%)		2.89	2.83	2.12%
	Return on Equity (ROE) (%)		4.46	4.39	1.59%
	As a % of Paid-in Capital	Operating Profit	21.61	25.91	-5.55%
		Pre-tax Profit	17.98	25.86	-1.37%
	Net Profit Margin (%)		3.21	3.27	-1.83%
	Earnings Per Share (NT\$)		1.07	1.09	-1.83%

IFRS Individual

in NT\$1000

Item			2019	2018	% Change
Income Statement	Sales Revenue		19,497,888	19,374,623	0.64%
	Gross Profit		3,692,021	4,487,262	-17.72%
	Net Profit		3,466,827	3,520,320	-1.52%
Profitability	Return on Assets (ROA) (%)		3.20	3.18	0.63%
	Return on Equity (ROE) (%)		4.43	4.36	1.61%
	As a % of	Operating Profit	-0.18	4.13	-109%
	Paid-in Capital	Pre-tax Profit	13.88	21.60	-7.96%
	Net Profit Margin (%)		17.78	18.17	-2.15%
	Earnings Per Share (NT\$)		1.07	1.09	-1.83%b

(4) Research and Development

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

1.2 Outline of 2020 Business Plan

(1) Business Strategies

We continue to specialize in what we do while preparing for changes, and execution always comes first. We aim at absolute completion, excellence, refinement, and sophistication to reduce the restraint of the economic recession while using actions and execution to break the limits of the current market conditions. At the same time, we will increase the utilization rate to thereby lower the operational cost, and also continue to enhance our organizational and management capabilities to drive the revenue growth.

- Continuing revenue growth
- Specializing in what we do while preparing for changes, and execution always comes first.
- Enhancing R&D and technological capabilities
- Reinforcing environmental management, workplace safety and health, and energy management

(2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Item	2020 Volume Forecast
	Sales
PCR	39,316
TBR	5,409
MC	64,460
BC	60,567
TUBE	110,719
OTHERS	26,646
TOTAL	307,117

IFRS Individual

(in pcs. in thousands)

Item	2020 Volume Forecast
	Sales
PCR	6,560
TBR	239
MC	6,907
BC	6,521
TUBE	4,793
OTHERS	5,430
TOTAL	30,450

*This forecast is based on the assessment made during the sales meeting held on January 20, 2020.

(3) Key Production and Distribution Policy

“Customer satisfaction and excellent quality” is our top priority. Our manufacturing puts the 4M (manpower, machine, material, and method) management into practice so as to upgrade the manufacturing efficiency, reduce the operating costs, and speed up new product development. As for sales, we optimize the distribution channels, increase the frequency of visits to customers, diversify the marketing activities, and perfect different levels of product lines to satisfy the customer needs.

1.3 Future Development Strategies

- (1) Continuing to develop products from all lines and formulating different sales models tailored to local markets based on the existing business.
- (2) Promoting production process rationalization and flexibility to harmonize the production and distribution and to reach the most profitable business scale; implementing comprehensive quality management to achieve the goal of delivering top-quality products.
- (3) Optimizing quality and developing private-label products to increase market share and to establish complete global distribution channels and brand management strategies.
- (4) Continuously conducting R&D activities to maintain a leading position in manufacturing technology in the market and to take full advantage of the economics of large-scale production.

1.4 Impact From External Competition and Overall Business Environment

At the end of January 2020, the COVID-19 caused the lockdown or closed-off management of over 80 cities in China. Cheng Shin manufacturing factories in China followed the policy and postponed the date of resuming business operations. In mid-February, we applied for resuming business and began the operations with different phases and separated product lines. With the outbreak of COVID-19 began in Europe and the US in March, our major automobile clients in the US were forced to halt production and countries around the globe were put on lockdown or implemented border control to curb the spread of the virus, posing a great challenge for our business performance of the first quarter. However, our major markets such as Australia, Mexico, Taiwan, and Southeast Asia remain unaffected in terms of ordering and shipping of products. Cheng Shin has adjusted its production capacity, maintained stable production lines, and sped up new product development, with the hope to respond to market needs swiftly in the post-pandemic period and when the world is on the path to business recovery.

Due of the impact of COVID-19, the demands for oil have also dropped sharply. In addition, the oil price competition between Saudi Arabia and Russia has led to the massive dropping of the oil price, and in turn had enormous impact on the industry chain. Cheng Shin has been closely monitoring the fluctuations of market supply and

demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continues the process of integrating new and previous products and replacing the product portfolio with the products of high additional value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2020 and the next 3 to 5 years, we envisage even more drastic changes, therefore we must promptly strengthen our ability to adapt, our core capabilities, and our competitiveness. Only by possessing the world-class capabilities and competitiveness will we be able to adapt to the complicated and highly changeable market from now on. Therefore, in the future we will take advantage of our capabilities in technology, sales and distribution, manufacturing and management to build our core operations, to achieve globalization, and to enhance the regional sales and technical support so that the global headquarters can work closely with different regions and utilize local manufacturing to strengthen ties.

1.5 Impact of Regulatory Environment

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

Due to environmental and safety considerations, every region and country has adopted tire labeling regulations to govern tire rolling noise, wet grip capacity, and rolling resistance. In addition, tire products for vehicles are required to be labeled with their classifications of tire rolling noise, wet grip capacity, and rolling resistance. Our tires sold to all regions and countries are in compliance with applicable regulations.

As environmental regulations become more stringent (e.g., air pollution control act and water pollution charges), business operating costs increase accordingly. While focusing on our core business value and developing new products, we also dedicate our efforts to environmental protection and research of green products. We have made

great strides in our product development with increasing technical cooperation with multiple raw material suppliers, including Degussa and ExxonMobil. With the evolving of times and technology, we have included “durability and fuel efficiency”, “safety and comfort” and “low rolling resistance” as the main features of our products to reduce carbon emissions from vehicles.

In conclusion, Cheng Shin will continue to focus on the tire industry and to, based on our previous success, live out our corporate values, integrity and innovation, and carry on our mission to deliver customer satisfaction and high quality with full transparency. Together with enhanced organizational and technical capabilities, we are well-positioned to deliver continuous revenue and profit growth.

Sincerely yours,



Lo, Tsai-Jen
Chairman



II. Company Profile

2.1 Date of Incorporation

January 1, 1967

2.2 Company History

Year	Milestones
1967	The Company was established as a limited liability company with 178 employees and NT\$6,000,000 in capital, specializing in the production of motorcycle and bicycle tires. All products were approved by the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs to use the CNS(㊞) symbol.
1969	The Company became a company limited by shares on December 19, and began the collaboration of technology and business with a Japanese corporation, Kyowa Ltd. The capital of the Company was increased to NT\$24,000,000, and the export business was expanded.
1971	Our product quality was approved by the US Department of Transportation to use the DOT symbol. The Company also developed an excellent reputation in the overseas markets. Employees increased to 600.
1972	Factory construction was completed at the current site at the time, and officially became part of the production process. The sales of the products went from domestic-oriented to export-oriented.
1973	The Company began planning and acquiring technical knowledge and adding equipment to manufacture automobile tires.
1974	The Company was awarded as the number one rubber exporter in the industry. The capital of the Company was increased to NT\$120,000,000. The Company began manufacturing and selling truck tires in June.
1975	The Company implemented strict product quality control, and purchased the latest equipment for quality control. The office in Los Angeles, USA was set up. Employees increased to 1,200.
1976	The Company, in accordance with new CNS standards, obtained further approval from BSMI to use the (㊞) symbol for the outer tires of large trucks, small trucks, transport cars, agriculture vehicles, and motorcycles.
1977	The Taipei office, responsible for export business, was established in the Taipei World Trade Building. The capital of the Company was increased to NT\$220,000,000.
1980	The factory was awarded a product quality A rating by the Ministry of Economic Affairs. The capital of the Company was increased to NT\$420,000,000, and employees of the Company were increased to 2,200.
1981	The Zhong Zhuang Plant was completed, which specializes in the production of high quality bicycle tires. The capital of the Company increased to NT\$583,800,000.
1982	The Company signed a technical cooperation agreement with Toyo Tire & Rubber Co.,

	Ltd., and established a factory for the latest radial tires for passenger cars. The capital of the Company increased to NT\$720,000,000.
1983	Total domestic and export sales reached NT\$2,708,000,000. The Company was awarded number one in the tire industry in Taiwan. Full efforts were made to research and develop passenger car radial tires. The capital of the Company increased to NT\$828,000,000.
1984	The Company was received the Japanese government's approval to sue the Japanese Industrial Standard Symbol for bicycle and motorcycle tires and tubes. The Company began producing and marketing passenger car radial tires and expanded its export market. The capital of the Company increased to NT\$910,800,000. The total domestic and export sales turnover was NT\$2,890,000,000.
1986	Total domestic and export sales turnover of the Company reached NT\$3,770,000,000. The bicycle tire sales volume reached 20,000,000 pcs. The Company invested in new mixing machines in order to increase production.
1987	The Xi Zhou Plant was built and scheduled to produce bicycle tires. The capital of the Company reached NT\$1,332,045,000. The Company and Toyo Rubber Co., Ltd. established Yang Industrial Co., Ltd. jointly to co-produce shock proof rubber auto parts. The automobile tires and inner tubes, tires for industrial vehicles, and farming machinery manufactured by the Company received the Japanese Industrial Standards Symbol. The Company was listed on the Taiwan Stock Exchange on December 7.
1988	The Xi Zhou Plant officially began production of bicycle tires. The Company's Main Plant added radial tire production capacity. The capital of the Company increased to NT\$1,625,094,900. The Company and Kyowa Ltd jointly established a tire sales corporation in Osaka to expand output in Japan. The Company also invested in domestic Pacific Securities Co., Ltd. to diversify investment avenues.
1989	The Main Plant continued to expand facilities for the production of radial tire. The capital of the Company increased to NT\$2,031,368,630. The Company invested in the establishment of Cheng Shin Rubber (Hong Kong) Limited.
1990	The Company's sales turnover exceeded NT\$5,100,000,000. The paid-in capital increased to NT\$2,437,640,000. The Company invested in the establishment of Cheng Shin Rubber USA, Inc. and San Yueh Textile Company.
1991	Cheng Shin Germany was established in March. On September 16, Cheng Shin Germany relocated to the Netherlands and was renamed Cheng Shin Rubber (Europe) Ltd. in order to expand trades in Europe. The paid-in capital of the Company increased to NT\$2,632,653,750. On October 17, the Ministry of Economic Affairs approved that the Company may increase its capital by US\$20,000,000 through Cheng Shin Rubber Company (Hong Kong) Limited, and indirectly invest in the establishing of Xiamen Cheng Shin Rubber Industry Co., Ltd.

1992	The sales turnover exceeded NT\$6,000,000,000. The paid-in capital of the Company increased to NT\$3,159,184,500. The Company was active in the production of radial tire expansion plan. General Manager Chen, Yun-Hwa came onboard on August 1. The business license of Cheng Shin Rubber (Europe) Limited was revoked.
1993	Paid-in capital increased to NT\$3,633,062,180. Automated storage was completed and in use in July. The radial tire expansion plan was completed and began testing and production. CST Trading Ltd. was approved by the Investment Commission and established in November to indirectly invest in mainland China to set up Cheng Shin Tire & Rubber (China) Co., Ltd. We received the international standard quality assurance system ISO 9001 certification in December as the first company in the tire industry to obtain this qualification in the Republic of China.
1994	Paid-in capital increased to NT\$4,214,352,130. In August, the Investment Commission approved the US\$15,000,000 investment in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. The Ford F1 Quality Certification was awarded to the Company in November.
1995	Paid-in capital increased to NT\$5,015,079,030. The Investment Commission approved the US\$30,000,000 investment for increasing equity capital of Cheng Shin Tire & Rubber (China) Co., Ltd in April.
1996	Paid-in capital increased to NT\$5,515,079,000. In January, Toyo Tire & Rubber Co., Ltd. invested in Cheng Shin Tire & Rubber (China) Co., Ltd., to enable capital increase to US\$72,000,000, accounted for 30% of the equities. In August, the Investment Commission approved the US\$2,500,000 investment for the establishment of Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd. with a capital of US\$5,000,000 which was jointly invested with Toyo Tire & Rubber Co., Ltd.; the Company's investment accounted for 50% of the equities. The second phase of Cheng Shin Rubber (Xiamen) Ind. Ltd. was completed and formally entered into production.
1997	Paid-in capital increased to NT\$6,068,245,620. On May 29, the QS9000 quality certification was obtained. The Cheng Shin Tire & Rubber (China) Co., Ltd. factory construction was completed and formally began production in July. Investment Commission approval was obtained in July to establish Maxxis International Co., Ltd. in the Cayman Islands to indirectly invest in Cheng Shin Rubber (Xiamen) Ind. Ltd.
1998	Paid-in capital increased to NT\$6,796,435,090. In October, the Investment Commission approved an indirect investment via its subsidiary, MAXXIS International Co., Ltd. in Tianjin Tafeng Rubber Ind. Co., Ltd.; the capital of which is US\$12,000,000. On October 20, the Company's Xizhou Plant was awarded as a first class distinguished plant under Japan's Total Productive Maintenance (TPM).
1999	Paid-in capital increased to NT\$747607860. In November, a US technology center was set up by the US subsidiary.

2000	Paid-in capital increased to NT\$7,849,882,530. The Company won the ROC National Quality Award in October. In November, the Company received the National Industrial Waste Reduction Award from the Industrial Development Bureau, Ministry of Economic Affairs. In December, the Company was awarded the group gold medal by the ROC Proposal Association.
2001	Paid-in capital increased to NT\$8,360,124,890. The Xizhou Plant was awarded as the first class distinguished plant under Japan's Total Productive Maintenance (TPM).
2002	The Investment Commission approved an indirect investment in the capital increase of Cheng Shin Tire & Rubber (China) Co., Ltd. in the amount of US\$20,000,000 via the Company's subsidiary; CST Trading Ltd. MAXXIS tires won the Forbes Magazine 2002 Global Award for enterprise excellence. The Company's capital increased to NT\$8,861,732,380. On November 1, the Investment Commission approved the establishment of Cheng Shin Tire (Xiamen) Co., Ltd. through indirect investment, and on December 31, approved the investment in establishing a new company, Maxxis International (Thailand) Co., Ltd.
2003	On March 6, Maxxis International (Thailand) Co., Ltd. officially started the construction of its plant. On September 23, the Company's MAXXIS brand was awarded by the Ministry of Economic Affairs and the international brand consultancy firm (INTERBRAND GROUP) as one of Taiwan's top twenty international brands, ranked fifth; the brand value was estimated at US\$256 million. In addition, the capital of the Company increased to NT\$9,570,670,970 by the end of 2003.
2004	Cheng Shin Tire (Xiamen) Co., Ltd. and Maxxis International (Thailand) Co., Ltd. completed the constructions and entered into vehicle testing and trial production stage. On October 4, the Company's MAXXIS brand won the 2004 Taiwan top twenty international brands, which was ranked sixth with a brand value of US\$264 million. Furthermore, the Company's paid-in capital increased to NT\$10,489,455,380.
2005	Maxxis International (Thailand) Co., Ltd. completed its first phase of all-round production, with daily production of 6,000 passenger car tires. Cheng Shin Tire (Xiamen) Co., Ltd.'s daily production was 700 all steel radial tires. The European technology center was established. The Company's MAXXIS brand continued to be in Taiwan's top twenty international brands in 2005, with a brand value of US\$264 million. In addition, the Company's paid-in capital increased to NT\$11,381,059,080.
2006	Taiwan Cheng Shin R&D center was completed and soon opened for operations. Maxxis International (Thailand) Co., Ltd. and the expansion of production capacity of Cheng Shin Tire (Xiamen) Co., Ltd. were completed. Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. began construction. The MAXXIS brand was once again awarded as Taiwan's Top Twenty International Brand in 2006, with a brand value of US\$271 million. The company's paid-in capital increased to NT\$12,177,733,220.

2007	The first phase of construction of Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.'s factory was completed, and started trial production in March, which was projected to formally begin production in August. XiaMen Cheng Shin Enterprise Co., Ltd. began production in January. The Company's MAXXIS brand continued to be awarded as Taiwan's top twenty international brands in 2017, with a brand value of US\$309 million. The Company's paid-in capital increased to NT\$13,030,174,540.
2008	Construction of Plant B of Maxxis International (Thailand) Co., Ltd.; upgrade of production capacity of Cheng Shin Tire & Rubber (China) Co., Ltd. and Cheng Shin Tire (Xiamen) Co., Ltd.; Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. was all-round operational. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2008, with a brand value of US\$346 million. The Company's paid-in capital increased to NT\$14,984,700,720.
2009	Maxxis International (Thailand) Co., Ltd. completed the first phase of the construction of its Plant B and started trial production in March, and formally began production in May. On November 13, the Investment Commission approved an indirect investment of US\$20,000,000 to establish Cheng Shin (Xiamen) International Automobile Cultural Center Co., Ltd. via MAXXIS International Co., Ltd. On December 16, the Investment Commission approved the acquisition by the Company's subsidiary of 22.36% of the equity interest in Cheng Shin Tire & Rubber (China) Co., Ltd. (which was held by Toyo Tire & Rubber Co., Ltd.). The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2009, with a brand value of US\$345 million. The Company's paid-in capital increased to NT\$16,483,170,790.
2010	On April 16, the Investment Commission approved the Company to indirectly invest US\$30,000,000 in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary MAXXIS International Co., Ltd. On April 23, the Investment Commission approved an investment of US\$30,000,000 via the Company's subsidiary CST Trading Limited to establish Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd., which began construction in June. In October, the Douliu Plant and Xiamen Jimei plant began construction. On November 30, the Investment Commission approved the Company to participate in the capital increase of Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary, MAXXIS International Co., Ltd. in the amount of US\$45,000,000. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2010, with a brand value of US\$391 million. The Company's paid-in capital increased to NT\$20,603,963,490.
2011	On February 17, the Board of Directors approved an investment in the amount of US\$50,000,000 via the subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd. to participate in the capital increase of Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. On August 11, the Investment Commission approved the Company's investment of

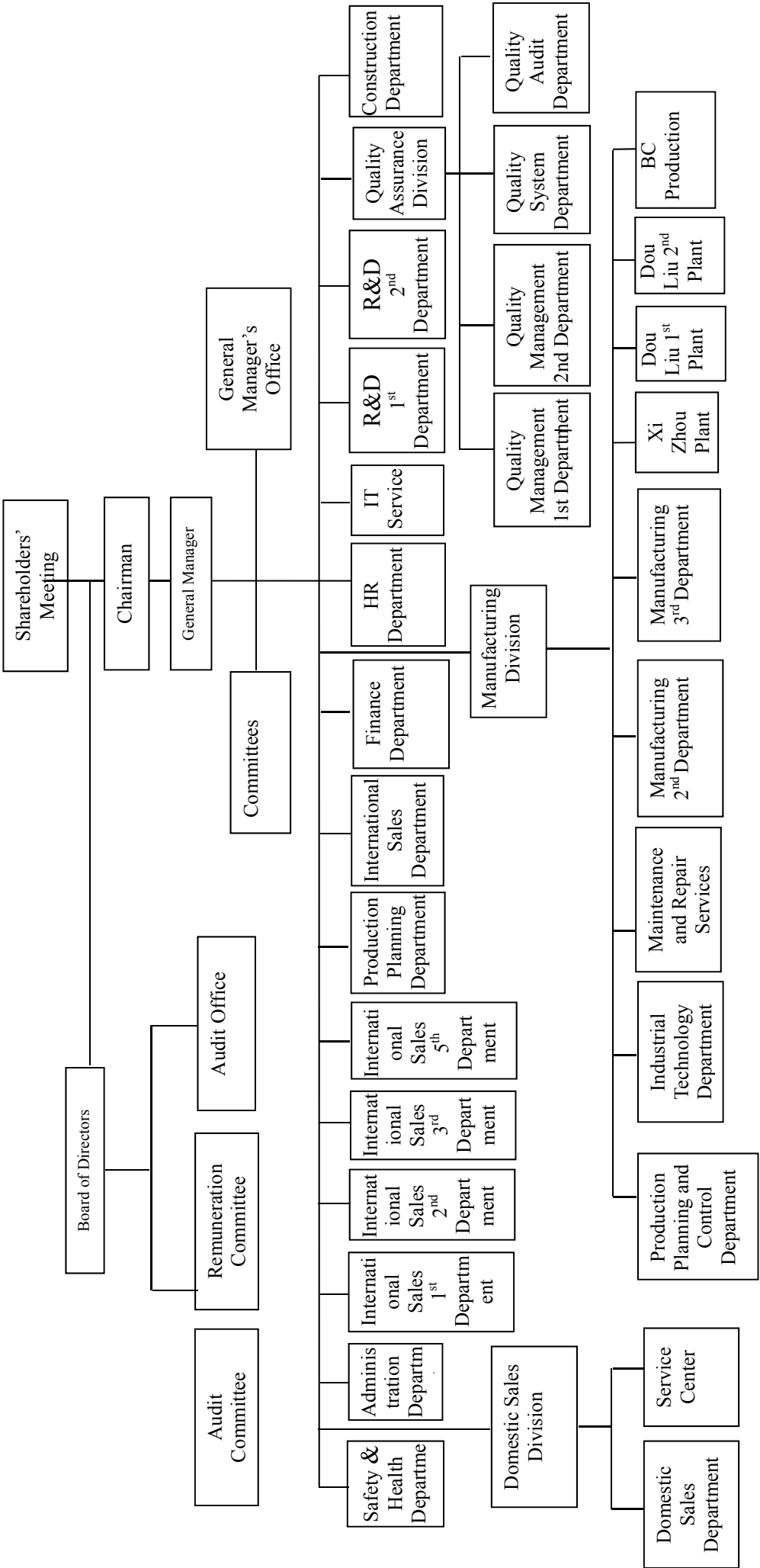
	US\$18,000,000 in the capital increase of the Cheng Shin Tire (Xiamen) Co., Ltd. via subsidiary, MAXXIS International Co., Ltd. On July 19, the Board of Directors approved the establishment of the Remuneration Committee of the Company. On October 20, the Investment Commission approved the Company's indirect investment in the amount of RMB17,000,000 in CST Rubber (Zhangzhou) Ind. Co., Ltd. via subsidiary MAXXIS International (HK) Ltd. On December 6, the Board of Directors approved a capital increase of US\$15,000,000 in Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. via subsidiary MAXXIS Trading Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2011, with a brand value of US\$335 million. The Company's paid-in capital increased to NT\$24,724,756,190.
2012	On March 1, the Board of Directors approved the investment of US\$20,000,000 in the capital increase of Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. through the Company's subsidiary Cheng Shin Tire & Rubber (China) Co., Ltd. Cheng Shin Tire & Rubber (China) Co., Ltd. tire testing plant began operations in November 2012. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2012, with a brand value of US\$331 million. The Company paid-in capital increased to NT\$28,186,222,060.
2013	On October 15, the Board approved the proposal to make investments in Indonesia. On November 26, the Investment Commission approved the investment of RMB75,000,000 in the capital increase of CST Rubber (Zhangzhou) Ind. Co., Ltd. via its subsidiary MAXXIS International (HK) Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2013, with a brand value of US\$ 370 million. The Company was named the top 50 best listed companies in 2013 by Forbes Magazine. The Company's paid-in capital increased to NT\$32,414,155,360.
2014	On May 13, the Board approved the acquisition of the right to use lands in Indonesia's Greenland International Industrial Center. On November 11, the Board approved the increase of investment in India. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2014, with a brand value of US\$367 million.
2015	The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2015, with a brand value of US\$348 million.
2016	On November 9, the Board approved the incorporation of PT MAXXIS TRADING INDONESIA. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2016, with a brand value of US\$317 million.
2017	On June 15, the Company established its first Audit Committee. The Board approved the proposal to participate in the capital increase of MAXXIS Rubber India Private

	Limited in the amount of INR 1,799,985,410 using its own capital, which officially began production in August 2017. And PT MAXXIS International Indonesia began production in October 2017. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2017, with a brand value of US\$324 million.
2018	On January 24, the Board approved the proposal to participate in the capital increase of Maxxis Rubber India Private Limited in the amount of INR 999,991,890 and PT MAXXIS International Indonesia in the amount of US\$29,998,875 using its own capital. On March 20, the Board passed a resolution to set up a company for its sales operations in Europe; on November 8, the Board passed a resolution to set up a company for its sales operations in Mexico. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2018, with a brand value of US\$299 million.
2019	On July 3, the Board passed a resolution to set up a company for its sales operations in Japan. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2019, with a brand value of US\$288 million.

III. Corporate Governance Report

3.1 Organization

(1) Organization



(2) Major Department Functions

Department	Functions
General Manager's Office	Plan the medium and long-term development strategies of the Company and the procurement of raw materials.
Audit Office	Audit and evaluate the performance of departmental operating functions and the implementation of internal control policies.
Safety & Health Department	Plan and supervise the risk management of labor safety and health and environmental measures of all departments.
Administration Department	Manage all kinds of procurement (excluding raw materials) and general affairs.
Human Resource Department	Short, medium and long-term human resources planning, personnel compensation, welfare and training.
Finance Department	Manage operating capitals, as well as matters pertaining to accounting and shares.
Production Planning Department	Manage manufacturing and sales planning and coordinate purchase orders of the Group.
IT Service Department	Implement the company computerization, and control computer data and computer software security.
Domestic Sales Division	Determine domestic sales strategies and goals.
Domestic Sales Department	Implement sales policy and marketing plans of all kinds of tires and rubber products in the domestic market.
Customer Service Center	Provide product consultation, handle customer complaints, review, manage and resolve defective/malfunctioned products returned by the customers.
International Sales 1 st Department	Sell tires for the use of new vehicle assembly and repair market, develop policies, supervise and manage relevant matters in the global market (excluding Taiwan)
International Sales 2 nd Department	Develop new customers and manage sales and services related to the OE and BC/MC repair market in Japan
International Sales 3 rd Department	Develop new customers and manage sales and services related to the OE factories and repair market of bike tires around the world
International Sales 5 th Department	Develop new customers and manage sales and services related to the repair market in Europe
International Sales Department	Implement and manage global sales policy (excluding Taiwan) and promotion planning.
Quality Assurance Division	Plan, implement and manage quality assurance policy, quality enhancement and standardization of the whole Company.
Quality System Department	Establish, maintain and manage the quality management system and coordinate and manage internal and external audits.
Quality Management 1 st Department	Plan, implement and manage the standardization activity of intermediate process and the inspection of the manufacturing process of manufacturing divisions and Dou Liu plants.

Department	Functions
Quality Management 2nd Department	Plan, implement and manage the standardization activity of intermediate process and the inspection of the manufacturing process of Xi Zhou plants and BC production.
Quality Audit Department	Manage supplier quality and audit compliance as requested by customers.
R&D 1 st Department	Research and develop rubber materials and formula, and verify designed materials and formula.
R&D 2 nd Department	Research and develop tire structure and pattern, and verify designed structure and pattern.
Manufacturing Division	Implement or examine the operation and research plan of all manufacturing departments and plants.
Production Planning and Control Department	Adopt production management standards, and manage and develop strategies for production planning.
Industrial Technology Department	Develop technologies for the product manufacturing process, research new equipment and introduce new production methods.
Maintenance and Repair Services Department	Research the rationalization of equipment within the area of responsibility to improve deficiencies, manage the operation of new equipment as well as the application and inspection of production process outsourcing
Manufacturing 2 nd Department	Manufacture tires for motorcycles, industrial vehicles, agricultural mechanical vehicles, passenger cars and trucks.
Manufacturing 3 rd Department	Manufacture tires for passenger cars, industrial vehicles, pickup trucks, tanks and other trucks.
Xi Zhou Plant	Produce rubber compounds and manufacture tires for bicycles, agricultural-industrial vehicles and motorcycles.
Dou Liu 1 st Plant	Produce rubber compounds and manufacture rubber-coated bead and belt steel cord.
Dou Liu 2 nd Plant	Manufacture radial tires.
BC Production	Manufacturing of bicycle tires.
Construction Department	Design graphics for the development of mechanical devices and manage production.

3.2 Directors, Independent Directors and Management Team

(1) Directors and Independent Directors

April 18, 2020

Title & Name	Gender	Nationality/ Country of Origin	Date of Election	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within the second degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman Lo, Tsai-Jen	Male	Republic of China	2017.06.15	3	2014.06.17	283,225,502	8.74%	283,225,502	8.74%	29,146,793	0.90%	0	0%	Graduated from the Department of Marketing and Materials Management, Newark College of Engineering	General Manager	Director	Chen, Yun-Hwa Chen, Shiu-Hsiung Chiu-Li-Ching	Within the second degree of kinship; within the second degree of kinship; spouse
Director Xie Shun Investment Corporation, represented by Chen, Shiu-Hsiung	-	Taipei	2017.06.15	3	2017.06.15	15,580,000	0.48%	15,580,000	0.48%	0	0%	0	0%	NA	NA		NA	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the first degree of kinship
Director Jiu Shun Investment Corporation, represented by Chen, Yun-Hwa	Male	Republic of China	2017.06.15	3	2017.06.15	57,819,456	1.78%	67,819,456	2.09%	62,945,516	1.94%	31,280,000	0.97%	Graduated from Department of Chemistry, Shizuoka University	General Manager	Director	Chen, Yun-Hwa Lo, Tsai-Jen Chiu-Li-Ching Chen, Han-Chi	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the first degree of kinship
Director Hong Jing Investment Corporation, represented by Chiu, Li-Ching	-	Taipei	2017.06.15	3	2017.06.15	13,391,000	0.41%	13,391,000	0.41%	0	0%	0	0%	NA	NA		NA	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the second degree of kinship
Director Hong Jing Investment Corporation, represented by Chiu, Li-Ching	Male	Republic of China	2017.06.15	3	2017.06.15	40,570,531	1.25%	120,570,531	3.72%	82,492,443	2.54%	13,391,000	0.41%	Honorary Doctor of Management, National Yunlin University of Science and Technology	NO	Director	Chen, Shiu-Hsiung Lo, Tsai-Jen Chiu-Li-ching	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the second degree of kinship
Director Hong Jing Investment Corporation, represented by Chiu, Li-Ching	-	Changhua County	2017.06.15	3	2017.06.15	32,672,000	1.01%	33,331,000	1.03%	0	0%	0	0%	NA	NA		NA	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the second degree of kinship
Director Hong Jing Investment Corporation, represented by Chiu, Li-Ching	Female	Republic of China	2017.06.15	3	2017.06.15	27,996,793	0.86%	29,146,793	0.90%	283,225,502	8.74%	33,331,000	1.03%	Graduated from Department of Economics, National Taiwan University	NO	Director	Lo, Tsai-Jen Chen, Yun-Hwa Chen, Shiu-Hsiung	Spouse; within the second degree of kinship; within the second degree of kinship

Director Min Xin Investment Corporation, represented by Chen, Han-Chi	-	Taipei City	2017. 06.15	2017. 06.15	6,425,000	0.20%	6,425,000	0.20%	0	0%	0	0%	0%	NA	NA	Chen, Shiu-Hsiung	within the first degree of kinship
	Female	Republic of China	2017. 06.15	2017. 06.15	6,534,867	0.20%	5,880,867	0.18%	79,921	0.00%	6,425,000	0.20%	Master of Accounting Science, University of Illinois at Urbana-Champaign	NO	NO	NO	NO
Director Tseng, Shung-Chu	Male	Republic of China	2017. 06.15	2017. 06.15	21,688,580	0.67%	22,488,580	0.69%	0	0%	0	0%	Executives Program, Department of Business Administration, National Chengchi University	Chairman of Merida Industry Co., Ltd, Chairman of Taiwan Bicycle Association	NO	NO	NO
	-	Changhua County	2017. 06.15	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
Director Hornig Yih Investment Corporation, represented by Lin, Hung-Yu	Male	Republic of China	2017. 06.15	2008. 06.13	433	0%	433	0%	7,553	0%	0	0%	Graduated from the Department of Chemical Engineering, National Taipei Institute of Technology	Deputy General Manager	NO	NO	NO
	-	Changhua County	2017. 06.15	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
Director Hornig Yih Investment Corporation, represented by Lee, Chin-Chang	Male	Republic of China	2017. 06.15	2008. 06.13	24,874	0%	24,874	0%	725	0%	0	0%	Master of Department of Mechanical Engineering, Nanya Institute of Technology	General Manager	NO	NO	NO
	-	Changhua County	2017. 06.15	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
Independent Director Hsu, En-De	Male	Republic of China	2017. 06.15	2014. 06.17	0	0%	0	0%	0	0%	0	0%	PhD in Accounting, National Taiwan University	Independent Director and Member of Remuneration Committee of Healthcomm Corporation; Independent Director and Member of Remuneration Committee of Mobiletron Co., Ltd.	NO	NO	NO
	-	Changhua County	2017. 06.15	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
Independent Director Too, Jui-Rze	Male	Republic of China	2017. 06.15	2014. 06.17	0	0%	0	0%	0	0%	0	0%	PhD in Chemical Engineering, Kansas State University	NO	NO	NO	NO
	-	Changhua County	2017. 06.15	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA

Independent Director Chen, Shui-Chin	Male	Republic of China	2017.06.15	3	2017.06.15	0	0%	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, National Chung Cheng University	Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Merida Industry Co., Ltd. and San Neng Group Holdings; Member of Remuneration Committee of Acelon Chemicals & Fiber	NO	NO	NO
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Note:
The General Managers of the Company are responsible for the domestic and international operations; their roles and responsibilities are clear and match our current operations. At the same time, less than half of the directors also act as employees or officers, however the Company will adhere to the requirements of the related laws and regulations by 2023.

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example increasing the seats for independent directors, over half of the directors may not act as employees or officers, etc.).

Major Shareholders of the Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders
Xie Shun Investment Corporation	Chen, Han-Hsin (0.52%); Chen, Po-Chia (1.05%); Chen, Han-Chi (0.52%)
Jiu Shun Investment Corporation	Chen, Li-Chen (0.33%); Chen, Chi-Ying (0.32%); Chen, Ping-Hao (0.72%)
Hong Jing Investment Corporation	Chiu, Li-Ching (47.38%); Luo, Yuan-Yu (44.95%); Lo, Yuan-Long (7.67%)
Min Xin Investment Corporation	Chen, Han-Chi (89.33%)
Horning Yih Investment Corporation	Luo, Ming-Han (20%); Lo, Tsai-Jen (15%); Lo, Ming-I (12.5%); Lo, Min-Ling (12.5%); Luo, Jye (10%); Chen, Yun-Hwa (10%); Chen, Shiu-Hsiung (10%)

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

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lo, Tsai-Jen		N	N	Y					V		V		V	V	N/A
Chen, Shiu-Hsiung (Representative of Xie Shun Investment Corporation)		N	N	Y					V		V		V		N/A

Chen, Yun-Hwa (Representative of Jiu Shun Investment Corporation)	N	N	Y	V					V		V						N/A
Chiu, Li-Ching (Representative of Hong Jing Investment Corporation)	N	N	Y	V					V	V	V			V			N/A
Chen, Han-Chi (Representative of Min Xin Investment Corporation)	N	N	Y	V		V			V	V	V			V			N/A
Tseng, Shung-Chu	N	N	Y	V	V	V	V	V			V	V	V	V			N/A
Lee, Chin-Chang (Representative of Horning Yih Investment Corporation)	N	N	Y				V	V	V			V	V	V			N/A
Lin, Hung-Yu (Representative of Horning Yih Investment Corporation)	N	N	Y				V	V	V	V	V	V	V	V			N/A
Hsu, En-De	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	V			2
Too, Jui-Rze	Y	Y	N	V	V	V	V	V	V	V	V	V	V	V			0
Chen, Shuei-Jin	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	V			2

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

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

- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. However, the aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 - (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person.
 - (7) Not a director (or governor), supervisor, or employee of other company or institutions who is the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. The aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 - (8) Not a director (governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, the aforementioned does not apply to the specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the public company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 - (9) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 - (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 - (11) Not been a person of any conditions defined in Article 30 of the Company Act.
 - (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
- Note 2: If the Company's independent director or independent supervisor is concurrently serving as an independent director or independent supervisor of another company, they shall explain their positions in the other companies.

(3) Information of General Manager, Deputy General Manager, Senior Manager and Officer of All Departments and Branch Offices

April 18, 2020

Title	Name	Gender	Nationality	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Managers who are Spouses or Within the second degree of Kinship			Employee Stock Options
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager (Taiwan)	Lo, Tsai-Jen	Male	ROC	2016/11/09	283,225,502	8.74%	29,146,793	0.90%	0	0%	Department of Marketing and Materials Management, Newark College of Engineering	N	Chairman and General Manager	Lo, Tsai-Jen	Same person; Second-degree relative	Note: The General Managers of the Company are responsible for the domestic and international operations; their roles and responsibilities are clear and match our current operations. At the same time, less than half of the directors also act as employees or officers, however the Company will adhere to the requirements of the related laws and regulations by 2023
General Manager (Xiamen)	Chen, Shiu-Hsiung	Male	ROC	1997/04/01	67,819,456	2.09%	62,945,516	1.94%	31,280,000	0.97%	College of Chemical Industry, Shizuoka University	N	Chairman and General Manager	Lo, Tsai-Jen	Second-degree relative of spouse	
General Manager	Lee, Chin-Chang	Male	ROC	2007/02/01	24,874	0%	725	0%	0	0%	Master of Department of Mechanical Engineering, Nanyang Institute of Technology	N	N	N	N	
General Manager	Hsu, Chih-Ming	Male	ROC	2012/04/01	844	0%	4,665,356	0.14%	0	0%	PhD in Electrical Engineering, National Tsing Hua University	N	General Manager	Chen, Shiu-Hsiung	First-degree relative of spouse	
Deputy General Manager	Lin, Hung-Yu	Male	ROC	2007/02/01	433	0%	7,553	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N	N
Deputy General Manager	Peng Wen-Hsing	Male	ROC	2007/02/01	4,326	0%	0	0%	0	0%	Department of Mechanical Engineering, Lunghwa Junior College	N	N	N	N	N
Deputy	Huang	Male	ROC	2008/07/01	233,322	0%	0	0%	0	0%	Deputy General Manager	N	N	N	N	N

	Chin-Lu																							
Senior Manager	Liu, Ching-Chung	Male	ROC	2012/08/01	0	0%	396	0%	0	0%	0%	0%	0%	Industrial College	Department of Industrial Engineering, Feng Chia University	N	N	N	N	N	N	N	N	N
Senior Manager	Lo, Chen-Jung	Male	ROC	2012/08/01	189	0%	0	0%	0	0%	0%	0%	0%	Department of Electrical Engineering, Chienkuo Junior College	Department of Electrical Engineering, Chienkuo Junior College	N	N	N	N	N	N	N	N	N
Senior Manager	Chen, Shu-Yu	Male	ROC	2013/08/01	0	0%	0	0%	0	0%	0%	0%	0%	Master, Food & Chemical Engineering, Da Yeh University	Master, Food & Chemical Engineering, Da Yeh University	N	N	N	N	N	N	N	N	N
Senior Manager	Chiang, Kui-Yung	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Mechanical Engineering, National United University	Department of Mechanical Engineering, National United University	N	N	N	N	N	N	N	N	N
Senior Manager	Chang, Chin-Ming	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Industrial Engineering, Nan Kai University of Technology	Department of Industrial Engineering, Nan Kai University of Technology	N	N	N	N	N	N	N	N	N
Senior Manager	Hu, Ming-Te	Male	ROC	2016/07/01	10,000	0%	4,320	0%	0	0%	0%	0%	0%	Diploma in Electrical Engineering, Zhen Del High School	Diploma in Electrical Engineering, Zhen Del High School	N	N	N	N	N	N	N	N	N
Senior Manager	Ting, Iso-Lin	Male	ROC	2018/09/01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Spanish, Tamkang University	Department of Spanish, Tamkang University	N	N	N	N	N	N	N	N	N
Senior Manager	Chen, Jin-Long	Male	ROC	2019/12/01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Textile Engineering, Nanya Institute of Technology	Department of Textile Engineering, Nanya Institute of Technology	N	N	N	N	N	N	N	N	N
Senior Manager	Yang, Jin-Cheng	Male	ROC	2019/12/01	0	0%	0	0%	0	0%	0%	0%	0%	Department of Mechanical Engineering, Chin-Yi University of Technology	Department of Mechanical Engineering, Chin-Yi University of Technology	N	N	N	N	N	N	N	N	N
Senior Manager	Luo, Yuan-Long	Male	ROC	2020/04/01	52,973,666	1.63%	0	0%	0	0%	0%	0%	0%	PhD in Physics, University of Washington	PhD in Physics, University of Washington	N	N	N	N	N	N	N	N	N
Senior Manager	Chen, Bo-Jia	Male	ROC	2020/04/01	0	0%	0	0%	0	0%	0%	0%	0%	Master in Electrical Engineering, Cheng Kung University	Master in Electrical Engineering, Cheng Kung University	N	N	N	N	N	N	N	N	N
Chief Financial Officer	Lo, Yung-Li	Male	ROC	2010/07/19	0	0%	0	0%	0	0%	0%	0%	0%	Department of Public Finance, Feng Chia University	Department of Public Finance, Feng Chia University	N	N	N	N	N	N	N	N	N
Chief Accounting Officer	Chang, Ya-Ching	Female	ROC	2017/11/09	1,000	0%	0	0%	0	0%	0%	0%	0%	Department of Accounting, Providence University	Department of Accounting, Providence University	N	N	N	N	N	N	N	N	N

Note: Senior Manager Mao, Yu-Fu retired on June 30, 2019; Senior Manager Wei, Qi-Jiang retired on March 13, 2020.

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

1. Remuneration of Directors (Including Independent Directors)

December 31, 2019
Unit: in NT\$1000

[illegible]

1. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.
- *The Company's independent director remuneration is authorized for 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.

*In 2019, 6 Board meetings and 5 Audit Committee meetings were held. All 3 independent directors participated actively with an attendance of 100%.

2. Except as otherwise disclosed herein, the directors of the Company have not received other remunerations for providing services (in a non-employee capacity, such as an advisor) to any of the companies in the consolidated financial statements within the current fiscal year.

Table of Range of Remuneration

Range of Remuneration	Name of Directors				
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)		
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Under NT\$ 1,000,000	-	-	-	-	
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	Hsu, En-De; Too, Jui-Rze ; Chen, Shuei-Jin	Hsu, En-De; Too, Jui-Rze; Chen, Shuei-Jin	Hsu, En-De; Too, Jui-Rze; Chen, Shuei-Jin	Hsu, En-De; Too, Jui-Rze; Chen, Shuei-Jin	
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	-	-	-	-	
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	Min Xin Investment Corporation; Tseng, Shung-Chu	Min Xin Investment Corporation; Tseng, Shung-Chu	Min Xin Investment Corporation; Tseng, Shung-Chu	Min Xin Investment Corporation; Tseng, Shung-Chu	
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Hong Jing Investment Corporation; Jiu Shun Investment Corporation; Horning Yih Investment Corporation	Hong Jing Investment Corporation; Jiu Shun Investment Corporation; Horning Yih Investment Corporation	Hong Jing Investment Corporation; Jiu Shun Investment Corporation; Jiu Shun Investment Corporation	Hong Jing Investment Corporation; Jiu Shun Investment Corporation;	
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-	-	-	
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	Xie Shun Investment orporation; Lo, Tsai-Jen	Xie Shun Investment Corporation; Lo, Tsai-Jen	Horning Yih Investment Corporation; Xie Shun Investment Corporation	Horning Yih Investment Corporation; Xie Shun Investment Corporation	
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-	Lo, Tsai-Jen	Lo, Tsai-Jen	
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-	
Over NT\$100,000,000	-	-	-	-	
Total	10	10	10	10	

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

2. Remuneration of the General Manager and Deputy General Manager

December 31, 2019

Unit: in NT\$1000

Title	Name	Salary(A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Total amount of A, B, C and D to after-tax net income ratio (%)		Compensation from any Invested Company Other Than the Company's Subsidiary
		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Cash	Stock	Companies in the financial statements	The company	Companies in the financial statements	
General Manager	Lo, Tsai-Jen													
General Manager	Chen, Shiu-Hsiung													
General Manager	Hsu, Chin-Ming													
General Manager	Lee, Chin-Chang													
Deputy General Manager	Lin, Hung-Yu													
Deputy General Manager	Huang Chieh-Hsiang													
Deputy General Manager	Peng Wen-Hsing													
Deputy General Manager	Lin, Yu-Yu	29,948	29,948	0	0	40,603	40,603	1,156	0	0		2.07%	2.07%	NA
Deputy General Manager	Liao, Cheng-Yao													
Deputy General Manager	Lee, Hung-Ko													
Deputy General Manager	Liu, Chao-Sheng													
Deputy General Manager	Lai, Kuo-Ti													
Deputy General Manager	Lo, Yung-Li													

Table of Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	Hsu, Chih-Ming; Peng Wen-Hsing; Huang Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Lee, Hung-Ko; Liu, Chao-Sheng ; Lai, Kuo-Ti; Lo, Yung-Li; Lin, Hung-Yu; Lee Chin-Chang	Hsu, Chih-Ming; Peng Wen-Hsing; Huang Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Lee, Hung-Ko; Liu, Chao-Sheng ; Lai, Kuo-Ti; Lo, Yung-Li; Lin, Hung-Yu; Lee Chin-Chang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	Lo, Tsai-Jen; Chen, Shiu-Hsiung	Lo, Tsai-Jen; Chen, Shiu-Hsiung
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-
NT\$30,000,00 (inclusive) ~ NT\$50,000,000	-	-
NT\$50,000,00 (inclusive) ~ NT\$100,000,000	-	-
Total	13	13

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

(5) Officers Receiving Employee Bonus Distribution

December 31, 2019

Unit: in NT\$1000

Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Total Amount to After-Tax Net Income Ratio (%)
General Manager	Lo, Tsai-Jen	0	2,845	2,845	0.082%
General manager	Chen, Shiu-Hsiung				
General manager	Hsu, Chih-Ming				
General manager	Lee, Chin-Chang				
Deputy General Manager	Lin, Hung-Yu				
Deputy General Manager	Huang Chieh-Hsiang				
Deputy General Manager	Peng Wen-Hsing				
Deputy General Manager	Lin, Yu-Yu				
Deputy General Manager	Liao, Cheng-Yao				
Deputy General Manager	Lee, Hung-Ko				
Deputy General Manager	Liu, Chao-Sheng				
Deputy General Manager	Lai, Kuo-Ti				
Deputy General Manager	Lo, Yung-Li				
Senior Manager	Lin, Chen-Chieh				
Senior Manager	Wei, Chi-Chiang				
Senior Manager	Ho, Chin-Fang				
Senior Manager	Lin, Chin-Chuan				
Senior Manager	Chang, Chuan-Shun				
Senior Manager	Huang, Kuo-Tsai				
Senior Manager	Huang, Yang-Hsun				
Senior Manager	Chen, Ying-Kuang				
Senior Manager	Chang, Ghi-Jung				
Senior Manager	Chang Chin-Lu				
Senior Manager	Liu, Ching-Chung				
Senior Manager	Lo, Chen-Jung				
Senior Manager	Chen, Shu-Yu				
Senior Manager	Chiang, Kui-Yung				
Senior Manager	Chang, Chin-Ming				
Senior Manager	Hu, Ming-Te				
Senior Manager	Ting, Tso-Lin				

Senior Manager	Chen, Jin-Long				
Senior Manager	Yang, Jin-Cheng				
Chief Financial Officer	Lo, Yung-Li				
Chief Accounting Officer	Chang, Ya-Ching				

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

- 1.Total remuneration of directors, general managers and deputy general managers of the Company to after-tax net income ratio.

Unit: in NT\$1000; %

Year/Item	Net income	Total remuneration of Directors, General Managers and Deputy General Managers to net profit after tax ratio
2019 the Company	3,466,827	3.94%
2019 consolidated financial statements	3,515,697	3.89%
2018 the Company	3,520,320	4.53%
2018 consolidated financial statements	3,574,638	4.46%

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

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

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

3.3 Implementation of Corporate Governance

(1) Board of Directors

1.A total of 6 (A) meetings of the board of directors were held in 2019 (as of December 31, 2019). The attendance of directors is as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note 2)	Remarks
Chairman	Lo, Tsai-Jen	6	0	100%	N/A
Director	Xie Shun Investment Corporation, represented by Chen, Shiu-Hsiung	5	1	83%	N/A
Director	Jiu Shun Investment Corporation, represented by Chen, Yun-Hwa	5	1	83%	N/A
Director	Hong Jing Investment Corporation, represented by Chiu, Li-Ching	6	0	100%	N/A
Director	Min Xin Investment Corporation, represented by Chen, Han-Chi	5	0	83%	N/A
Director	Tseng, Shung-Chu	6	0	100%	N/A
Director	Horning Yih Investment Corporation, represented by Lee, Chin-Chang	5	1	83%	N/A
Director	Horning Yih Investment Corporation, represented by Lin, Hung-Yu	6	0	100%	N/A
Independent director	Hsu, En-De	6	0	100%	N/A
Independent director	Too, Jui-Rze	6	0	100%	N/A
Independent director	Chen, Shuei-Jin	6	0	100%	N/A

Other mentionable items:

- If any of the following events occurred, the dates of the meetings, sessions, summary of proposals, opinions of all the independent directors and the company's responses should be specified:

- (1) Circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Date	Proposal	Independent Director's Opinion	The Company's Response
January 16, 2019 (11 th meeting of the 10 th Board)	(1) Officers' year-end bonus and profit distribution plans of the Company	None	N/A
March 21, 2019 (12 th meeting of the 10 th Board)	(1) 2018 distribution of compensation to the directors and employees of the Company (2) Discussion of the Company's 2018 Business Report, Consolidated Financial Statements and Individual Financial Statements (3) Approval of the Company's 2018 profit distribution (4) Proposal of the date and location of the 2019 Annual General Meeting as well as	None	N/A

		<p>the reasons to convene the meeting</p> <p>(5) Proposal of the period and location accepting shareholder proposals for the 2019 Annual General Meeting</p> <p>(6) Review of the effectiveness of the Company's 2018 internal control system and Internal Control Statement</p> <p>(7) Appointment of the Company's corporate governance officer</p> <p>(8) Appointment and change of the Company's auditor</p> <p>(9) Auditor independence evaluation report</p> <p>(10) Establishment of the Company's Standard Operational Procedures for Director Requests</p> <p>(11) Amendments to the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others</p> <p>(12) Amendments to the Company's Procedures for the Acquisition and Disposal of Assets</p> <p>(13) Amendments to the Company's Corporate Governance Best Practice Principles</p> <p>(14) Proposal of maximum loan balance of the Company</p> <p>(15) Proposal of endorsement and guarantee of obligations provided by the Company</p>			
	May 10, 2019 (13 th meeting of the 10 th Board)	<p>(1) Ratification of the Company's Q1 2019 Consolidated Financial Statements</p> <p>(2) Proposal of maximum loan balance of the Company</p> <p>(3) Proposal of endorsement and guarantee of obligations provided by the Company</p>	None	N/A	
	July 3, 2019 (14 th meeting of the 10 th Board)	<p>(1) Proposal of ex-dividend date</p> <p>(2) 2018 director profit sharing plans of the Company</p> <p>(3) Ratification of appointment and removal of the Company's personnel</p> <p>(4) Proposal to set up a company for the sales operations in Japan</p> <p>(5) Proposal of maximum loan balance of the Company</p> <p>(6) Proposal of endorsement and guarantee of obligations provided by the Company</p>	None	N/A	
	August 9, 2019 (15 th meeting of the 10 th Board)	<p>(1) Ratification of the Company's Q2 2019 Consolidated Financial Statements</p> <p>(2) Amendments to the Company's Ethical Corporate Management Best Practice Principles</p> <p>(3) Establishment of the Company's Board Self-Evaluation or Peer Evaluation Regulations</p> <p>(4) Proposal of maximum loan balance of the Company</p> <p>(5) Proposal of endorsement and guarantee of obligations provided by the Company</p>	None	N/A	

	November 11, 2019 (16 th meeting of the 10 th Board)	(1) Ratification of the Company's Q3 2019 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal of the pension payment of the Company's retired senior manager, Mao, Yu-Fu (4) Employee job grade promotion of the Company (5) Amendments to the Company's Delegated Managerial Officer Retirement Regulations (6) Proposal of maximum loan balance of the Company (7) Proposal of endorsement and guarantee of obligations provided by the Company	None	N/A	
(2) Except as otherwise disclosed above, any other resolutions of the board of directors' meetings to which an independent director has expressed objection or reservation and recorded or declared in writing: None.					
2. If there were directors who abstained from voting due to conflict of interest, the directors' names, summary of the proposal, and causes of abstention should be specified: None.					
3. Information disclosure of the Company regarding the frequency and period, scope, method, and content of the Board's self-evaluation.					
The execution of the Board's evaluation:					
* The performance evaluation result of the Company's 2019 Board and its functional committees was reviewed and evaluated by the Remuneration Committee on March 19, 2020 and submitted to the Board on March 24, 2020.					
Frequency	Period	Scope	Method	Content	Comprehensive Comment
Once a year	Performance evaluation of the Board from January 1, 2019 to December 31, 2019	Board performance evaluation	Integrated evaluation by the Chairman	1. Participation in the Company's operation 2. Improvement in the Board's decision making quality 3. Composition and structure of the Board 4. Selection and continuing education of the directors 5. Internal control	Function of the Board was excellent
Once a year	Performance self-evaluation of the Board director from January 1, 2019 to December 31, 2019	Board director performance evaluation	Self-evaluation by the directors	1. Execution of the Company's goals and tasks 2. Understanding of the director's roles and responsibilities 3. Participation procedure of the Company's operation 4. Management and communication of the internal relations 5. Expertise and continuing education of the directors 6. Internal control	Function of the Board was smooth and excellent

	Once a year	Performance evaluation of the Remuneration Committee from January 1, 2019 to December 31, 2019	Remuneration Committee performance evaluation	Self-evaluation by the Remuneration Committee members	1. Participation procedure of the Company's operation 2. Understanding of the Remuneration Committee's roles and responsibilities 3. Improvement in the Remuneration Committee's decision-making quality 4. Composition and member selection of the Remuneration Committee 5. Internal control	None.
	Once a year	Performance evaluation of the Audit Committee from January 1, 2019 to December 31, 2019	Audit Committee performance Evaluation	Self-evaluation by the Audit Committee members	1. Participation of the Company's operation 2. Understanding of the Audit Committee's roles and responsibilities 3. Improvement in the Audit Committee's decision-making quality 4. Composition and member selection of the Audit Committee 5. Internal Control	Meetings and function of the Audit Committee were regular
4. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status: (1) The Company has independent directors on the Board and an audit committee in place, and holds Board meetings and Audit Committee meetings on a regular basis. We also invite accountants/auditors to sit in on the Board meetings to help the directors have a better understanding of the global market, industry trend, and financial, accounting and tax regulations, thereby benefiting the management and operations of the Company. (2) The Company has amended the Company's Rules for Election of Directors, Rules and Procedures for Board Meetings, and adopted corporate governance rules, which are made available on the corporate website and on the Market Observation Post System (MOPS). (3) All of the Company's directors including the independent directors must meet the training hours requirement of the annual continuing education. (4) The Company discloses information in respect of directors' continuing education, Board meeting attendance, and remuneration of directors on MOPS . (5) The Company posts important matters resolved by the board of directors, Board attendance, and director profiles (including independent directors) on the corporate website.						

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

Note 2:

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

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

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

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

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

- Capability to make sound business judgments
- Accounting and financial analysis capabilities
- Capability of operations management (including the management of subsidiaries)
- Crisis management capability
- Industry knowledge
- Global market viewpoint
- Leadership skills
- Capability to make decisions

(2) Audit committee

1. The Company appoints 3 independent audit committee members assisting the Board to supervise the Company's performance quality and credibility in accounting, audit, financial reporting process, and financial control.

2. The major tasks of the Audit Committee in 2019 include:

Financial reports, audit and accounting policy and procedures, policy and procedures related to internal control system, significant asset or derivatives transactions, significant endorsements and guarantees, increase of capital, qualifications and independency evaluation of the independent auditor, delegation and dismissal of the independent auditor, Performance Self-Evaluation Questionnaire of the Audit Committee, and legal and regulatory compliance.

3. A total of 5 (A) meetings of the Audit Committee were held in 2019 (as of December 31, 2019). The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Independent Director	Hsu, En-De	5	0	100%	N/A
Independent Director	Too, Jui-Rze	5	0	100%	N/A
Independent Director	Chen, Shuei-Jin	5	0	100%	N/A

Other mentionable items:

1. If any of the following events occurred, the dates of the meetings, sessions, summary of proposals, opinions of all the independent directors and the company's responses should be specified:

- (1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:
Performance in 2019

Date	Proposal	Audit Committee Resolution	The Company's Response
March 21, 2019 (12 th meeting of the 10 th Board)	(1) Discussion of the Company's 2018 Business Report, Consolidated Financial Statements and Individual Financial Statements (2) Approval of the Company's 2018 profit distribution (3) Review of the effectiveness of the Company's 2018 internal control system and Internal Control Statement (4) Proposal to appoint and replace external auditors (5) Auditor independence evaluation report (6) Establishment of the Company's Standard Operational Procedures for Director Requests (7) Amendments to the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others (8) Amendments to the Company's Procedures for the Acquisition and Disposal of Assets (9) Amendments to the Company's Corporate Governance Best Practice Principles (10) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on March 21, 2019
May 10, 2019 (13 th meeting of the 10 th Board)	(1) Ratification of the Company's Q1 2019 Consolidated Financial Statements (2) Proposal of endorsement and guarantee of obligations	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on May 10, 2019

Board)	provided by the Company	Committee members present	present at the Board meeting on May 10, 2019
July 3, 2019 (14 th meeting of the 10 th Board)	(1) Proposal to set up a company for the sales operations in Japan (2) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on July 3, 2019
August 9, 2019 (15 th meeting of the 10 th Board)	(1) Ratification of the Company's Q2 2019 Consolidated Financial Statements (2) Amendments to the Company's Ethical Corporate Management Best Practice Principles (3) Establishment of the Company's Board Self-Evaluation or Peer Evaluation Regulations (4) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on August 9, 2019
November 11, 2019 (16 th meeting of the 10 th Board)	(1) Ratification of the Company's Q3 2019 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on November 11, 2019

(2) Except as otherwise disclosed above, any other proposals which failed to obtain the approval of the Audit Committee, but were approved by two-thirds of the directors: None.

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

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

(1) Summary of communication between independent directors and internal Chief Audit Officer in 2019:

Date	Discussion Points	Method	Results
March 21, 2019	(1) Report of internal audit findings (2) Discussion on the review of effectiveness of the Company's 2018 internal control system and Internal Control Statement	Presentation	Report acknowledged. No further opinions were given.
May 10, 2019	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
July 3, 2019	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
August 9, 2019	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
November 11, 2019	(1) Report of internal audit findings (2) Report of the audit plan next year	Presentation	Report acknowledged. No further opinions were given.

(2) Summary of communication between independent directors and CPAs in 2019:

Date	Discussion Points	Method	Results
March 21, 2019	(1) Communication with the governance unit as well as the basis and opinion of the	Presentation	Report acknowledged. No further opinions were given.

		financial report audit (2) Material findings during the audit (3) Auditor independence		
May 10, 2019	(1) Material findings during the audit	Presentation	Report acknowledged. No further opinions were given.	
August 9, 2019	(1) Material findings during the audit	Presentation	Report acknowledged. No further opinions were given.	
November 11, 2019	(1) Material findings during the audit	Presentation	Report acknowledged. No further opinions were given.	

Note:

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

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
			should take into consideration divisiveness, gender equality, and the members of the Board shall be equipped with sufficient knowledge, skills and competency to perform their duties. Currently, among the 11 directors serving on the Board, 36% of them are the Company's employees and two of them are female, which takes up 18%. The 3 independent directors have served in the office for 3 to 5 year. 4 directors are aged over 70; 4 directors are aged between 60 and 69; 3 directors are aged under 60. Their areas of expertise include business, finance, industry, and accounting. The Company aims to appoint directors with expertise other than the above-mentioned in the next election.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V	V	(2) The Company currently has no other functional committees. (2) The Company will establish other functional committees depending on future operation situation, scale and demand.
(3) Does the company establish a standard to measure the performance of the board and perform the evaluation annually?	V	(3) The Company has stipulated the Regulations for Performance Evaluation of the Board and Functional Committees and the evaluation is conducted once a year and completed at the end of December annually. The scope of the evaluation includes the performance of the entire Board, individual director, and the functional committee in the form of self-evaluation. The evaluation result of 2019 was submitted to the Remuneration Committee for review on March 19, 2020 and was then reported to the Board on March 24, 2020 as the reference for individual remuneration and nomination for the next term. The performance evaluation result of the Board	(3) None.

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations																																																																																
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Does the company regularly evaluate the independence of CPAs?			<p>Summary</p> <p>and functional committee is as follows:</p> <div><div><p>1. Board performance evaluation Integrated evaluation by the Chairman Five major projects : 45 questions in total . The weighted average score is 94.29 points.</p><table><tr><td>Content</td><td>Score</td></tr><tr><td>Participation in the Company' s operation(12 questions)</td><td>4.67</td></tr><tr><td>Improvement in the Board' s decision making quality(12 questions)</td><td>4.92</td></tr><tr><td>Composition and structure of the Board(7 questions)</td><td>5.00</td></tr><tr><td>Selection and continuing education of the directors(7 questions)</td><td>4.57</td></tr><tr><td>Internal control(7 questions)</td><td>4.71</td></tr><tr><td>Total average score</td><td>4.78</td></tr><tr><td>Weighted average score</td><td>94.29</td></tr><tr><td>Suggestions and improvements : None.</td><td></td></tr><tr><td>Comprehensive Comment : Function of the Board was excellent</td><td></td></tr></table></div><div><p>2. Board director performance evaluation 11 board members 'Received 11 self-assessment questionnaires from members ' . Five major projects : 23 questions in total . The weighted average score is 97.46 points.</p><table><tr><td>Content</td><td>Score</td></tr><tr><td>Execution of the Company' s goals and tasks(3 questions)</td><td>4.58</td></tr><tr><td>Understanding of the director' s roles and responsibilities(3 questions)</td><td>4.73</td></tr><tr><td>Participation procedure of the Company' s operation(8 questions)</td><td>4.38</td></tr><tr><td>Management and communication of the internal relations(3 questions)</td><td>4.48</td></tr><tr><td>Expertise and continuing education of the directors(3 questions)</td><td>4.58</td></tr><tr><td>Internal control(3 questions)</td><td>4.52</td></tr><tr><td>Total average score</td><td>4.51</td></tr><tr><td>Weighted average score</td><td>90.12</td></tr><tr><td>Suggestions and improvements : None.</td><td></td></tr><tr><td>Comprehensive Comment : Function of the Board was smooth and excellent</td><td></td></tr></table></div><div><p>3. Audit Committee performance Evaluation 3 members of the audit committee received 3 self-assessment questionnaires. Five major projects : 22 questions in total . The weighted average score is 95.13 points.</p><table><tr><td>Content</td><td>Score</td></tr><tr><td>Participation of the Company' s operation(4 questions)</td><td>4.67</td></tr><tr><td>Understanding of the Audit Committee' s roles and responsibilities(5 questions)</td><td>4.73</td></tr><tr><td>Improvement in the Audit Committee' s decision-making quality(7 questions)</td><td>4.86</td></tr><tr><td>Composition and member selection of the Audit Committee(3 questions)</td><td>4.67</td></tr><tr><td>Internal Control(3 questions)</td><td>4.67</td></tr><tr><td>Total average score</td><td>4.78</td></tr><tr><td>Weighted average score</td><td>95.13</td></tr><tr><td>Suggestions and improvements : Nil.</td><td></td></tr><tr><td>Comprehensive Comment : Meetings and function of the Audit Committee were regular</td><td></td></tr></table></div><div><p>4. Remuneration Committee performance evaluation 3 members of the remuneration committee received 3 self-assessment questionnaires. Four major projects : 21 questions in total . The weighted average score is 97.46 points.</p><table><tr><td>Content</td><td>Score</td></tr><tr><td>1. Participation procedure of the Company' s operation(4 questions)</td><td>5.00</td></tr><tr><td>2. Understanding of the Remuneration Committee' s roles and responsibilities(5 questions)</td><td>4.93</td></tr><tr><td>3. Improvement in the Remuneration Committee' s decision-making quality(6 questions)</td><td>4.67</td></tr><tr><td>4. Composition and member selection of the Remuneration Committee(6 questions)</td><td>4.94</td></tr><tr><td>Questions</td><td>4.87</td></tr><tr><td>Weighted average score</td><td>97.46</td></tr><tr><td>Suggestions and improvements : None.</td><td></td></tr><tr><td>Comprehensive Comment : None.</td><td></td></tr></table></div></div>	Content	Score	Participation in the Company' s operation(12 questions)	4.67	Improvement in the Board' s decision making quality(12 questions)	4.92	Composition and structure of the Board(7 questions)	5.00	Selection and continuing education of the directors(7 questions)	4.57	Internal control(7 questions)	4.71	Total average score	4.78	Weighted average score	94.29	Suggestions and improvements : None.		Comprehensive Comment : Function of the Board was excellent		Content	Score	Execution of the Company' s goals and tasks(3 questions)	4.58	Understanding of the director' s roles and responsibilities(3 questions)	4.73	Participation procedure of the Company' s operation(8 questions)	4.38	Management and communication of the internal relations(3 questions)	4.48	Expertise and continuing education of the directors(3 questions)	4.58	Internal control(3 questions)	4.52	Total average score	4.51	Weighted average score	90.12	Suggestions and improvements : None.		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(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Company submitted the proposal to the Board of Directors on March 24, 2020, and the evaluation of its CPA's independence was approved with the below items: (a) The CPAs of the Company have not worked in the Company during the two years before providing audit services. (b) The CPAs of the Company do not hold any shares of the Company. (c) The CPAs of the Company and the Company																																																																																

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
			<p>have no loan relationship.</p> <p>(d) The CPAs of the Company and the Company do not have any joint investments or profit sharing.</p> <p>(e) The CPAs of the Company do not hold any concurrent position in the Company nor receive any fixed salary.</p> <p>(f) The CPAs of the Company do not participate in the decision-making process in a management function of the Company.</p> <p>(g) The CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company.</p> <p>(h) The CPAs of the Company do not receive any business-related commissions from the Company.</p> <p>(i) The CPAs of the Company have signed the payment amount and method of the service fees in advance.</p> <p>(j) The CPAs of the Company do not charge fees on the condition that certain findings or results are achieved.</p>
4. Has the TWSE/TPEX listed company established a department or position which is responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information necessary to carry out their duties, coordinating board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information and preparing minutes of the board meetings and shareholders' meetings)?	V		<p>The Company has established a department to handle corporate governance related matters, and appointed Deputy General Manager Lo, Yung-Li from the Finance Department as the chief corporate governance officer and two other officers on March 21, 2019. Lo, Yung-Li had over three years' experience in the managerial roles of financial operations of public companies.</p> <p>(1) The functions of the department are as follows:</p> <p>(a) Inquire the opinions of the directors prior to a</p>

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
			<p>board meeting for the purpose of planning and drafting the meeting agenda, and notify all the directors of the meeting at least 7 days before the meeting and provide them with appropriate information regarding the meeting so that the directors may be aware of the proposals. If any of the proposals involve stakeholders that require refusal, a reminder shall be given to such persons prior to the meeting.</p> <p>(b) Arrange the annual continuing education for the directors and share the internal legal and regulatory compliance matters with the directors quarterly and inform them of the amendments of the relevant laws and regulations on an ad hoc frequency.</p> <p>(c) Register the date of the shareholders annually as required by the law, prepare and file meeting notice, handbook and minutes within the prescribed period, and file for change of information when the Articles of Incorporation is amended or after a re-election of directors.</p> <p>(d) Promote the quality of corporate governance practices for the sustainable development of the Company by formulating guidelines based on the indicators provided by the corporate governance evaluation system, thereby building a culture of corporate governance.</p> <p>(2) The performance in 2019 is as follows:</p> <p>(a) Assisted the directors in business management and provided the information requested by the directors.</p> <p>(b) Assisted the Board and the shareholder meeting in legal and regulatory compliance resolution matter and made filing for change to the competent</p>

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
			<p>authority within the time limit.</p> <p>(c) Assisted the directors in completion of the 2019 continuing education.</p> <p>(d) Communicated with the directors whenever required so that the directors understood the Company's operation.</p> <p>(e) Completed the renewal of the directors' and important staff's liability insurance.</p> <p>(f) Sought each director's opinion to draft the agenda before the Board meeting and completed the Board meeting minutes and delivered them to the directors in accordance with the regulation.</p> <p>(g) Filed for registration of the shareholder meeting date, the annual report, the notification of the shareholder meeting, the agenda handbook, and the meeting minutes in accordance with the regulations.</p> <p>(3) The annual continuing education is as follows:</p> <p>(a) Attended the "Practice Studies for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers" held by the Securities and Futures Institute from August 27 to 28, 2019 with a total of 12 hours.</p> <p>(b) Attended the "Explanation of Director and Supervisor Liability and Case Studies under Corporate Governance" held by the Taiwan Corporate Governance Association on January 13, 2020 with a total of 3 hours.</p> <p>(c) Attended the "Advanced Seminar for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers – Company Financial Crisis Alert and Type Analysis" held by the Securities and Futures Market Development</p>
			None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			Foundation on January 13, 2020 with a total of 3 hours.	
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		The Company has a "Corporate Social Responsibility" section and a "Stakeholders" section on our corporate website, and has been publishing and filing the corporate social responsibility report every year. In addition, we also post the corporate social responsibility activities on our Facebook page (https://www.facebook.com/MaxxisTaiwan/) and YouTube channel (https://www.youtube.com/channel/UCp4E54RFmqpXH0EdCdipNvQ) in order to increase communications and interactions with stakeholders. Moreover, e-mail accounts have been created on the website for banks that we have regular transactions with, as well as other creditors, employees, customers and suppliers; we maintain open communication channels and respect their lawful rights.	None
6. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to handle shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance?	V		(1) The Company has set up a corporate website, which is maintained and updated by designated staff members and discloses information regarding the Company's financial and business information for the public and shareholders' reference.	(1) None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	V		(2) The Company has established a spokesperson system to ensure information that likely affects shareholders and stakeholders' decisions are properly disclosed in a timely and proper manner. We also have designated staff members to maintain our corporate website in order to provide up-to-date investor information, such as audio, video and text	(2) None

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
(3) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	V		files of the investor conferences, financial statements, and annual reports in both Chinese and English. (3) The Company publicly announced and filed the first, second, and third quarterly financial reports of 2019 three to eight days ahead of the required deadline. (3) The Company will further improve the financial statements and operations announcement process to improve information transparency and to give earlier notice to shareholders.
8. Is there any other important information which facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?	V		(1) Employee benefits and welfare (a) The Employee Welfare Committee meets regularly and adopts and implements benefits and allowance programs. It is our commitment to look after the welfare of our employees. We also partner with various stores near our offices to provide special offers or employee discounts. Furthermore, we have set up a Food Committee to help our employees maintain a healthy lifestyle and to enhance our food safety management. (b) We also offer a variety of welfare programs to our employees, including: <ul style="list-style-type: none"> • Mandatory insurance coverage • Regular physical examinations, health education and tips, and consolation payment to hospitalized employees • Recreation and fitness facilities and sports events • Convenience stores in the factories, company uniforms, free parking, and employee housing • Our overseas offices also offer free meals, pre-paid round trip plane tickets to Taiwan and rides to and from the airport. (c) Onsite medical consultation: once a month, we <p style="text-align: center;">None</p>

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
		<p>have doctors and nurses onsite to provide employees health and medical services.</p> <p>(2) Status of directors' training records: Please refer to page 74-76 of this annual report.</p> <p>(3) Director attendance at the Board meetings: the Company complies with the relevant regulations and achieves the quorum required by the law. Please refer to page 36 of this annual report.</p> <p>(4) The implementation status of risk management policy and risk evaluation standards: For the operational risks the Company may face, we implement thoroughly at the system level, and design emergency response mechanisms for specific situations.</p> <p>(5) The implementation status of consumer protection or client policy: the Company has an after-sales service department, and dedicated customer service area (website: http://www.est.com.tw); nationwide distributor network to provide consumer related consultation and appeal channels.</p> <p>(6) The implementation status of directors' abstention in proposals involving a conflict of interest: the directors of the Company uphold the principle of high self-discipline; if the directors have a conflict of interest in the proposals listed by the board of directors which would result in damages to the Company, such directors shall abstain from voting on the proposal. Please refer to page 36 of this annual report.</p> <p>(7) Director liability insurance and social responsibilities: the Company has added a clause to the Articles of Incorporation in accordance with Articles 39 and 50 of Corporate Governance</p>	None

Evaluation Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
			<p>Practice Principles which provides that the Company shall purchase liability insurance to cover the liabilities incurred by the directors under the law while carrying out the duties during their tenures. The above matter has been reported to the Board of Directors on Jan 13, 2020.</p> <p>(8) Corporate Social Responsibilities: in addition to focusing on the business development, the Company has also made long-term investment in corporate social responsibilities such as consumer rights and public interest, and give back to the society as it sees fit.</p> <p>None</p>
<p>9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement: (Not applicable to the companies not on the to-be-evaluated list)</p> <p>The Company received a score of 76.68 in the 6th Annual Corporate Governance Evaluation released in April 2020, which was in the first 21-35 percentile among listed companies. Last year, the Company received a score of 77.15 in the 5th Annual Corporate Governance Evaluation released in April 2019, which was in the first 21-35 percentile among listed companies. We obtained external verification of the overall green house gas emissions data, our internal audit personnel obtained certification of internal auditor, all directors completed the continuing education requirements, as well as disclosure of the English version of the quarterly financial statements, annual report and shareholders meeting handbook, and we also enhanced our corporate social responsibility practices. Under our corporate governance blueprint, we will continue working towards strengthening the following two areas: “Putting Corporate Social Responsibility into Practice” and “Enhancing Board Composition and Function” in order to enhance the overall level of our corporate governance.</p>			

(4) **Composition, Responsibilities and Operations of the Remuneration Committee**

1. The responsibilities of the remuneration committee of the Company: review directors and managers' annual and long-term performance targets and the policies, systems, standards and compositions of salary and bonus on a regular basis; regularly evaluate the implementation status regarding directors and managers' performance targets, and determine individual contents and amount of salary and bonus.

2. Composition of the remuneration committee of the Company:

The remuneration committee of the Company was established on July 19, 2011. As of March 31, 2020, information of the remuneration committee members are as follows:

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Working Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 3)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Hsu, En-De	V	V	V	V	V	V	V	V	V	V	V	2	N/A
Independent Director	Chen, Shuei-Jin	V	V	V	V	V	V	V	V	V	V	V	3	N/A
Other	Lin, Chieh-Chung	X	V	X	V	V	V	V	V	V	V	V	0	N/A

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

Note 2: If a member meets any of the following conditions during the two years prior to being elected or during the term(s) of office, please tick the corresponding boxes that apply.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company or subsidiary appointed according to the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse,

children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act..
- (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. However, the aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) Not a director (or governor), supervisor, or employee of other company or institutions who is the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. The aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director (governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, the aforementioned does not apply to the specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the public company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a person of any conditions defined in Article 30 of the Company Act.

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

3. Operation Status of the Remuneration Committee

The tenure of the current remuneration committee members is from August 10, 2017 to June 14, 2020. A total of 4 (A) Remuneration Committee meetings were held in 2019. The titles and attendance record of the Remuneration Committee members were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Convener	Hsu, En-De	4	0	100%	-
Committee Member	Chen, Shuei-Jin	4	0	100%	-
Committee Member	Lin, Chieh-Chung	4	0	100%	-

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, summary of the proposal, resolution by the board of directors, and the Company's response to the remuneration committee's opinion shall be specified:

The performance of 2019

Remuneration Committee	Proposal	Remuneration Committee Resolution	Response of the Company
January 15, 2019 (6 th meeting of the 3 rd Board)	(1) Officers' year-end bonus and profit distribution plans of the Company	Approved by the unanimous decision of the committee members present	Approved by the unanimous decision of the directors present at the Board meeting on January 16, 2019
March 18, 2019 (7 th meeting of the 3 rd Board)	(1) 2018 directors' and employees' compensation plans of the Company	Approved by the unanimous decision of the committee members present	Approved by the unanimous decision of the directors present at the Board meeting on March 21, 2019
July 2, 2019 (8 th meeting of the 3 rd Board)	(1) 2018 distribution of directors' compensation of the Company	Approved by the unanimous decision of the committee members present	Approved by the unanimous decision of the directors present at the Board meeting on July 3, 2019
October 17, 2019 (9 th meeting of the 3 rd Board)	(1) Proposal of the pension payment of the Company's retired senior manager, Mao, Yu-Fu (2) 2019 planned personnel change of the delegated managerial officers of the Company (3) Amendments to the Company's Delegated Managerial	Approved by the unanimous decision of the committee members present	Approved by the unanimous decision of the directors present at the Board meeting on November 11, 2019

		Officer Retirement Regulations		
2. Resolutions of the remuneration committee objected to or subject to a qualified opinion by the members and recorded or declared in writing, the date of the meeting, session, content of the proposal, the opinion of all members of the remuneration committee and the Company's response to the members' opinion shall be specified: None.				

Note1: If a member of Remuneration Committee resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

Note2: If a Remuneration Committee member is re-elected before the end of the accounting year, the names of current and previous members shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

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

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		<p>The Company established a "Dedicated Department for Corporate Social Responsibilities" in 2015, assigning the Planning Department as the dedicated department. Pursuant to the "Corporate Social Responsibility Best Practice Principles" adopted by the Company, the Company has exercised corporate governance, improved its risk management mechanism and proactively faced and controlled the risks that shall be considered in the operation process, and achieve sustainable business operation to create sustainable company development.</p> <p>Following the materiality principle regarding corporate social responsibilities, the Company has conducted risk assessment for relevant important topics and established various internal regulations based on the assessed risks. Based on the types of individual risk factors, the competent units within the Company have carried out risk management at different levels and developed various controls, and at the same time conduct these controls, in order to minimize the uncertainty of business operations. The Company has also paid attention on climate change, energy, resource and other relevant issues and set goals and regularly reviewed the results of the implementation. Please find the relevant established policies and procedures of risk management at page 325-329.</p>	None
2. Does the Company have a dedicated (or ad-hoc) CSR organization with board of directors authorization for senior management, which reports to the board of directors?	V		The Company has established and promoted a dedicated department for corporate social responsibility in 2015, assigning the Planning Department as the dedicated department, and has been publishing CSR Reports every year. A report on the content and plans of the 2018 CSR Report, as well as CSR activities planning for 2019 were submitted at the meeting of the board of	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			directors on May 10, 2019.	
3. Environmental Topics (1) Has the Company set an environmental management system designed to industry characteristics?	V		<p>(1) The business of the Company in Taiwan received ISO-14001:2015 Management System Conversion Certification from Metal Industries Research & Development Centre on November 14, 2017 and such certification will be valid until November 13, 2020. The business of the Company in Mainland China received ISO-50001:2001 Energy Management System Conversion Certification from Wit-Int on December 27, 2017 and such certification will be valid until December 21, 2020. Through our actions, we meet the expectations and demands of our stakeholders. Energy saving, resources recycling, operation safety and pollution prevention are the Company's core principles. The Company also promotes the 5S management activities in every aspects and regularly examines the environmental performance of each department. The Safety and Health Department is responsible for implementing environmental management policies, promoting voluntary greenhouse gas reduction plans, establishing an enterprise environmental management system, committing to product designs that conform to environmental protection concepts, improving equipment and working environment to reduce exhaust gas, waste water, noise, waste generated in the process and save energy, properly proceeding with recycling, and strengthening industrial safety advocacy, and continuing the preventions and controls of various pollution. Additionally, each year, an external audit is conducted to ensure the effectiveness of our management system.</p>	None
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		<p>(2) Since a tire's fuel efficiency is highly relevant to our environment, we use light-weight designs and implement material simplification to reduce the weight of tires and the amount of semi-finished materials when developing new products. These design methods not only enhance the</p>	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V		<p>fuel-efficiency of tires, but are also highly effective in reducing the waste produced during the manufacturing process. In light of these benefits, we have been promoting low rolling resistance tires and increasing production efficiency in our product development, thereby making contribution to environment sustainability. The materials we use fully comply with EU regulations and the requirements of major car assembly factories on environmental protection, and all of our manufacturers are required to submit third-party testing reports from REACH and ROHS. In addition, we only use eco-friendly process oils with reduced aromatic hydrocarbons, and any raw material (e.g., process oil, synthetic rubber) used in the production process should be accompanied by a third-party-issued PAHs testing report.</p> <p>(3) To respond to the risks and impact posed by the extreme climate, the Company has asked the corporate social responsibility work team to call on the responsible staff of each department to work in groups to identify the material climate risk issues related to the Company in accordance with the materiality principle and Task Force on Climate-Related Financial Disclosures (TCFD) and analyze the impact level and opportunities. Through the identification of the physics and transition risks, the matrix of climate change risks and opportunities is drawn and the climate change core actions and strategies aiming at the material risks are stipulated to take risk countermeasures, reinforce the Company's adaptability to the extreme climate and lower the risks. Meetings are held regularly to review the effectiveness of the mitigating measures to stipulate standardized procedures and shorten the response time of handling similar risk in the future.</p>	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>(4) Below please find the data for greenhouse gas emissions, water usage and waste quantity in the past two years and the Company's policies for energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management:</p> <p>(a) Both the Company's main plant and Dou Liu plant have received the Energy Efficiency and Carbon Reduction Marks from the Environmental Protection Administration. In March 2017, Dou Liu 2nd plant became the 78th factory (and the first in the rubber product manufacturing industry) in Taiwan to have received the Clean Production Evaluation System Certification from the Industrial Development Bureau. In July 2018, we underwent a follow-up audit by the Industrial Development Bureau.</p> <p>(b) Under the Greenhouse Gas Reduction and Management Act, the Company's main plant is the only manufacturing facility that is required to conduct greenhouse gas emission inspection and registration (with an annual fossil fuel emission of more than 25,000 t-CO₂e). In 2019, the Company participated in the greenhouse gas emission reduction initiative promoted by the Industrial Development Bureau, and received a certificate from a third-party validation and verification agency, AFNOR Asia. The agency verified the greenhouse gas emission from the main plant in the last three years: 79,862.905 t-CO₂e in 2019, which was 4.2% lower than 2018; 83,399.892 t-CO₂e in 2018, which was 1.1% lower than in 2017; 84,343.194 t-CO₂e in 2017, which was 5.7% less than in 2016. We have been consistently reducing our greenhouse gas emission and will continue our efforts going forward.</p> <p>Under the Company's greenhouse gas emission reduction policy, the Company voluntarily discloses the annual greenhouse gas emission in accordance with ISO14064-1: 2006 Organizational Greenhouse</p>	
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V			None

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations													
	Yes	No														
	Summary															
			<p>Gas Examination Procedure. In 2019 the total emission was lowered by 2.25% compared to the previous year because each plant had consistently improved the facilities required for the manufacturing process.</p> <table><tr><th>Greenhouse Gas Emission (t-CO2e)</th><th>2018</th><th>2019</th></tr><tr><td>Category I: Direct Emission</td><td>61,527</td><td>56,428</td></tr><tr><td>Category II: Energy Indirect Emission</td><td>127,931</td><td>128,773</td></tr><tr><td>Total</td><td>189,455</td><td>185,201</td></tr></table>	Greenhouse Gas Emission (t-CO2e)	2018	2019	Category I: Direct Emission	61,527	56,428	Category II: Energy Indirect Emission	127,931	128,773	Total	189,455	185,201	None
Greenhouse Gas Emission (t-CO2e)	2018	2019														
Category I: Direct Emission	61,527	56,428														
Category II: Energy Indirect Emission	127,931	128,773														
Total	189,455	185,201														
		<p>(c) The water management policy of the Company is made in accordance with ISO14001 Environmental Management System: The boilers use RO purified water, the residual water is used by the manufacturing process, and the water used by the manufacturing process is recycled, with the goal of regulatory compliance in mind to reduce the water used by the manufacturing process and wastewater discharge. The source of water includes running water and groundwater. The wells extracting groundwater have all obtained the certificates of water right and their extraction follows the permitted volume. In 2019, as there were adjustments to production volume and the raising employees' awareness of water conservation, the total volume of water usage in 2019 was lowered by 8.6% compared to the previous year; the wastewater discharge volume in 2019 was lowered by 47.29% compared to the previous year.</p> <table><tr><th>Water Resources Usage (ton)</th><th>2018</th><th>2019</th></tr><tr><td>Running Water</td><td>319,273</td><td>322,310</td></tr></table>	Water Resources Usage (ton)	2018	2019	Running Water	319,273	322,310								
Water Resources Usage (ton)	2018	2019														
Running Water	319,273	322,310														

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations												
	Yes	No													
				Summary											
			<table><tr><td>Groundwater</td><td>1,011,271</td><td>893,491</td></tr><tr><td>Total</td><td>1,330,544</td><td>1,215,801</td></tr></table> <table><tr><td>Wastewater Discharge Volume</td><td>2018</td><td>2019</td></tr><tr><td>Mainly Daily Life and Cooling Water</td><td>535,680</td><td>282,342</td></tr></table> <p>Note: The wastewater volume of the plants in Taiwan is measured by the flowmeter on the facilities. The flowmeter is regulated by the environmental protection regulations in Taiwan and calibrated by the qualified verification third party once a year.</p> <p>(d) The waste management policy made by the Company is in accordance with the “business waste disposal proposal” permitted by the local environmental protection authority. A qualified waste disposal company verified by the competent authority is commissioned to handle the Company’s waste disposal. The employees’ awareness in recycling has been raised so that the waste items and containers are recycled to the extent possible to reduce the waste disposal types and volume. The recycling system has been properly set up. The recycling companies are commissioned according to categories defined by the public announcement to handle the Company’s recyclable waste. The disposable tableware use has been reduced by giving the employees personal tableware and asking the restaurant to use the reusable stainless tableware. All items are maintained regularly to extend their use and the environmentally friendly consumables and raw materials are</p>	Groundwater	1,011,271	893,491	Total	1,330,544	1,215,801	Wastewater Discharge Volume	2018	2019	Mainly Daily Life and Cooling Water	535,680	282,342
Groundwater	1,011,271	893,491													
Total	1,330,544	1,215,801													
Wastewater Discharge Volume	2018	2019													
Mainly Daily Life and Cooling Water	535,680	282,342													
			None												

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations																
	Yes	No	Summary																	
			<div>introduced step by step. The waste disposal volume in 2019 was lowered by 14.6% compared to the previous year.</div> <table><tr><th>Waste Type (ton)</th><th>2018</th><th>2019</th></tr><tr><td>Daily Life Business Waste</td><td>143</td><td>344.64</td></tr><tr><td>General Business Waste</td><td>4,794</td><td>3,884.69</td></tr><tr><td>Toxic Business Waste</td><td>14</td><td>0.48</td></tr><tr><td>Total</td><td>4,951</td><td>4,229.81</td></tr></table>	Waste Type (ton)	2018	2019	Daily Life Business Waste	143	344.64	General Business Waste	4,794	3,884.69	Toxic Business Waste	14	0.48	Total	4,951	4,229.81	None	
Waste Type (ton)	2018	2019																		
Daily Life Business Waste	143	344.64																		
General Business Waste	4,794	3,884.69																		
Toxic Business Waste	14	0.48																		
Total	4,951	4,229.81																		
		<div>(e) The air pollutants in the tire industry mainly comes from the waste gas emission during the manufacturing process and the boiler use. With regard to the handling of VOCs and bad odor, we have added that water cleansing towers and photocatalyst system at the end of the mixture manufacturing process to effectively reduce the VOCs emission and the spread of odor, increased pipe end processing efficiency and conducted close monitoring, and upgraded the waste gas processing facilities. The air pollutant volume in 2019 increased 8.2% compared to the previous year.</div> <table><tr><th>Pollutant Type (ton)</th><th>2018</th><th>2019</th></tr><tr><td>Oxysulfide</td><td>-</td><td>-</td></tr><tr><td>Nitrogen Oxides</td><td>41.53</td><td>46.97</td></tr><tr><td>Volatile Organic Compounds</td><td>121.91</td><td>129.80</td></tr><tr><td>Particulates</td><td>0.34</td><td>0.46</td></tr><tr><td>Total</td><td>163.78</td><td>177.23</td></tr></table>	Pollutant Type (ton)	2018	2019	Oxysulfide	-	-	Nitrogen Oxides	41.53	46.97	Volatile Organic Compounds	121.91	129.80	Particulates	0.34	0.46	Total	163.78	177.23
Pollutant Type (ton)	2018	2019																		
Oxysulfide	-	-																		
Nitrogen Oxides	41.53	46.97																		
Volatile Organic Compounds	121.91	129.80																		
Particulates	0.34	0.46																		
Total	163.78	177.23																		

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			(f) Energy conservation: The Company has established an energy management organization to set the energy conservation goals and action plans annually. Currently, the Company follows the energy-efficient settings recommended by the Ministry of Economic Affairs, which is aimed to reduce energy use by 1% from the year before. The energy conservation measures taken by the Company include replacing old models of motors with energy-efficient motors, selecting energy-efficient light fixtures, recovering waste heat from the water heating system, replacing the AC systems, etc. In 2019, we invested NT\$6,232,000 in energy conservation measures and reduced 1,840,000 kWh.	None
4. Social Topics (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) Below please find the Company's policies and procedures in compliance with regulations and internationally recognized human rights principles: (a) The Company follows the International Bill of Human Rights. In accordance with the "Responsible Business Alliance Code of Conduct," the Company sets its "Responsible Business Alliance Code of Conduct regarding Labor Profile and Business Ethics" and prescribes the following procedures in its management policy: "Prohibition of Child Labor and Misuse Remedy Management Procedure", "Anti-Discipline, Anti-Forced Labor, Anti-Prisoner Management Procedure", "Student, Interns and Part-Time Workers Management Procedure", "Anti-Discrimination Management Procedure", "Whistleblower Protection and Anti-Retaliation Management Procedure", "Privacy and Confidentiality Management Procedure", etc. The Company regularly reviews and assesses the relevant policies and procedures, and incorporates these policies and	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>procedures into the 3-hour training programs for the new employees. The Company did not hire any underage workers, and we have not received any reports of child labor. Under the Labor Standards Act in Taiwan, forced labor is prohibited; the same applies to expatriate employees. One of the items under our annual raw material supplier audit also prohibit suppliers from hiring child labor, and their employee recruiting and hiring process should comply with the Labor Standards Act. In 2019, there were no violations by our suppliers.</p> <p>(b) In order to increase employee productivity, improve working conditions and promote labor-management harmony, the Company has established a labor union in accordance with local regulations. Based on the collective bargaining agreement signed by the Company and the labor union, all employees are protected by the said agreement.</p>	None
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		(2) The Company has established a reasonable salary remuneration policy and, subject to the annual business performance, granted remuneration based on the achievement rate of individual employee's performance and the employees' evaluation results of his or her contribution to the Company's performance. The Company has regularly held educational training programs for the employees to enhance their understanding of corporate ethical values, in order to inspire employees to grow along with the Company. For the promotion of the welfare of employees, the Company grant the employees benefits exceeding the ones required by the government's laws and regulations. Please find the details at page 120-121.	
(3) Does the Company provide employees with a safe and healthy working	V		(3) Below please find the information regarding the Company's working	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Summary			
	Yes	No		
environment, with regular safety and health training?			<p>environment:</p> <p>(a) In order to implement the establishment and verification of the occupational safety and health management system, all units are invited to participate in the implementation organization, in which the CEO serves as a chairman. Each department has to assign a person responsible for the implementation, and jointly forms an implementation team to incorporate the system requirements into daily management projects. Such team was established in October 2015, led by a management representative to declare the determination to establish a management system, and subsequently completed the implementation of the personnel education and training, the early risk assessment, the determination of the occupational safety and health management system goals and objectives, the documents issuance for occupational safety and health management system, the verification and confirmation of the occupational safety and health management system performance (internal audit) and the external assessment and verification of the occupational safety and health management system. The Company received a third-party management system Certification OSHAS18001:2007 from Metal Industry Research and Development Centre in March 2019 and such certification is valid until March 11, 2021. ISO45001:2018 was released in March 2018 and, accordingly, the Company began to proceed with the revision at the end of 2018 and completed the ISO45001:2018 Conversion Certification in April 2019 and such Certification is valid until March 2, 2022. The Company also successfully received Certification ISO45001 and Certification CNS45001.</p> <p>(b) The safety devices of the machinery and equipment are inspected by the operators daily before operation. Dangerous machinery and</p>	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>equipment are routinely inspected each year. The health and safety officers daily perform onsite inspection and conduct auditing from time to time, and write up a checklist of safety improvements in the case of any violations. Every six months, the Company conducts an assessment on the operating environment.</p> <p>(c) Each new employee is required to participate in a general health and safety educational training; an advanced training is also provided based on the type of machinery and equipment he/she will be operating once he/she arrives at the operating site. The Learning and Development Division under the HR Department have trainings and seminars regarding health and safety from time to time for employees to participate in. Regulations related to health and safety, environmental protection, training information, and SDS downloads are also made available by the Safety & Health Department on the Company's intranet.</p> <p>(d) Each year in July, we offer health checkups to our employees pursuant to the Labor Health Protection Act at selected hospitals. Employee health checkups include general (for all employees) and specialized health checkups (for employees who work in hazardous environment). As from 2019, new health checkups have been added for long-term night shift employees. In 2019, the number of employees who received specialized health checkups were 737. Employees with abnormality found in their chest X-ray, or cholesterol level, blood pressure or blood sugar level above normal range will be notified for a follow-up appointment. In addition, the Company specially provide the logistics drivers with the annual checkups for night vision, visual field, electrocardiogram and heart-related functions, so as to prevent driving accidents caused by health factors.</p>	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(4) Has the Company established effective career development training plans?	V		(4) The Company is dedicated to creating a continuous and abundant learning environment. Each year, its employees participate in educational training regarding vocational development for enhancing their capabilities in respect of career development. Please refer to the relevant items of educational training and required hours on page 121-122 of the annual report.	None
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	V		(5) "Quality first, customers satisfied" is the Company's core competitive strategy for its products. With respect to the internal regulations on the products' qualities, the Company implements Total Quality Management (TQM) from Japan and acquires ISO9001 and IATF16949 certifications for quality management systems, and establishes the Quality Department to promote Company's quality management. Automotive markets around the world have tire labeling requirements in order to help consumers pick out tires that are suitable for their use. Our products are sold around the world and are in compliance with applicable product labeling regulations in the countries/regions of distribution. Due to environmental and safety considerations, each region and country have adopted tire labeling regulations, mainly governing rolling noise, wet grip capacity, and rolling resistance of the tires. For passenger car, light truck and truck/bus tires, manufacturers must put a sticker on the tire tread that includes information of the tire's level of rolling noise, wet grip, and rolling resistance. Our tires sold to all the regions and countries are in compliance with applicable regulations. The Company has disclosed its advertisement and labelling information of the products and services on the corporate website, and all the certifications and awards received for regulatory compliance can be found in the "About Maxxis" section (http://www.cst.com.tw). The Company has a "Stakeholders" section as	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V		<p>well as a post-sale service department and a customer service web page on our website (http://www.cst.com.tw). The Company's distributors nationwide also provide consumers with consultation and complaint channels.</p> <p>(6) The Company has a rigorous review process for its suppliers, which include product verification, qualification review and on-site visits. Depending on the evaluation results, the suppliers would receive a rating of A, B+, B, or C, a total of 4 different evaluation ratings. In the environmental aspect, the Company places particular emphasis on compliance with EU chemical safety and material composition regulations (e.g., International Material Data System (IMDS)). In the labor and human rights aspect, we strictly prohibit the suppliers from hiring child labor and place emphasis on labor safety, health and environment. In the second half of 2018, we joined the Responsible Business Alliance (RBA), conducting reviews based on the evaluation items required by all the international treaties of RBA and Taiwan's Labor Standards Act. In addition to this review process, the raw material suppliers are required to provide quality laboratories or third-party inspection reports for each batch of goods. After entering the factory, the Company will conduct batch inspections or random inspections to ensure the quality of raw materials. The Company specifies damages and termination clauses in contracts with the suppliers regarding the suppliers' breaches of their social responsibilities and ethical operations. If a breach occurs by any of the suppliers, the Company will no longer do business with such supplier.</p>	None
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of		V	The company has followed the internationally accepted preparation guidelines (GRI Standard) to prepare the CSR report and the internal CSR working group has confirmed the correctness of the information in the CSR report with relevant units before the report is released. The Company has not acquired a	The Company will acquire a verification or a statement of assurance from third party, as

Evaluation Item	Implementation Status		Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
the Company? Has the said Report acquire third party certification party verification or statement of assurance?			verification or a statement of assurance from 3 rd certification party.
6. If the company has established its corporate social responsibility code of practice according to “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the operational status and differences: The Company has adopted and implemented the Corporate Social Responsibility Best Practice Principles. There is no difference between our corporate social responsibility practices and the Principles.			necessary.
7. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility: Since the establishment, the Company has upheld the belief of giving back to society and actively participated in public services in addition to the development in the tires industry. With regards to the care for the underprivileged, we provided free meal boxes for the disadvantaged groups, poor families, and the elderly living alone. We donated the luggage trolleys at several airports and ports around Taiwan. As for the education, we provided all kinds of scholarships and student aids to encourage students to realize their potential of continuing their educations. In addition, Cheng Shin’s donation to the public can be seen on the community park benches and at the blood donation events. Cheng Shin also continues to annually hold public welfare lectures and sponsor all types of sports events in Taiwan such as the national tennis group championships with First Financial Holding Company and the national table tennis championships with Taiwan Cooperative Financial Holding Company. Cheng Shin also promotes all types of cycling sports and sponsor the cycling events around Taiwan such as Changhua Classic 100.			
<p>Key performance –</p> <p>Public welfare donation:</p> <p>The amount of the 2019 public welfare donation in Taiwan reaches NTD14,094,809.</p> <p>The amount of the 2019 public welfare donation in China reaches CNY556,100.</p> <p>Industry-Academy Cooperation:</p> <p>12 students in Taiwan took part in the overseas internship program in 2019.</p> <p>75 MAXXIS university recruitment events were held in China from 2018 to 2019.</p> <p>36 students interned at the Company in 2019 after the “University Internship Program” was launched in China.</p>			

(6) Ethical Corporate Management and Measures

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
<p>Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	V		<p>(1) The Ethical Corporate Management Best Practice Principles and Corporate Governance Best Practice Principles have been adopted by the Company, which provide guidelines on business conduct for the Board and management to implement ethical corporate management.</p>
<p>(2) Has the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		<p>(2) The Company believes that a culture of ethical corporate management is one of the keys to the Company's sustainability and success. Its Ethical Corporate Management Best Practice Principles and other internal rules provide guidelines for the conduct of directors, managers and employees of the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties. Related rules are stipulated by clause 6 to 13 of the Ethical Corporate Management Best Practice Principles</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(3) Has the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V		(3) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, into its Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting policies and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management.	
2. Implementation of ethical corporate management (1) Does the company evaluate the ethical records of business counterparties and include clauses stipulating ethical conduct in business contracts? (2) Has the company established a business unit, which is supervised by the Board and is exclusively or concurrently dedicated to business ethics and integrity, to report to the Board on implementation status regularly (at least annually)? (3) Has the company established policies to prevent conflicts of interest, provided appropriate communication channels and implemented the policies?	V V	 V	(1) The Company has included clauses related to ethical conducts in the contractual agreements with its business counterparties, which allow the Company to terminate agreements and claim for damages or terminate partnerships due to the counterparties' violations of the clauses. (2) The Company has not yet established any business unit dedicated to business ethics and integrity. (3) The Company has a "Stakeholders" section on the corporate website providing a platform for its stakeholders to express their opinions and complaints.	(1) None (2) It will be established as the Company deems fit. (3) None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(4) Has the company established an effective accounting system and internal control system to facilitate ethical corporate management, which are audited by either internal auditors or certified public accountants on a regular basis?	V		(4) The internal auditors are appointed and authorized under the rules of the Company and revise the internal control system from time to time in accordance with applicable laws and regulations, implement the system under the law and regulations and routinely submit audit reports to the Board for review.	(4) None
(5) Does the company regularly hold internal and external trainings on business ethics?	V		(5) The Company provided 1,952 hours of business ethics training to the employees in 2019, which included awareness campaigns and written tests. Employee participation and performance in the training courses are taken into account during the annual evaluation.	(5) None
3. Grievance System (1) Has the company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?	V		(1) The Company has established a grievance system and whistleblowing procedures both on its intranet and on its website providing a channel for its employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the Company.	None
(2) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	V		(2) The Company's Workplace Rules stipulate the whistleblowing procedures and confidentiality measures, which enhance its code of conduct and ethics.	
(3) Does the company have proper measures in place to protect whistleblowers from reprisals?	V		(3) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any employee in violation of the Company's ethical standards will be subject to disciplinary actions according to the Company's rewards and disciplinary system.	

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
4. Enhancing Information Disclosure (1) Has the company disclosed its ethical corporate management policies and results of implementation on the company's website and the Market Observation Post System?	V		None
5. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ("Best Practice Principles"), please describe any discrepancy between the policies and its practices: The Company has adopted the Ethical Corporate Management Best Practice Principles and implement its ethical corporate management accordingly. There is no discrepancy between our practices and the Best Practice Principles.			
6. Other important information which facilitates a better understanding of the Company's ethical corporate management practices: The Company has made available on its website the Ethical Corporate Management Best Practice Principles, Rules and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business.			

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

1.The Company's Handbook for the Annual General Meeting of Shareholders each year includes the Company's Articles of Incorporation, Ethical Corporate Management Best Practice Principles, Corporate Governance Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Rules and Procedures of the Shareholders' Meeting, Rules for Election of Directors, Procedures for Acquisition and Disposal of Assets and Rules Governing Fund Lending and Endorsement and Guarantee. The Handbook is available on the Market Observation Post System. 【Please access through the following steps: Company Profile → Electronic Book → Annual Report and Other Information of the Shareholders' Meeting】

2.Other corporate governance guidelines and rules are also available on the Company's website, <http://www.cst.com.tw>.

- (8) Other Important Information Regarding Corporate Governance: None.

- (9) Director Training Records

Title	Name	Dates		Organizer	Course Title/Subject	Hours
		From	To			
Director	Lo, Tsai-Jen	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director Representative of Corporate Shareholder	Chen, Shiu-Hsiung	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director Representative of Corporate Shareholder	Chen, Yun-Hwa	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director Representative of Corporate Shareholder	Lee, Chin-Chang	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3

Director Representative of Corporate Shareholder	Lin, Hung-Yu	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director	Tseng, Shung-Chu	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		November 8, 2019	November 8, 2019	Taiwan Corporate Governance Association	New Version of Corporate Governance Blueprint and Key Points of Legal Compliance	3
		November 8, 2019	November 8, 2019	Taiwan Corporate Governance Association	Information Security Risks of New Technology and Responding Strategies	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director Representative of Corporate Shareholder	Chiu, Li-Ching	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		November 8, 2019	November 8, 2019	Taiwan Corporate Governance Association	New Version of Corporate Governance Blueprint and Key Points of Legal Compliance	3
		November 8, 2019	November 8, 2019	Taiwan Corporate Governance Association	Information Security Risks of New Technology and Responding Strategies	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Director Representative of Corporate Shareholder	Chen, Han-Chi	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Independent Director	Hsu, En-De	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3

Independent Director	Too, Jui-Rze	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3
Independent Director	Chen, Shuei-Jin	November 11, 2019	November 11, 2019	Taiwan Corporate Governance Association	Understanding Global Industry Trends and Transition Opportunity	3
		August 16, 2019	August 16, 2019	Securities & Futures Institute	2019 Legal Compliance of Equity Transfer by Insiders of Listed Companies	3
		August 9, 2019	August 9, 2019	Taiwan Corporate Governance Association	International Business Human Resource Management and Case Study	3

(10) Manager Training Records

Title	Name	Dates		Organizer	Course Title/Subject	Hours
		From	To			
Chief Accounting Officer	Chang, Ya-Ching	August 15, 2019 108.08.15	August 16, 2019 108.08.16	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	12
Chief Corporate Governance Officer	Lo, Yung-Li	August 27, 2019	August 28, 2019	Securities & Futures Institute	Practice Studies for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers - Taipei	12
		January 13, 2019	January 13, 2019	Taiwan Corporate Governance Association	Explanation of director and Supervisor Liability and Case Studies under Corporate Governance	3
		February 13, 2019	February 13, 2019	Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (including Independent Directors), and Corporate Governance Officers – Company Financial Crisis Alert and Type Analysis	3

(11) Disclosure matters of the status of Internal Control

1. Internal Control Statement

Cheng Shin Rubber Ind. Co., Ltd.

Statement of Internal Control

March 24, 2020

Based on the self-evaluation of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”)’s internal control system as of December 31, 2019, we hereby state that:

1. The Company understands that the Board and management of the Company are responsible for establishing, implementing and maintaining adequate internal control. The Company has established an effective internal control system which aims to reasonably assure the operational results and effectiveness (including profitability, performance and assets security, etc.), the reliability, timeliness and transparency of its report and the compliance with applicable laws and regulations.
2. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Besides, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system in accordance with the criteria effectiveness assessment of internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The criteria listed in the Framework divides the internal control system into five components based on management control process. The five components are i) Control environment, ii) Risk assessment, iii) Control activities, iv) Information and communication, and v) Monitoring. Each component comprises of several elements. For more information, please refer to the Framework.
4. We have assessed the design and operating effectiveness of the Company’s internal control system based on the criteria listed in the Framework.
5. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2019, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations and the status of goal achievement, reliability, timeliness and transparency of reporting, and compliance with applicable laws and regulations.
6. This statement will be included as an integral part of the Annual Report and the prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement has been unanimously approved by the Board of Directors on March 24, 2020, with 11 directors present at the meeting.

Cheng Shin Rubber Ind. Co., Ltd.

Lo, Tsai-Jen
Chairman



Lo, Tsai-Jen
General Manager



2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: N/A
- (12) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements: None.

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

1.Shareholder Resolutions and Implementation Status

Item	Date	Proposal	Resolution	Implementation Status
2019 Annual General Meeting	June 14, 2019	Approval of 2018 Business Report and Financial Statements	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,155,748,099 votes (658,353,733 of which were cast electronically), accounted for 94.35% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 1,580,418 votes (all of which were cast electronically) Abstentions via the electronic voting system: 127,481,281 Spoilt votes: 0 	The 2018 Business Report and Financial Statements have been announced as approved by the shareholders' meeting.
		Approval of 2018 Profit Distribution Plan	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,159,321,249 votes (661,926,883 of which were cast electronically), accounted for 94.50% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 1,727,009 votes (all of which were cast electronically) Abstentions via the electronic voting system: 123,761,540 Spoilt votes: 0 	The cash dividends were paid to the shareholders at NT\$1.1 per share on August 23, 2019.
		Discussion of the proposed amendments of the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,154,742,847 votes (657,337,097 of which were cast electronically), accounted for 94.30% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 1,626,969 votes (all of which were cast electronically) Abstentions via the electronic voting system: 128,445,982 Spoilt votes: 0 	The amended Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others have been announced as approved by the shareholders' meeting.
		Discussion of the proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets	<ul style="list-style-type: none"> The proposal was approved by votes of the shareholders. Number of votes cast for the proposal: 2,154,719,463 votes (657,360,481 of which were cast electronically), accounted for 94.30% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 1,618,335 votes (all of which were cast electronically) Abstentions via the electronic voting system: 128,478,000 Spoilt votes: 0 	The amended Procedures for the Acquisition and Disposal of Assets have been announced as approved by the shareholders' meeting.

2. Major Board Resolutions

Date	Resolutions	Commentary
January 16, 2019	(1) Officers' year-end bonus and profit distribution plans of the Company	Approved by the unanimous decision of the directors present
March 21, 2019	(1) 2018 compensation for directors and employees of the Company (2) Discussion of the Company's 2018 Business Report, Consolidated Financial Statements and Individual Financial Statements (3) Approval of the Company's 2018 profit distribution (4) Proposal of the date and location of the 2019 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2019 Annual General Meeting (6) Review of the effectiveness of the Company's 2018 internal control system and Internal Control Statement (7) Appointment of the Company's corporate governance officer (8) Appointment and change of the Company's auditor (9) Auditor independence evaluation report (10) Establishment of the Company's Standard Operational Procedures for Director Requests (11) Amendments to the Company's Operational Procedures for Making Endorsements/Guarantees and Loaning Funds to Others (12) Amendments to the Company's Procedures for the Acquisition and Disposal of Assets (13) Amendments to the Company's Corporate Governance Best Practice Principles (14) Proposal of maximum loan balance of the Company (15) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
May 10, 2019	(1) Ratification of the Company's Q1 2019 Consolidated Financial Statements (2) Proposal of maximum loan balance of the Company (3) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
July 3, 2019	(1) Proposal of ex-dividend date (2) 2018 directors' compensation plans of the Company (3) Ratification of appointment and removal of the Company's personnel (4) Proposal to set up a company for the sales operations in Japan (5) Proposal of maximum loan balance of the Company (6) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
August 9, 2019	(1) Ratification of the Company's Q2 2019 Consolidated Financial Statements (2) Amendments to the Company's Ethical Corporate Management Best Practice Principles (3) Establishment of the Company's Board Self-Evaluation or Peer Evaluation Regulations (4) Proposal of maximum loan balance of the Company (5) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
November 11, 2019	(1) Ratification of the Company's Q3 2019 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal of the pension payment of the Company's retired senior	Approved by the unanimous decision of the directors present

	manager, Mao, Yu-Fu (4) Employee job grade promotion of the Company (5) Amendments to the Company's Delegated Managerial Officer Retirement Regulations (6) Proposal of maximum loan balance of the Company (7) Proposal of endorsement and guarantee of obligations provided by the Company	
January 13, 2020	(1) Officers' year-end bonus and profit distribution plans of the Company (2) Amendments of the Company's Board Self-Evaluation or Peer Evaluation Regulations (3) Proposal of maximum loan balance of the Company (4) Proposal of endorsement and guarantee of obligations provided by the Company	Resolution 1: Since the performance in December has shown growth and several reform measures have shown improvement, the entire directors present agreed the bonus and remuneration of the managerial officers would be lowered by 5%. Resolution 2 to 4: approved by the unanimous decision of the directors present
March 24, 2020	(1) 2019 compensation of directors and employees of the Company (2) Discussion of the Company's 2019 business report, consolidated financial statements and separate financial statements (3) The Company's 2019 profit distribution plan (4) Proposal of the date and location of the 2020 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the related matters accepting shareholder proposals for the 2020 Annual General Meeting (6) Proposal of the related matters accepting shareholder nominations of the independent directors for the 2020 Annual General Meeting (7) Review of the effectiveness of the Company's 2019 Internal Control System and Internal Control Statement (8) Proposal to appoint and replace external auditors (9) Auditor independence evaluation report (10) Proposal of appointment and removal of the Company's personnel (11) Proposal of the pension payment of the Company's retired senior manager, Wei, Qi-Jiang (12) Discussion of the Amendments to the Company's Article of Incorporation (13) Proposed amendments to the Company's Audit Committee Organizational Rules (14) Proposed amendments to the Company's Remuneration Committee Organizational Rules (15) Proposed amendments to the Company's Board Meeting Procedural Rules (16) Proposed amendments to the Company's Related Party Transaction Operational Procedures (17) Proposed amendments to the Company's Operational Procedures for Financial Statements Preparation Process (18) Proposed amendments to the Company's Operational Regulations for Monitoring Subsidiaries (19) Proposed amendments to the Company's Operational Regulations for International Accounting Standards Application (20) Proposed amendments to the Company's Procedures for Professional Accounting Judgments, and Processes for Making Changes in Accounting Policies and Estimates	Approved by the unanimous decision of the directors present

	(21) Proposed amendments to the Company's Operational Procedures for Management of Liabilities, Commitments, and Contingencies (22) Proposal of maximum loan balance of the Company (23) Proposal of endorsement and guarantee of obligations provided by the Company and condolence letter	
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- (14) Major issues of record or written statements made by any director or supervisor dissenting to major resolutions passed by the Board during the current fiscal year and as of the date of the Annual Report: none
- (15) Summary of resignation and removal of key individuals involved in the financial reporting of the Company, including chairman, general manager, head of accounting, head of finance, head of internal audit, and head of research and development departments, during the current fiscal year and as of the date of the Annual Report: none

3.4 Accounting Fees

(1) Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Commentary
PricewaterhouseCoopers Taiwan	Hung, Shu-Hua	Zhou, Jian Hong	January 1, 2019 to December 31, 2019	

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

Fee Range \ Items		Audit Fees	Non-audit Fees	Total Fees
1	Under NT\$2,000,000			
2	NT\$2,000,000 - NT\$3,999,999			
3	NT\$4,000,000 - NT\$5,999,999		NT\$4,770,000	
4	NT\$6,000,000 - NT\$7,999,999	NT\$7,000,000		
5	NT\$8,000,000 - NT\$9,999,999			
6	NT\$10,000,000 and above			NT\$11,770,000

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

The audit fees are NT\$7,000,000 and the non-audit fees are NT\$4,770,000. The non-audit fees mainly include fees for tax consulting of country-by-country reporting, corporate social responsibility reporting, English translations of the annual report, meeting handbook and financial statements, and transfer pricing.

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

3. Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 10% or more:

N/A.

3.5 Change of Auditors: The change is to follow the accounting firm's internal job rotation policy.

(1) Information of Predecessor Auditor: Hung, Shu-Hua, Wu, Der Feng

(2) Information of Successor Auditor: Hung, Shu-Hua, Zhou, Jian Hong

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

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

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

Title	Name of Director or Major Shareholder	2019		2020 (As of April 18, 2020)	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Chairman/President/ Major Shareholder	Lo, Tsai-Jen	0	0	0	0
Director	Xie Shun Investment Corporation	0	0	0	0
Director Representative/General Manager	Chen, Shiu-Hsiung	0	0	0	0
Director	Jiu Shun Investment Corporation	0	0	0	0
Director Representative	Chen, Yun-Hwa	0	0	0	0
Director	Hong Jing Investment Corporation	39,000	0	0	0
Director Representative	Chiu, Li-Ching	0	0	0	0
Director	Min Xin Investment Corporation	0	0	0	0
Director Representative	Chen, Han-Chi	0	0	0	0
Director	Tseng, Shung-Chu	0	0	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lee, Chin-Chang	0	0	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lin, Hung-Yu	0	0	0	0
Independent Director	Hsu, En-De	0	0	0	0
Independent Director	Too, Jui-Rze	0	0	0	0
Independent Director	Chen, Shuei-Jin	0	0	0	0
Deputy General Manager	Lee, Chin-Chang	0	0	0	0
Deputy General Manager	Hsu, Chih-Ming	0	0	0	0
Deputy General Manager	Peng, Wen-Hsing	0	0	0	0
Deputy General Manager	Huang, Chieh-Hsiang	0	0	0	0

Deputy General Manager	Lin, Hung-Yu	0	0	0	0
Deputy General Manager	Lin, Yu-Yu	0	0	0	0
Deputy General Manager	Liao, Cheng-Yao	0	0	0	0
Deputy General Manager	Lee, Hung-Ko	0	0	0	0
Deputy General Manager	Lai, Kuo-Ti	0	0	0	0
Deputy General Manager	Liu, Chao-Sheng	0	0	0	0
Deputy General Manager/Chief Financial Officer	Lo, Yung-Li	0	0	0	0
Senior Manager	Lin, Chen-Chieh	0	0	0	0
Senior Manager	Ho, Chin-Fang	0	0	0	0
Senior Manager	Lin, Chin-Chuan	0	0	0	0
Senior Manager	Chang, Chuan-Shun	0	0	0	0
Senior Manager	Huang, Kuo-Tsai	0	0	0	0
Senior Manager	Huang, Yang-Hsun	0	0	0	0
Senior Manager	Chen, Ying-Kuang	0	0	0	0
Senior Manager	Lo, Chen-Jung	0	0	0	0
Senior Manager	Chang, Ghi-Jung	0	0	0	0
Senior Manager	Chang, Chin-Lu	0	0	0	0
Senior Manager	Liu, Ching-Chung	0	0	0	0
Senior Manager	Chen, Shu-Yu	0	0	0	0
Senior Manager	Chiang, Kui-Yung	0	0	0	0
Senior Manager	Chang, Chin-Ming	0	0	0	0
Senior Manager	Hu, Ming-Te	0	0	0	0
Senior Manager	Ting, Tso-Lin	0	0	0	0
Senior Manager	Chen, Jin-Long	0	0	0	0
Senior Manager	Yang, Jin-Cheng	0	0	0	0
Senior Manager	Lo, Yuan-Long	0	0	0	0
Senior Manager	Chen, Po-Chia	0	0	0	0
Chief Accounting Officer	Chang, Ya-Ching	0	0	0	0
Major Shareholder	Luo, Ming-Han	0	0	0	0

Note: Deputy General Manager Lo, Yung-Li and Senior Managers, Chen, Jin-Long and Yang, Jin-Cheng, came onboard on December 1, 2019. Senior Managers, Lo, Yuan-Long and Chen, Po-Chia, came onboard on April 1, 2020.

(2) Transfer of Shares

Shares transferred to related parties: None

(3) Pledged Shares

Shares pledged to related parties: None

3.8 Information of the Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship

(1) Relationship Among Top Ten Largest Shareholders

Name (Note 1)	Share Ownership		Share Ownership of Spouses and Children who are Minors		Shares Held under Nominee Accounts		Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship		Commentary
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Luo, Ming-Han	370,176,378	11.42%	0	0%	0	0%	Luo, Jye, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Lo, Ming-I, Chen, Yun-Hwa, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Lo, Tsai-Jen	283,225,502	8.74%	29,146,793	0.90%	0	0%	Luo, Jye, Chen, Shiu-Hsiung, Luo, Ming-Han, Lo, Ming-I, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling, Lo, Yuan-Long	Relative within the second and third degree of kinship	-
Luo, Jye	224,163,978	6.92%	0	0%	0	0%	Lo, Ming-I, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Ming-Han, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling Lo, Yuan-Long	Relative within the second and third degree of kinship	-
Luo, Yuan-Yu	138,052,547	4.28%	0	0%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Lo, Yuan-Long	Relative within the second and third degree of kinship	-
Chen, Yun-Hwa	120,570,531	3.72%	82,492,443	2.54%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Ming-I, Chen, Shiu-Hsiung, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Lo, Ming-I	82,492,443	2.54%	120,570,531	3.72%	13,391,000	0.41%	Luo, Ming-Han, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Fubon Life Insurance Co., Ltd.	79,812,000	2.46%	0	0%	0	0%	N/A	N/A	-

Chen, Shiu-Hsiung	67,819,456	2.09%	62,945,516	1.94%	0	0%	Luo, Ming-Han, Lo, Ming-I, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Lo, Ming-Ling	62,945,516	1.94%	67,819,456	2.09%	31,280,000	0.97%	Luo, Ming-Han, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, and Lo, Ming-I	Relative within the second and third degree of kinship	-
Lo, Yuan-Long	52,973,666	1.63%	0	0%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Luo, Yuan-Yu	Relative within the second and third degree of kinship	-

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

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

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

3.9 Share Ownership in Affiliated Companies

A summary of share ownership by the Company and its directors, supervisors, managers, as well as entities controlled directly and indirectly by the Company is as follows:

Affiliated Companies (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managers and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	%	Shares	%	Shares	%
Maxxis International Co., Ltd.	35,050,000	100%	0	0%	35,050,000	100%
CST Trading Ltd.	72,900,000	100%	0	0%	72,900,000	100%
Cheng Shin Rubber USA, Inc.	1,800,000	100%	0	0%	1,800,000	100%
Maxxis Trading Ltd.	237,811,720	100%	0	0%	237,811,720	100%
New Pacific Industry Company Limited	5,000,000	50%	0	0%	5,000,000	50%
Cheng Shin Rubber Canada, Inc.	1,000,000	100%	0	0%	1,000,000	100%
Maxxis Tech Center Europe B.V.	1,000,000	100%	0	0%	1,000,000	100%
PT MAXXIS International Indonesia	79,997,000	99.99625%	3,000	0.00375%	80,000,000	100%
Maxxis Rubber India Private Limited	649,994,730	99.9992%	5,270	0.0008%	650,000,000	100%
Maxxis Trading Company Limited	10,000,000	100%	0	0%	10,000,000	100%
PT. MAXXIS TRADING INDONESIA	9,990	99.9%	10	0.1%	10,000	100%
Maxxis Europe B.V.	500,000	100%	0	0%	500,000	100%

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

Note 2: These are the figures as of December 31, 2019.

IV. Capitalization

4.1 Capital and Shares

(1) Source of Capital

Month/Year	Issue Price/Par Value (NT\$)	Authorized Capital		Paid-in Capital		Commentary		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Other
August 1988	10	162,509,490	1,625,094,900	162,509,490	1,625,094,900	Capital increase from retained earnings	None	-
August 1989	10	203,136,863	2,031,368,630	203,136,863	2,031,368,630	Capital increase from retained earnings	None	-
August 1990	10	243,764,236	2,437,642,360	243,764,236	2,437,642,360	Capital increase from retained earnings	None	-
May 1991	10	263,265,375	2,632,653,750	263,265,375	2,632,653,750	Capital increase from retained earnings	None	Jing (80) Shang No.118965 dated September 7, 1991
July 1992	10	315,918,450	3,159,184,500	315,918,450	3,159,184,500	Capital increase from retained earnings	None	Jing (81) Shang No.118426 dated August 31, 1992
July 1993	10	363,306,218	3,633,062,180	363,306,218	3,633,062,180	Capital increase from retained earnings	None	Jing (82) Shang No.115285 dated August 13, 1993
July 1994	10	421,435,213	4,214,352,130	421,435,213	4,214,352,130	Capital increase from retained earnings	None	Jing (83) Shang No.112989 dated September 2, 1994
August 1995	10	501,507,903	5,015,079,030	501,507,903	5,015,079,030	Capital increase from retained earnings	None	Jing (84) Shang No.111207 dated August 16, 1995
August 1996	10	551,658,693	5,516,586,930	551,658,693	5,516,586,930	Capital increase from retained earnings	None	Jing (85) Shang Zi No.111479 dated August 12, 1996
July 1997	10	606,824,562	6,068,245,620	606,824,562	6,068,245,620	Capital increase from retained earnings	None	Jing (86) Shang Zi No.111867 dated July 18, 1997
December 1998	10	679,643,509	6,796,435,090	679,643,509	6,796,435,090	Capital increase from retained earnings	None	Jing (87) Shang Zi No.087142412 dated December 29, 1998
August 1999	10	747,607,860	7,476,078,600	747,607,860	7,476,078,600	Capital increase from retained earnings	None	Jing (88) Shang Zi No.088127496 dated August 4, 1999
August 2000	10	784,988,253	7,849,882,530	784,988,253	7,849,882,530	Capital increase from retained earnings	None	Jing (89) Shang Zi No.089127105 dated August 1, 2000

August 2001	10	836,012,489	8,360,124,890	836,012,489	8,360,124,890	Capital increase from retained earnings	None	Jing (90) Shang Zi No.09001288800 dated August 22, 2001
August 2002	10	886,173,238	8,861,732,380	886,173,238	8,861,732,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09101319120 dated August 15, 2002
August 2003	10	957,067,097	9,570,670,970	957,067,097	9,570,670,970	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09201240400 dated August 8, 2003
August 2004	10	1,048,945,538	10,489,455,380	1,048,945,538	10,489,455,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09301149390 dated August 18, 2004
September 2005	10	1,138,105,908	11,381,059,080	1,138,105,908	11,381,059,080	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09401168800 dated September 5, 2005
September 2006	10	1,217,773,322	12,177,733,220	1,217,773,322	12,177,733,220	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09501191430 dated August 30, 2006
September 2007	10	1,303,017,454	13,030,174,540	1,303,017,454	13,030,174,540	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09601224190 dated September 14, 2007
September 2008	10	1,498,470,072	14,984,700,720	1,498,470,072	14,984,700,720	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09701236220 dated September 15, 2008
September 2009	10	1,648,317,079	16,483,170,790	1,648,317,079	16,483,170,790	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09801202660 dated September 4, 2009
August 2010	10	2,060,396,349	20,603,963,490	2,060,396,349	20,603,963,490	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09901193360 dated August 25, 2010
August 2011	10	2,472,475,619	24,724,756,190	2,472,475,619	24,724,756,190	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10001194070 dated August 22, 2011
August 2012	10	2,818,622,206	28,186,222,060	2,818,622,206	28,186,222,060	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10101174280 dated August 27, 2012
August 2013	10	3,241,415,536	32,414,155,360	3,241,415,536	32,414,155,360	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10201172870 dated August 29, 2013
								As of April 18, 2020 (In shares))
Type of Shares	Authorized Capital						Commentary	
	Outstanding Shares		Unissued Shares		Total			
TWSE Listed Common Stock		3,241,415,536		0		3,241,415,536		-

(2) Shareholder Structure

As of April 18, 2020

Shareholder structure Numbers	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Natural Persons	Individuals	Total
Number of Shareholders	7	24	321	614	91,479	92,445
Number of Shares	120,308,671	201,780,500	356,575,463	414,155,059	2,148,595,843	3,241,415,536
Share Ownership %	3.71%	6.23%	11.00%	12.78%	66.28%	100.00%

(3) Share Ownership Distribution

As of April 18, 2020

At Par Value NT\$10

Share Ownership by Range			Number of Shareholders	Number of Shares	Share Ownership %
1	-	999	17,083	4,970,572	0.15%
1,000	-	5,000	53,101	118,584,674	3.66%
5,001	-	10,000	10,972	85,492,661	2.64%
10,001	-	15,000	3,703	46,904,177	1.45%
15,001	-	20,000	2,392	43,531,964	1.34%
20,001	-	30,000	1,879	47,820,070	1.48%
30,001	-	40,000	906	32,078,012	0.99%
40,001	-	50,000	537	24,757,536	0.76%
50,001	-	100,000	968	68,175,487	2.10%
100,001	-	200,000	398	55,650,233	1.72%
200,001	-	400,000	209	57,029,569	1.76%
400,001	-	600,000	68	33,842,635	1.04%
600,001	-	800,000	35	24,169,327	0.75%
800,001	-	1,000,000	24	21,535,354	0.66%
1,000,001 and above			170	2,576,873,265	79.50%
Total			92,445	3,241,415,536	100.00%

Note: The Company has not issued preferred shares.

(4) Major Shareholders

As of April 18, 2020

Name	Number of Shares	Share Ownership %
Luo, Ming-Han	370,176,378	11.42%
Lo, Tsai-Jen	283,225,502	8.74%
Luo, Jye	224,163,978	6.92%
Luo, Yuan-Yu	138,052,547	4.28%
Chen, Yun-Hwa	120,570,531	3.72%
Lo, Ming-I	82,492,443	2.54%
Fubon Life Insurance Co., Ltd.	79,812,000	2.46%
Chen, Shiu-Hsiung	67,819,456	2.09%
Lo, Ming-Ling	62,945,516	1.94%
Lo, Yuan-Long	52,973,666	1.63%

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

(5) Market Price, Net Value, Earnings, and Dividend per Share

In Shares or NT\$

Item \ Year		2018	2019	2020 (As of March 31, 2020)
Market Price per Share (Note 1)	Highest Price	53.20	48.80	42.25
	Lowest Price	37.70	38.25	28.50
	Average	46.29	42.28	35.72
Net Value per Share (Note 2)	Before Distribution	24.43	23.88	22.94
	After Distribution	24.43	23.88	-
Earnings per Share	Weighted Average of Shares		3,241,415,536	3,241,415,536
	Earnings per Share (Note 3)	Before Adjustment	1.09	1.07
		After Adjustment	1.08	1.07
Dividend per Share	Cash Dividend		1.10	1 (Note 8)
	Stock Dividend	Paid out of Retained Earnings	-	-
		Paid out of Capital Surplus	-	-
	Accrued Unpaid Dividends (Note 4)		-	-
Return on Investment	P/E Ratio (Note 5)		42.86	39.51
	Price/Dividend Ratio (Note 6)		42.08	42.28
	Cash Dividend Yield (Note 7)		2.38%	2.37%

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

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

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

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

Note 5: $P/E \text{ Ratio} = \text{Average Market Price per Share} / \text{Earnings per Share}$

Note 6: $\text{Price/Dividend Ratio} = \text{Average Market Price per Share} / \text{Cash Dividend per Share}$

Note 7: $\text{Cash Dividend Yield} = \text{Cash Dividend per Share} / \text{Average Market Price per Share}$

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

(6) Dividend Policy and Implementation

Our dividend policy is as follows:

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

The shareholder dividends declared under such a plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall be ten percent (10%) or more of the total dividends declared.

2.Proposed Dividend Payment by the Shareholders' Meeting

After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from previous year(s), was NT\$ 29,395,291,786 in the 2019 Fiscal Year. It is proposed that NT\$3,241,415,536 of cash dividends be paid to the shareholders (at NT\$1 per share) in accordance with the Articles of Incorporation of the Company.

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

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

(8) Compensation to directors and employees

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

To the extent that there is any balance of the Company's after-tax earnings remaining, an amount no less than two percent (2%) of such balance shall be paid out as compensation to employees and no more than three percent (3%) of such balance shall be paid out as compensation to directors, provided that, however, the Company shall first offset the cumulative losses, if any.

Compensation to employees shall be paid in the form of stocks or cash, and compensation to directors and supervisors shall be paid in the form of cash. The payout shall be approved by more than one half of the directors present at the Board meeting attended by at least two-thirds of all directors, and shall be reported at the shareholders' meeting.

Individuals eligible to receive stock or cash bonus in the preceding paragraph

include employees of the Company's subsidiaries who meet certain criteria, which shall be discussed and decided by the Board of Directors.

2. The Basis of the Estimate of Compensation to Employees and Directors, the Basis of Calculating Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate:

The deviation will be recognized as profit or loss in the following fiscal year.

3. Distribution of Compensation to Employees Recommended by the Board

- (a) The amount of cash compensation to employees and directors' compensation is as follows; in the event that the amount of the actual payment of cash compensation to employees and compensation to directors and supervisors deviates from the estimate in the fiscal year where such payment is recognized as an expense, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed.

The Company has allocated NT\$93,053,000 as cash compensation to employees and NT\$61,089,000 as compensation to directors in 2019. Comparing the revenues and profitability of the Company in 2019 to those in 2018 and taking into account the amount of payout in 2018, the proposal was reviewed by the Remuneration Committee and the Board has passed a resolution and recommends that NT\$93,053,000 to be paid out as cash compensation to employees and NT\$61,089,000 as compensation to directors. No deviation between the estimate and actual payment amount is expected.

- (b) Proposed employees' stock compensation in percentage of after-tax earnings and total employee bonus in Fiscal Year 2019:

The Company's 2019 profit distribution plan has been approved by the Board of Directors and no employees' stock compensation was declared.

- (c) The estimated earnings per share is NT\$1.07 after the compensation to employees and directors are paid out.

4. Employee Remuneration and Director and Supervisor Remuneration in the 2018 Fiscal Year

The following summarizes the employee remuneration and director and supervisor remuneration in the 2018 Fiscal Year:

Items	Approved Distribution (NT\$)	Deviation	Reason for Deviation
Employee compensation	101,253,835	—	N/A
Director and supervisor compensation	66,473,143	—	N/A

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

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

4.2 Corporate Bonds

Type of Bonds	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2017	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018
Issuance Date	September 26, 2016	August 10, 2017	July 25, 2018
Denomination	NT\$1 million	NT\$1 million	NT\$1 million
Location of Issuance and Transaction	N/A	N/A	N/A
Issue Price	At Par	At Par	At Par
Total Amount	NT\$5 billion	NT\$7 billion	NT\$5 billion
Interest Rate	0.71%	1.03%	0.87%
Maturity	5 Years Maturity Date: September 26, 2021	5 Years Maturity Date: August 10, 2022	5 Years Maturity Date: July 25, 2023
Guarantor	None	None	None
Trustee	Mega International Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriter	Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.	Capital Securities Co., Ltd.
Legal Counsel	N/A	N/A	N/A
Auditor	Hung, Shu-Hua and WU, DER-FENG, PricewaterhouseCoopers Taiwan	Hung, Shu-Hua and WU, DER-FENG, PricewaterhouseCoopers Taiwan	Hung, Shu-Hua and WU, DER-FENG, PricewaterhouseCoopers Taiwan
Repayment	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date
Outstanding Principal	NT\$5 billion	NT\$7 billion	NT\$5 billion
Redemption or Early Repayment Clauses	None	None	None
Restrictive Clauses	None	None	None
Credit Rating	twA (Taiwan Ratings Corporation, February 25, 2016)	twA+ (Taiwan Ratings Corporation, February 21, 2017)	twA+ (Taiwan Ratings Corporation, February 27, 2018)

Type of Bonds		Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2017	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018
Other Rights of Bondholders	Amount of Common Shares, GDRs or Other Securities Converted, Exchanged or Subscribed as of the date of the publication of the Annual Report	N/A	N/A	N/A
	Regulations of Issuance and Conversion/Exchange/Subscription	N/A	N/A	N/A
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue		N/A	N/A	N/A
Custodian		N/A	N/A	N/A

4.3 Preferred Shares: None

4.4 Global Depositary Receipts (GDR): None

4.5 Employee Stock Options and Restricted Stocks for Employee: None

4.6 Issuance of New Shares due to Mergers and Acquisitions or Acquisition of Shares from other Companies: None

4.7 Financing Plans and Implementation

(1) Financing Plans

1.First Offering of Unsecured Ordinary Bonds of 2016

- (a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10500276052 issued by the Taipei Exchange dated September 20, 2016
- (b) Funds required for the project: NT\$5,000,000,000
- (c) Source of financing: First offering of unsecured bonds of NT\$5,000,000,000
- (d) Purpose of financing and progress of use:

in NT\$1000

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

2.First Offering of Unsecured Ordinary Bonds of 2017

- (a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10600213862 issued by the Taipei Exchange dated August 7, 2017
- (b) Funds required for the project: NT\$7,000,000,000
- (c) Source of financing: First offering of unsecured bonds of NT\$7,000,000,000
- (d) Purpose of financing and progress of use:

in NT\$1000

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

3.First Offering of Unsecured Ordinary Bonds of 2018

- (a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10700196832 issued by the Taipei Exchange dated July 24, 2018
- (b) Funds required for the project: NT\$5,000,000,000
- (c) Source of financing: First offering of unsecured bonds of

NT\$5,000,000,000

(d) Purpose of financing and progress of use:

in NT\$1000

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

(1) Implementation Status

1. Status of Funds Used and Implementation

(a) First Offering of Unsecured Ordinary Bonds of 2016 in NT\$1000

Project Item	Implementation Status		December 31, 2016	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	\$3,838,002	Project Completed
		Used	\$3,838,002	
	Status (%)	Proposed	100%	
		Used	100%	
Strengthening the Operating Capital	Fund Used	Proposed	\$1,161,998	Project Completed
		Used	\$1,161,998	
	Status (%)	Proposed	100%	
		Used	100%	

(b) First Offering of Unsecured Ordinary Bonds of 2017 in NT\$1000

Project Item	Implementation Status		September 30, 2017	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	\$4,910,001	Project Completed
		Used	\$4,910,001	
	Status (%)	Proposed	100%	
		Used	100%	
Strengthening the Operating Capital	Fund Used	Proposed	\$2,089,999	Project Completed
		Used	\$2,089,999	
	Status (%)	Proposed	100%	
		Used	100%	

(c) First Offering of Unsecured Ordinary Bonds of 2018 in NT\$1000

Project Item	Implementation Status		December 31, 2018	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	\$3,258,666	Project Completed
		Used	\$3,258,666	
	Status (%)	Proposed	100%	
		Used	100%	
Strengthening the Operating Capital	Fund Used	Proposed	\$1,741,334	Project Completed
		Used	\$1,741,334	
	Status (%)	Proposed	100%	
		Used	100%	

V. Operational Overview

5.1 Business Activities

(1) Business Scope

1.Principal Businesses Activities

- C801990 Other Chemical Materials Manufacturing.
- C802160 Sticky Tape Manufacturing.
- C804010 Tires Manufacturing.
- C804020 Industrial Rubber Products Manufacturing.
- C804990 Other Rubber Products Manufacturing.
- CB01010 Machinery and Equipment Manufacturing.
- F112040 Wholesale of Petrochemical Fuel Products.
- F212050 Retail Sale of Petrochemical Fuel Products.
- F401010 International Trade.
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2.Revenues by Product Category

The revenues from the Company's major products are as follows:

in NT\$1000

Major Products	2019	
	Revenues	%
PCR	45,951,796	41.96%
TBR	23,602,034	21.55%
MC	12,655,631	11.56%
BC	9,522,009	8.70%
TUBE	4,915,566	4.49%
Other tires	12,428,527	11.35%
Other products	769,272	0.70%
Return, allowance, freight and insurance costs and others	-337,062	-0.31%
Total	109,507,773	100%

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

4.New Products in Development

- Product development PCR silent tires
- Product development of MAXXIS innovative PCR/LTR
- Product development of automobile spare tires
- Product development of High Performance motorcycle tires
- Product development of radial motorcycles
- Product development of High Performance bike tires
- Product development of innovative ATVs
- Product development of new generation truck steer products
- Product development of RV tires

(2) Industry Overview

1. Industry Situation and Development

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

2.Relationship Among the Supply Chain

After developing for decades, the rubber industry in Taiwan has formed a complete supply chain with upstream, midstream and downstream, which is as follows:

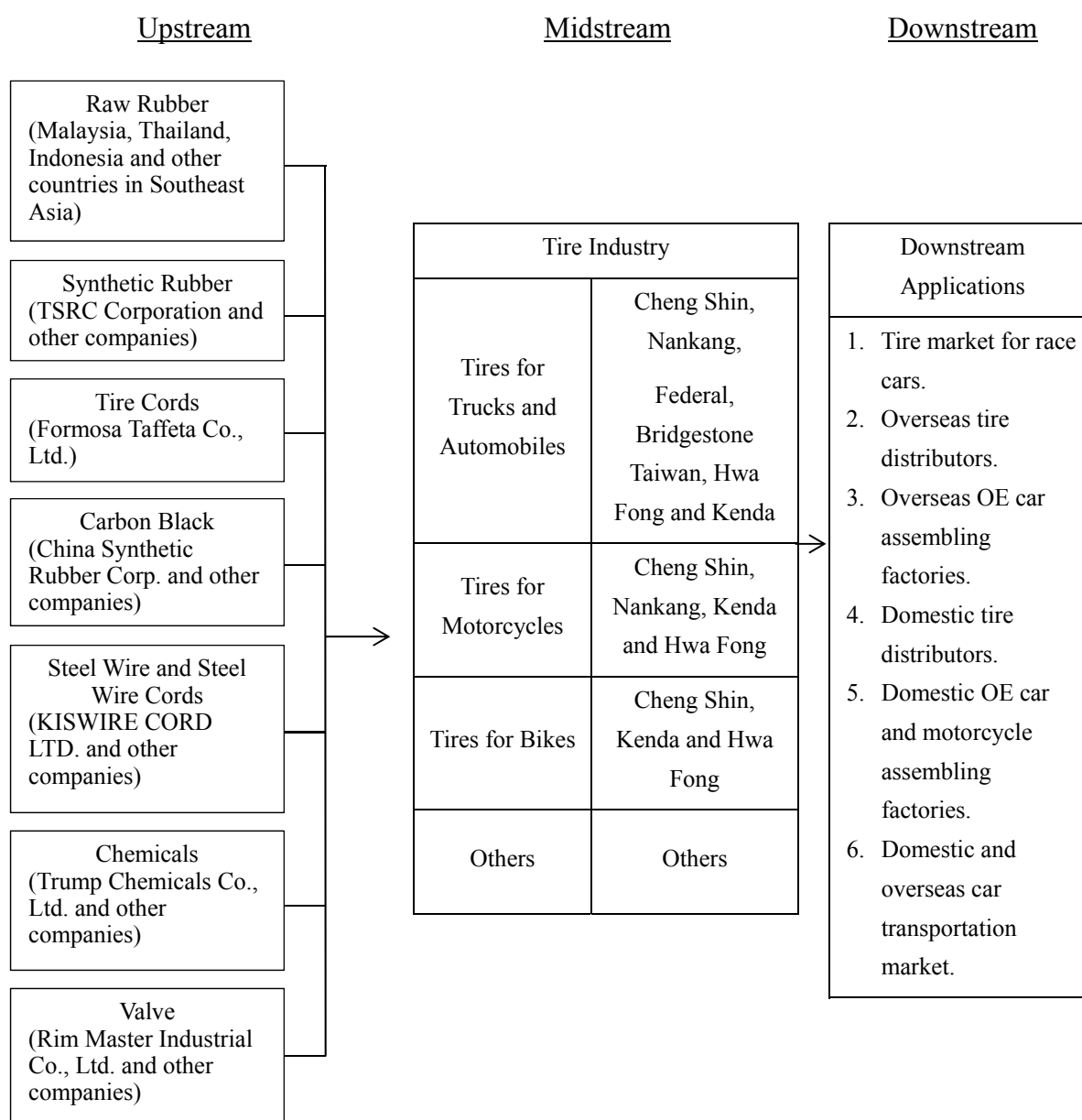
Upstream: capital-intensive raw material industry.

Midstream: technology-intensive processing industry.

Downstream: consisting of the applications in tire market for race cars, domestic and overseas OE car assembling factories, domestic and overseas tire distributors and car transportation market.

The diagram for upstream, midstream and downstream is as follows:

Diagram of Relationship Among Tire Industry in Taiwan



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

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

(3) Overview on Technology, Research and Development

1.Costs of Research and Development During the Current Fiscal Year and as of the Date of the Annual Report

in NT\$1000

Item \ Year	2019	As of March 31, 2020
Costs of Research and Development	5,148,156	1,058,947
Net Operation Income	109,507,773	19,550,044
Percentage	4.70%	5.42%

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

2.Technology and Products Successfully Developed

- Product development of light automobile spare tires
- Motorcycle tires — development of high performance series
- Development of new motorcycle radial tire products
- Bicycle tires — development of high performance series
- Development of new ATV tires
- Development of new TBR tires
- Research project on TBR tires
- Development of new MAXXIS PCR/LTR tires
- Research project on the technology for various energy-saving tires

(4) Long Term and Short Term Business Development Plan

1.Short Term Business Development Plan

- (a) Conducting business on the current business basis, continuously developing products for all series and developing sales models which are suitable to different local markets.
- (b) Carrying out a reasonable and flexible production procedure in order to reach the most proper operational business scale between

production and sale; carrying out quality management in all aspects and striving for the goal of best quality.

2.Long Term Business Development Plan

- (a) Continuously enhancing quality and developing private brands and increasing market share in order to establish globally complete distribution channels and brand management strategy.
- (b) Continuously conducting research and development activities, maintaining the market leading position of manufacture technology and fully taking advantage of economies of scale for mass production.

5.2 Market and Sales Overview

(1) Market Analysis

1. Analysis of Overseas Market

- (a) Distribution Regions: market analysis is made based on our distribution regions—North America, Central and South America, Europe, Middle East and Africa, Asia, and Oceania.
- (b) Market Shares: Our revenue has remained ranking first place in Taiwan and we are the largest tire manufacturer in the Chinese-speaking region. Both of the world-renowned tire magazines, Tyres & Accessories and Tire Business, reported us as the 10th largest global tire manufacturer.
- (c) Future Market Supply and Demand and Prospect

Cheng Shin's continuous efforts in new product development have enabled us to continue to be recognized as the No.1 brand in the China tire market with positive feedbacks from our markets. The car magazine "ACE" in Germany released the latest test result of 2020 summer tires and MAXXIS HP5 won the first place being "highly recommendable" among the nine brands. The feedback by the media group participating in the test was "excellent performance both on the wet and dry land," which was a superb recognition of our products. In addition, in 2020 another car magazine in Germany "AUTO ZEITUNG" chose the tires from twenty different brands in Europe, America, and Asia for test. Once again MAXXIS HP5 was ranked No. 4 and obtained the rating of "highly recommendable." The feedback by the media group participating in the test is "very outstanding performance on the whole". Among the dry land test items, MAXXIS HP5 was the only one rated full marks in "safety" and the best summer tire in "quality-price ratio" recommended by the media group participants. It also won the first place in the comprehensive performance in an Australian magazine test. VS5, the high-performance model aiming at the top car models, was highly acclaimed during a public field test in Spain and excelled all the other leading brands on the market in each tire performance-rating item. Its comfort and dry/wet land performance was also recognized and recommended by the British car magazine "evo." HP5 and VS5 both took part in the 2020 summer tire test rating held by TCS, an international testing institute in Switzerland and had won the third place in the overall rating for two testing specifications and were rated as "strongly recommended." Furthermore, VS5 outperformed all the other tested products in comfort/noise. The widely applauded RunFlat Tire, FRT, has begun the production of new specifications and is currently exported to almost thirty countries from our plants in China with superior performance and receiving extremely positive feedbacks.

TMS1, with its feature focusing on comfort, not only won 2017 China Tire of the Year but also surpassed those from several well-known manufacturers in the field test. In 2020, MAXXIS RAZR MT772 obtained the highest rating score and was highly recommended by the editor team among the five 4X4 tire models tested and reviewed by the Australian magazine, 4X4 AUSTRALIA. The products provided by Cheng Shin demonstrate the continuous upgrade of quality as well as the world-class standard in performance.

Cheng Shin has long been proactively sponsoring various sports and race car events globally. In 2019, it was the official tire supplier of the MXGP FIM Motocross World Championship held by the FIM (International world Federation) and this cooperation greatly benefited Maxxis' brand reputation in the world and elevated Maxxis' professionalism and the image of having excellent quality among consumers. In addition, the 2020 Dakar Rally will be held in the Middle East and Maxxis' ATV tire, M8060, will be used by the world-class contestants with the goal to excel at this international event. In 2020, we will strengthen our sponsorship of the famous US Desert Racing event, Best in the Desert, to continue promoting Cheng Shin's brand image.

We have also made some breakthroughs in the development of our overseas market. In 2019, apart from continuing to supply spare tires for popular models of Toyota vehicles, RAV4 and Corolla in North America, we also successfully completed our spare tire development for the best-selling car models of Subaru, becoming part of Subaru's supply chain in North America. The Company also successfully won the development of spare tires of FORD F-150, one of the most popular models in North America, with production expected to begin in the third quarter of 2020. Furthermore, the reach of assembling business has reached Mexico, several best-selling Nissan car models are equipped with Cheng Shin MAXXIS tires as well. ATV assembling business continued to receive orders from Polaris, Honda and Kawasaki for their high end models, and continued to rank first in market share in North America.

We have sold our products in over 180 countries worldwide. In addition to our strategic mapping of the overseas repairs market, we actively expand our distribution channels and locations. With the rapid growth of emerging markets and sustained economy recovery in the North America region, the global automotive industry is thriving and the demands for vehicle tires are boosting. Since the financial crisis,

the automotive industry has been growing at a steady pace, further fueling the strong demands in certain markets, such as China, Brazil, India, Mexico, and the Middle East. As a result, major tire manufacturers around the world continue to invest in building new facilities to meet the anticipated demands in these markets.

With respect to our global strategy, we have set up a company in Netherland to conduct sales operations in Europe, we would soon set up sales companies in Mexico and Japan to better develop local business and to better serve the needs of local customers.

The MAXXIS proving ground in Kunshan, China is a world-leading facility where various testing of tire performance, durability, noise, and safety are conducted. Many automakers use our facility for the R&D and testing of new vehicles, which provides us opportunities to pitch for new orders.

Cheng Shin has 11 factories around the globe and a world-leading proving ground in Kunshan, China, equipped with the best testing equipment and facilities in Asia, a testament to our continuous strive for excellence in producing tires. With regard to our comprehensive plan in Asia, our factory in India, which started manufacturing in August 2017, mainly aims at India's sales volume of 18 million motorcycles per year. Its production directly supplies motorcycle tires to assembly factories and will then make advances into India's automobile and truck tire market. Our factory in India produces 6 million motorcycle tires annually at the first phase. After the expansion completed at the third phase, the annual production volume will increase to 18 million tires. Moreover, in 2018 the tires have been sold at more than 1000 retailers, making it a great milestone. In Indonesia, since the commencement of the building of manufacturing facilities in 2016, we have been sending employees from different departments to be stationed at the factories to provide support. Our sales team has also been in close contact with local distribution networks to ensure smooth launching upon the completion of construction. The Indonesia facilities have successfully begun production in October 2017. At present, the maximum annual production volume is expected to reach 6 million tires and will go up to 12 million tires in the future. This mainly aims at the growth of ASEAN regional market. Our strategy to focus on markets in India and Indonesian is expected to boost the future growth of our Group. Going forward, we will continue to recruit local technicians and sales force in India and Indonesia to increase the brand's local exposure and

support customer services with an aim to demonstrate our 100% service quality.

(d) Competitive Edge

Our core beliefs are deeply rooted in every member of the Maxxis Family. Under the leadership of our Chairman, Lo Tsai Ren, we have established the four primary systems—Enterprise Resource Planning System (ERP), Manufacturing Execution System (MES), Product Lifecycle Management (PLM), and Customer Relationship Management (CRM), which will be introduced progressively to each manufacturing facility of Cheng Shin. Through the integration of Group resources, we are able to expand existing production capacity and manufacturing facilities to enhance our strategic, organizational, and technological capabilities. With these upgrades, we are confident in our ability to deliver continued revenue growth and attain our presence in the global tire industry.

Our new brand “PRESA” introduced through a differentiated distribution network from MAXXIS has secured a leading position in the market and continues to gain market share.

In 2019, Cheng Shin is recognized as one of the Top 10 Global Brands in Taiwan for the 17th consecutive year, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and Interbrand, a global brand consultancy. Cheng Shin adopts a global diversified brand-name strategy for its Cheng Shin, MAXXIS and PRESA brand names with respect to different cultures. Marketed with English brand names and incorporate elements of the western cultures to cater to western consumers. Not only has Cheng Shin been widely known as tire brands in the Greater China region, but it also has been recognized as the best-selling brand under a well-known trademark in China. We aim to raise the brand name recognition in the market in the future by routinely participating in auto shows in Taiwan and overseas and sponsoring major sports events to grow consumers’ appreciation of our brand names with a multi-faceted platform strategy.

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

products and elevate the group's overall competitiveness.

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

(e) Advantages and Disadvantages for Developmental and Action Plans

Advantages

With joint efforts of our factory building staff, our facilities in Indonesia and India began production in 2017.

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

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

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

Disadvantages

At the end of January 2020, COVID-19 caused the lockdown or closed-off management of over 80 cities in China. Cheng Shin manufacturing factories in China followed the policy and postponed the date of resuming business operations. In mid-February, we applied

for resuming business and began the operations with different phases and separated product lines. With the outbreak of COVID-19 began in Europe and the US in March, our major automobile clients in the US were forced to halt production and countries around the globe were put on lockdown or implemented border control to curb the spread of the virus, posing a great challenge for the business performance of the first quarter. However, our major markets such as Australia, Mexico, Taiwan, and Southeast Asia remain unaffected in terms of ordering and shipping of products. Cheng Shin has adjusted its production capacity, maintained stable production lines, and sped up new product development, with the hope to respond to market needs swiftly in the post-pandemic period and when the world is on the path to business recovery.

Due of the impact of COVID-19, the demands for oil have also dropped sharply. In addition, the oil price competition between Saudi Arabia and Russia has led to the massive dropping of the oil price, and in turn had enormous impact on the industry chain. Cheng Shin has been closely monitoring the fluctuations of market supply and demand and keeping in touch with each regional distributor for the latest market information to timely announce the price adjustment. At the same time, Cheng Shin also continues the process of integrating new and previous products and replacing the product portfolio with the products of high additional value to adapt to the ever-increasing market needs and the ever-changing severe challenges we face at the current time.

Facing the operational environment in 2020 and the next 3 to 5 years, we envisage even more drastic changes, therefore we must promptly strengthen our ability to adapt, our core capabilities, and our competitiveness. Only by possessing the world-class capabilities and competitiveness will we be able to adapt to the complicated and highly changeable market from now on. Therefore, in the future we will take advantage of our capabilities in technology, sales and distribution, manufacturing and management to build our core operations, to achieve globalization, and to enhance the regional sales and technical support so that the global headquarters can work closely with different regions and utilize local manufacturing to strengthen ties.

2. Analysis of Domestic Market

(a) 2019 Domestic Market Overview

2019 was a year full of drastic changes in the global politics and economies. With the global trade war picking up its face, the fact that Taiwan has not signed any free trade agreement with any nation is detrimental to the export business in Taiwan. Moreover, the political tension resulting from the presidential election in Taiwan has caused market instability and weakened the purchasing power of consumers, making the market competition even fiercer compared to the past. Therefore, these drastic market changes have posed different level of threats to the Company's revenue.

Faced with this challenging time, we launched the A class high performance tire model, namely VS5, with the features of "high precision control and champion on wet land", which is the top choice of tires for luxury cars. The tread compound using Full-Silica technology provides excellent wet grip capability and elevated control performance in high speed driving on wet land. Hybrid sidewall compound provided stability in high speed driving and cornering control. The tread pattern design imitates the claw pattern of a cheetah using 3D design, giving a stylish and smooth visual experience, and improving the overall drainage and wet grip performance. VS5 and VS5 SUV tires were awarded the most recommended tires by the European car magazines in 2019. Furthermore, similar recommendations were received from the Taiwan car magazines and the A-class tire manufacturers in Europe and Japan. It has also won unanimous praise from consumers and has become the best preferred tire for luxury cars.

(b) 2020 Visions

With 2020 being a key period, we would have to enhance our market research ability by continuing to specialize in what we do while preparing for changes, and remembering that execution always comes first. We aim at absolute completion, excellence, refinement, and sophistication to reduce the restraint of the economic recession while using actions and execution to break the limits of the current market conditions. We would continue our strive in becoming Top 5 tire maker by 2026.

While we continue our pursuit in growth, we would continue our efforts in giving back to the society and fulfill our Corporate Social Responsibility (CSR). With our core corporate values in doing business with integrity and our whole hearts, we would continue to produce high quality products and services, to help ensure every driver can drive safely to reach their destinations.

We hope that every customer we serve not only can become our lifetime customer but an inspirational customer that will promote our brands.

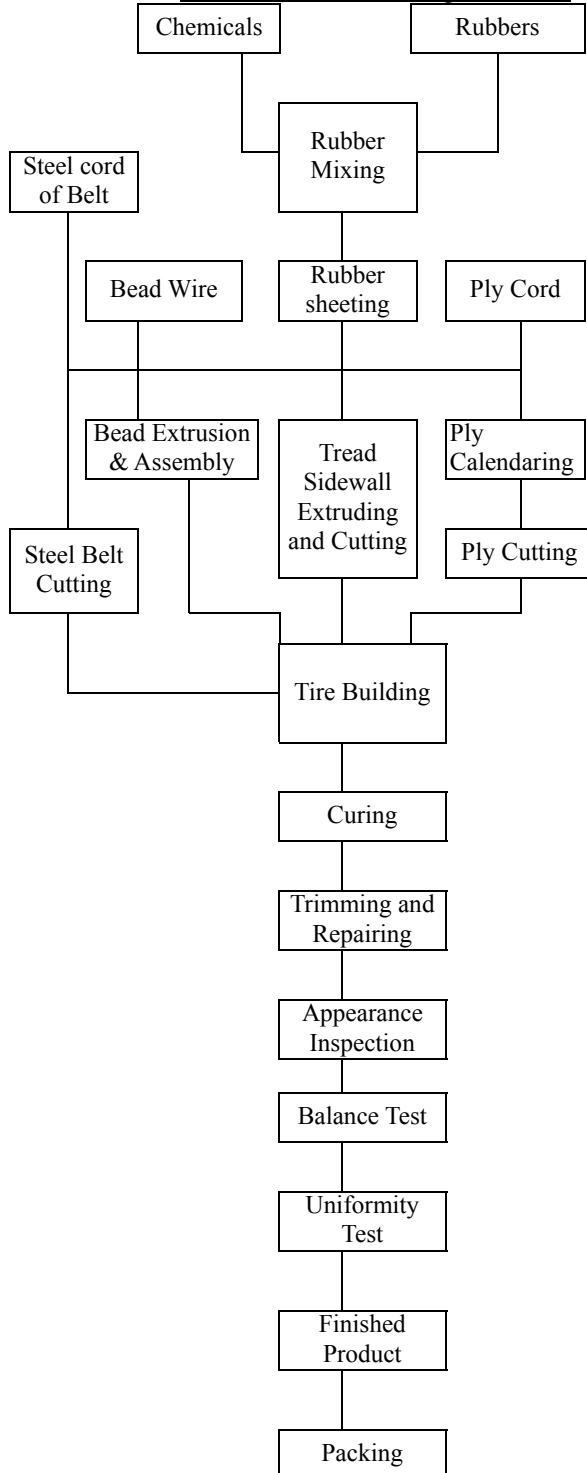
(2) Key Functions and Manufacturing Process of Core Products

Core Products: tires

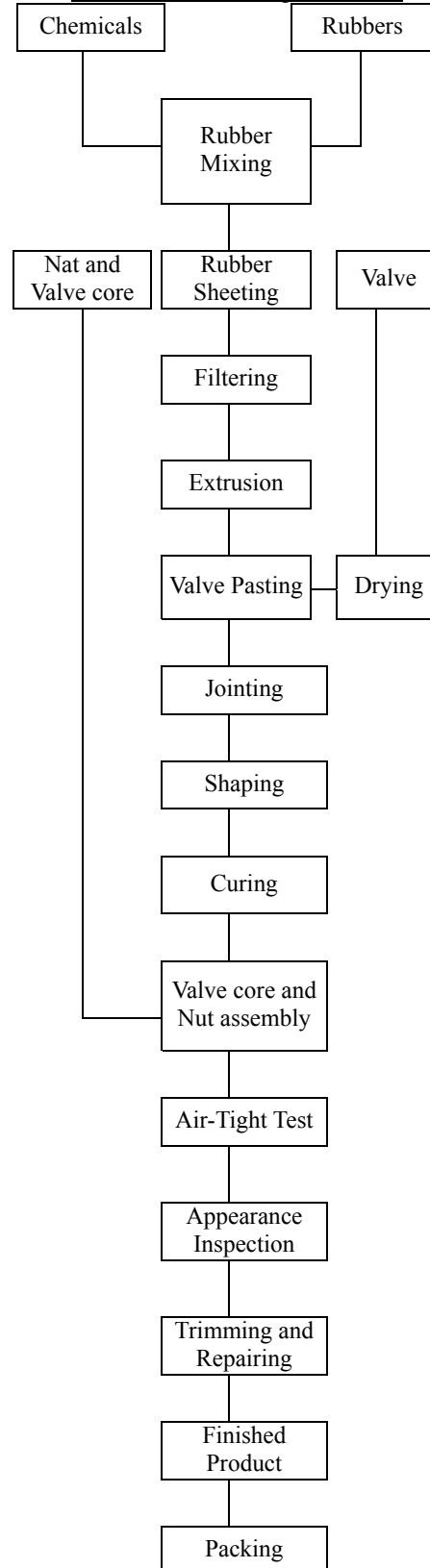
Functions: transportation

Manufacturing Process:

PCR Tires Manufacturing Flowchart



Tubes Manufacturing Flowchart



(3) **Supply of Key Materials**

Materials	Quantity (ton)	Suppliers
Raw Rubber	176,072	SRI TRANG AGRO IND, PLC, etc.
Synthetic Rubber	180,085	TSRC Corporation, etc.
Tire Cords	34,047	FORMOSA TAFFETA Co., Ltd. , etc.
Carbon Black	167,372	Linyuan Advanced Materials Technology Co., Ltd., etc.
Steel Wire and Steel Wire Curtain Cloth	86,604	KISWIREARCELORMITTAL LTD, etc.
Chemicals	56,535	Trump Chemicals Corporation, etc.
Tire Valves	132,140,000	Rim Master Industrial Co., Ltd., etc.

(4) Customers with 10% or More of Total Procurement/Distribution, Amount and Percentage in Any Given Year within the Most Recent Two Years

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

in NT\$1000

Item	2018				2019				As of March 31, 2020			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Supplied Amount	61,334,811	100.00	-	Net Supplied Amount	59,577,310	100.00	-	Net Supplied Amount	9,869,739	100.00	-

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

in NT\$1000

Item	2018				2019				As of March 31, 2020			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Dstb. Amount	109,221,209	100.00	-	Net Dstb. Amount	109,507,773	100.00	-	Net Dstb. Amount	19,550,044	100.00	-

Note: Customers with 10% of more of the total procurement/distribution, amount and percentage in any given year within the most recent two years and their reasons for change. Codes may be used for parties that may not be disclosed pursuant to a contract term or that are a non-related party individual.

(5) Production Volume/Value of the Most Recent Two Years

Unit in Thousands; in NT\$1000

Production Volume/Value Major Products	Year	2018			2019		
		Production Capacity	Production Volume	Value of Production	Production Capacity	Production Volume	Value of Production
Radial cover - car		54,648	40,562	35,571,161	53,307	38,045	35,253,385
Radial cover - truck		6,253	4,705	19,239,682	6,245	4,839	18,552,170
Motorcycle cover		73,111	36,021	8,261,321	50,090	37,898	9,419,276
Bicycle cover		71,463	69,430	6,701,771	93,867	81,693	6,339,326
Inner tube		161,463	118,264	3,454,520	161,473	121,371	3,514,906
Other tires		31,455	21,567	9,417,832	27,219	20,182	9,155,909
Other products (Note)		-	-	671,410	-	-	22,093
TOTAL		398,393	290,549	83,317,697	392,201	304,028	82,257,065

Note: Other products: rubber and tire related industrial products

(6) Sales Volume/Value of the Most Recent Two Years

Unit in Thousands; in NT\$1000

Sales Volume/Value Major Products	Year	2018			2019		
		Domestic Sales		Overseas Sales	Domestic Sales		Overseas Sales
		Quantity	Value	Quantity	Value	Quantity	Value
Radial cover - car		26,829	31,067,040	15,682	17,969,752	24,252	27,976,677
Radial cover - truck		4,097	21,241,625	569	2,807,018	4,151	20,382,728
Motorcycle cover		28,376	8,146,966	7,116	3,725,121	30,262	8,534,102
Bicycle cover		51,909	5,481,156	20,086	3,237,261	60,249	6,369,440
Inner tube		68,540	3,020,058	49,492	1,786,759	71,541	3,151,858
Other tires		13,795	7,172,144	6,887	5,302,626	13,873	7,051,947
Other products (Note)		-	803,042	-	87,332	-	694,216
Sales return and allowances		-	-2,343,639	-	-136,119	-	-2,057,832
Transaction and insurance costs		-	-1,395,791	-	-179,170	-	-1,334,155
Others		-	-	-	1,428,028	-	-
TOTAL		193,546	73,192,601	99,832	36,028,608	204,328	70,771,981
						98,674	38,735,792

Note: Other products: rubber and tire related industrial products

Others: operating revenue not attributable to tire manufacturing business

5.3 Employee Composition Analysis within the Most Recent Two Years

Year		2018	2019	As of March 31, 2020
Number of Staff	Technician	6,014	6,039	6,436
	Administration	2,882	3,065	3,008
	Factory Workers	20,344	19,486	19,710
	Total	29,240	28,590	29,154
Average Age		32	34	34
Average Seniority		6	7	7
Distribution of Academic Degrees	Ph.D.	18	17	15
	Masters	795	833	820
	Bachelors (community college)	8,021	8,275	8,259
	High School Diploma	9,634	8,623	8,511
	Others	10,772	10,842	11,549

5.4 Environmental Related Expenditure

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

- (1) The Company is not subject to any material loss as a result of environmental pollution issues in the latest year and as of the date of the Annual Report.
- (2) Sanction the Company is subject to:

Sanction Date	Sanction No.	Violated Regulation	Fact of Violation	Sanction Detail
December 27, 2019	30-108-120022	Article 7 (1) of Water Pollution Control Act	On April 23, 2019, the temperature of the effluent was 35.9 degrees Celsius, which exceeded the effluent standard of 35 degrees Celsius during October and April.	NT\$147,000

1. Although this case is currently under the administrative appeal, the Company has drafted the preliminary improvement measures, installed the heat dissipation equipment for the water, increasing the effluent heat dissipation surface to lower the temperature, and have completed these improvements.
2. The Company adheres to the national policy of greenhouse gas reduction and the future total quantity control of greenhouse gas. Only the headquarters are regulated by the total quantity control. We have been actively promoting the greenhouse gas reduction measures in the hope of being included in the emissions allowances. If the emission exceeds the allowance, there will be penalties calculated at no more than NT\$1,500 per ton of CO₂.

5.5 Labor

(1) Current Material Labor Related Agreements and Implementation

1.Key Employee Benefits

Our employee compensation policy is fair and does not vary because of gender, race, religion, political view, or marital status. Based on the human resource supply and demand and the regional compensation standard, we set up a basic wage higher than the government's regulation and evaluate an employee's position, education background, work experience and tenure, and professional ability for reference. Our employee compensation standards mainly focus on work ability and performance while the work bonus does not differentiate because of gender.

For the welfare of our employees, we provide benefits in addition to salaries to our employees that are more preferential than what's required under the law. The welfare of the Company can be divided into the following two categories: statutory benefits as provided by the law and Company benefits as provided by the Company.

Statutory benefits: social insurance, public holidays, healthcare, pension, and employee benefits.

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

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

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

Maternity/paternity leave: we also provide maternity/paternity benefits to our employees pursuant to the law. In 2019, the number of employees applied for maternity/paternity leave is as follows:

Item	Male	Female	Total
Employees applied for maternity/paternity leave in 2019	12	19	31
Employees expected to be on maternity/paternity leave in 2019(A)	12	19	31
Employees returning from maternity/paternity leave in 2019(B)	8	15	23
Rate of returning to work (B/A)	66.7%	78.9%	74.2%

2.Employee Education and Training

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

In 2019, we offered 2,371 classes by job functions and 35 classes by job levels, and 329 classes in other different categories for a total of 75,271 hours. Based on the employee job levels, the training for the managerial employees is 15.6 hours per person on the average while that for the non-managerial ones is 11.2 hours per person.

- (a) New employee training: aimed to provide new employees with an orientation to the training courses including the Company’s corporate culture, safety training, quality concepts, policy and procedures to help them adapt to the new environment and fit into the culture of the organization. Once the orientation training is completed, employees still need to take the onsite training and obtain the qualification and capability for the job. The new employees will also be assigned with mentors for assistance.
- (b) Training by job function: professional skills training courses designed to cater to different job functions, such as production management, research and development, and quality assurance, which are aimed to provide employees with a comprehensive training at each stage of their career development, and help them achieve self-realization and reach their potential through work.
- (c) Training by job level: a series of topical courses designed for different job levels to improve employees’ management skills and efficiency; these courses will be based on topics that are closely linked to employees’ daily functions and their job levels. The trainings will be given on topics such as presentation training and report writing for trainee level employees; communication skills, daily management and problem-solving steps to

enhance the efficiency for junior management; policy management, leadership case study for officer level management. In the 2020 enhance learning roadmap, the project-based programs that are focused on elevating the capability of middle-top management are now conducted regularly on an annual basis to keep the management up to date and continue their learning. The training will also incorporate work safety program, corporate culture and risks mitigation, and cost management. Employees training will start early before employees reach management level to cultivate their management skills from very early on.

- (d) Project-based programs: a variety of project-based programs designed to meet the employees' learning needs in different areas based on the annual training target. These programs include five core tools to elevate quality management, enhancing managerial skills for trainee management and R&D trainings.
- (e) Personal development: we provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws and regulations. Accumulated number of participating employees to date was 1,375.

Cheng Shin offers a variety of learning channels and resources. Other than on-the-job training and on-site demonstrations, we also emphasize the integration of theoretical knowledge and practical experiences.

3.Retirement Systems

We comply with the requirements of the Labor Standards Act and Labor Pension Act.

- (a) Former pension system: The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up the deficiency in one single appropriation before the end of March in the following year. As of December 31, 2019, the amount of pension funds recognized by the Company under the former pension system was NT\$25,456,000.
- (b) New pension system: The new pension system is available to all employees who came onboard as of July 1, 2005. If an employee chooses to be subject to the new pension system, the Company will appropriate a set amount of pension funds into such employee's personal bank account (appropriation by the Company). Alternatively, the employee may appropriate 1-6% as pension funds to his/her personal bank account (appropriation by the employees). As of December 31, 2019, the amount of pension funds recognized by the Company under the new person system was

NT\$156,102,000.

4. Employee Satisfaction: The Company conducts employee satisfaction survey regularly. The survey includes the following areas: corporate system and culture, work environment, educational training, salary and benefits. The employee satisfaction survey is one of the many measures we've taken to receive employee feedbacks. We take the results of the survey as a point of reference to improve company policies. The average score on the employee satisfaction survey in 2019 was 87.3, in which we scored the highest on "employee relationships" at 91, indicating harmony between our employees.

5. Other Key Understanding: To elevate work efficiency, improve work conditions and strengthen harmony between employees and employer, the Company has set up the labor union in accordance with the local regulations. The employees are all protected by the collective agreements signed by the Company and the labor union.

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

5.6 Material Contracts: None

VI. Financial Highlights and Analysis

6.1 The Condensed Balance Sheet, Consolidated Income Statement over the past five years, names of the Certified Public Accountants and their audit opinions:

- (1) Consolidated condensed balance sheet — International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Years Description		Financial data over the past 5 years					Financial information as of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		52,347,130	58,153,934	66,663,624	63,023,450	58,929,975	55,047,346
Real estate, plants and equipment		106,476,804	103,156,284	105,007,683	103,254,578	95,889,585	91,662,431
Intangible assets		-	10,824	110,233	237,050	246,790	220,207
Other assets		7,134,288	6,843,684	7,302,715	8,247,690	8,973,879	8,873,852
Total assets		165,958,222	168,164,726	179,084,255	174,762,768	164,040,229	155,803,836
Current liabilities	Before distribution	37,390,371	39,786,698	42,078,364	44,487,184	43,404,174	39,519,776
	After distribution	47,114,617	49,510,944	47,912,912	-	-	-
Non-current liabilities		38,615,267	40,108,640	54,114,588	50,457,578	42,665,368	41,358,789
Total liabilities	Before distribution	76,005,638	79,895,338	96,192,952	94,944,762	86,069,542	80,878,565
	After distribution	85,729,884	89,619,584	102,027,500	98,510,319	-	-
Equity attributable to the owners of parent company		89,161,137	87,493,251	82,205,292	79,193,782	77,395,683	74,352,256
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	54,875,387	58,334,342	54,168,622	51,927,349	51,833,197	49,844,521
	After distribution	45,151,141	48,610,096	48,334,074	48,361,792	-	-
Other equity		1,819,019	(3,307,822)	(4,430,061)	(5,200,298)	(6,904,245)	(7,958,996)
Treasury stocks		-	-	-	-	-	-
Non-controlling interest		791,447	776,137	686,011	624,224	575,004	573,015
Total equity	Before distribution	89,952,584	88,269,388	82,891,303	79,818,006	77,970,687	74,925,271
	After distribution	80,228,338	78,545,142	77,056,755	76,252,449	-	-

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

(2) Condensed Individual Balance Sheet — International Financial Reporting Standards
(IFRS)

Expressed in Thousand New Taiwan Dollars

Year Descriptions		Financial data over the past 5 years				
		2015	2016	2017	2018	2019
Current assets		14,386,034	17,330,482	19,434,044	19,892,507	14,363,866
Real estate, plants and equipment		16,761,445	16,052,715	15,747,604	16,326,183	16,668,254
Intangible assets		-	-	94,890	70,740	40,633
Other assets		91,303,809	89,435,797	85,207,137	82,548,279	81,783,205
Total assets		122,451,288	122,818,994	120,483,675	118,837,709	112,855,958
Current liabilities	Before distribution	5,490,673	9,408,116	7,778,876	13,044,084	11,168,216
	After distribution	15,214,919	19,132,362	13,613,424	16,609,641	-
Non-current liabilities		27,799,478	25,917,627	30,499,507	26,599,843	24,292,059
Total liabilities	Before distribution	33,290,151	35,325,743	38,278,383	39,643,927	35,460,275
	After distribution	43,014,397	45,049,989	44,112,931	43,209,484	-
Profit and/or loss attributable to the owners of parent company		89,161,137	87,493,251	82,205,292	79,193,782	77,395,683
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	54,875,387	58,334,342	54,168,622	51,927,349	51,833,197
	After distribution	45,151,141	48,610,096	48,334,074	48,361,792	-
Other equity		1,819,019	(3,307,822)	(4,430,061)	(5,200,298)	(6,904,245)
Treasury Stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	89,161,137	87,493,251	82,205,292	79,193,782	77,395,683
	After distribution	79,436,891	77,769,005	76,370,744	75,628,225	-

Note : Financial information regarding the fourth quarter of 2019 was prepared under IFRS and has been verified by independent auditors.

(3) Condensed Consolidated Income Statement — International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

<div> <div>Year</div> <div>Descriptions</div> </div>	Financial data over the past 5 years					Financial information as of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenues	116,726,293	117,387,519	112,309,166	109,221,209	109,507,773	19,550,044
Gross operating profit	35,557,792	36,289,109	25,678,070	24,322,942	23,959,533	3,538,980
Operating profit and/or loss	18,620,380	18,671,413	8,398,492	7,415,189	7,003,132	99,866
Non-operating revenues and expenditures	(1,144,177)	(776,427)	(16,623)	(1,505,548)	(1,175,833)	(1,898,993)
Net profit before tax	17,476,203	17,894,986	8,381,869	5,909,641	5,827,299	(1,799,127)
Net profit of continuing operations	12,839,214	13,346,481	5,602,025	3,574,638	3,515,697	(1,983,790)
Loss from discontinued operations	-	-	-	-	-	-
Net profit of the period	12,839,214	13,346,481	5,602,025	3,574,638	3,515,697	(1,983,790)
Other comprehensive income or loss for the period(Net amount after tax)	(1,719,409)	(5,305,431)	(1,255,864)	(813,387)	(1,755,905)	(1,061,626)
Total comprehensive income for the period	11,119,805	8,041,050	4,346,161	2,761,251	1,759,792	(3,045,416)
Net profit attributable to the owners of parent company	12,776,655	13,250,903	5,541,785	3,520,320	3,466,827	(1,988,676)
Net profit attributable to non-controlling interest	62,559	95,578	60,240	54,318	48,870	4,886
Total comprehensive income attributable to the owners of parent company	11,121,989	8,056,360	4,436,287	2,823,038	1,767,458	(3,043,427)
Total comprehensive income attributable to non-controlling interest	(2,184)	(15,310)	(90,126)	(61,787)	(7,666)	(1,989)
Earnings per share (EPS)	3.94	4.09	1.71	1.09	1.07	(0.61)

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

(4) Condensed individual consolidated income statement — International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year Descriptions	Financial data over the past 5 years				
	2015	2016	2017	2018	2019
Operating revenues	21,348,480	20,637,507	19,437,442	19,374,623	19,497,888
Gross operating profit	7,284,573	6,748,196	5,038,162	4,487,262	3,692,021
Operating profit and/or loss	3,186,455	2,845,044	1,338,775	648,205	(56,880)
Non-operating revenues and expenditures	12,229,973	12,795,689	5,663,820	4,238,255	4,555,370
Net profit before tax	15,416,428	15,640,733	7,002,595	4,886,460	4,498,490
Net profit of continuing operations	12,776,655	13,250,903	5,541,785	3,520,320	3,466,827
Loss from discontinued operations	-	-	-	-	-
Net profit of the period	12,776,655	13,250,903	5,541,785	3,520,320	3,466,827
Other comprehensive income or loss for the period (Net amount after tax)	(1,654,666)	(5,194,543)	(1,105,498)	(697,282)	(1,699,369)
Total comprehensive income for the period	11,121,989	8,056,360	4,436,287	2,823,038	1,767,458
Net profit attributable to the owners of parent company	12,776,655	13,250,903	5,541,785	3,520,320	3,466,827
Net profit attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to the owners of parent company	11,121,989	8,056,360	4,436,287	2,823,038	1,767,458
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share (EPS)	3.94	4.09	1.71	1.09	1.07

Note : Financial information regarding the fourth quarter of 2019 was prepared under IFRS and has been verified by independent auditors.

(5) Names and auditing opinions of CPA in recent five years

CPA	Year	Opinions on the audit
Hung, Shu Hua Wu, Der Feng	2015	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2016	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2017	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2018	Clean opinion after amendment
Hung, Shu Hua Zhou, Jian Hong	2019	Clean opinion after amendment

6.2 Analyses of finance over the past five years

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

<div> <div>Year</div> <div>Descriptions</div> </div>		Financial analyses over the past 5 years					Financial information as of March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	45.80	47.51	53.71	54.33	52.47	51.91
	Long-term working capital to real estate, plants and equipment ratio	114.59	119.10	126.04	121.82	120.74	121.71
Solvency	Current ratio	140.00	146.16	158.43	141.67	135.77	139.29
	Quick ratio	101.65	106.58	107.13	94.83	91.62	93.68
	Interest coverage multiplicity	1869	1945	735	403	434	(407)
Manageability	Accounts receivable turnover rate(Number of time)	8.44	9.37	9.27	8.77	8.62	6.56
	Average cash collection days	43.23	38.94	39.36	41.61	42.34	55.64
	Inventory turnover rate(Number of time)	5.43	5.98	5.23	4.40	4.57	3.67
	Accounts payable turnover rate(Number of time)	10.65	10.33	9.58	8.98	9.25	8.47
	Average days required for sales	67.17	61.08	69.74	83.00	79.87	99.46
	Real estate, plants and equipment turnover rate (Number of time)	1.08	1.12	1.08	1.05	1.10	0.83
	Aggregate total asset turnover rate(Number of time)	0.70	0.70	0.65	0.62	0.65	0.49
Profitability	Asset return ratio (%)	8.12	8.45	3.84	2.83	2.89	(1.06)
	Equity return ratio (%)	14.38	14.98	6.55	4.39	4.46	(2.59)
	Ratio of net profit before tax to paid-in capital (%)	53.92	55.21	25.86	18.23	17.98	(5.55)
	Net profitability (%)	11.00	11.37	4.99	3.27	3.21	(10.15)
	Earnings per share (EPS)(NT\$)	3.94	4.09	1.71	1.09	1.07	(0.61)

Cash flow	Cash flow ratio(%)	73.38	68.55	21.14	33.39	42.13	(Note 2)
	Cash flow adequacy ratio(%)	89.80	117.44	101.61	90.11	91.84	(Note 2)
	Cash reinvestment ratio(%)	8.80	8.54	-0.37	3.97	6.45	(Note 2)
Leverage	Operating Leverage	1.61	1.62	2.38	2.65	2.86	31.63
	Financial Leverage	1.05	1.05	1.18	1.32	1.33	(0.40)

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

Note 2 : Not applicable as these calculations are based on annual figures

Analysis if variation exceeds 20% :

1. Increase in Cash flow ratio : due to increase in net cash flow from operating activities.
2. Increase in Cash reinvestment ratio : due to increase in net cash flow from operating activities and reduced distribution of dividends.

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

<div> <div>Year</div> <div>Descriptions</div> </div>		Financial analyses over the past 5 years				
		2015	2016	2017	2018	2019
Financial structure (%)	Liabilities to assets ratio	27.19	28.76	31.77	33.36	31.42
	Long-term working capital to real estate, plants and equipment ratio	677.91	689.87	702.03	635.14	593.39
Solvency	Current ratio	262.01	184.21	249.83	152.50	128.61
	Quick ratio	220.54	161.29	200.17	124.74	104.50
	Interest coverage multiplicity	4178	4456	2171	1466	1567
Manageability	Accounts receivable turnover rate(Number of time)	7.72	8.07	6.94	6.70	7.09
	Average cash collection days	47.25	45.26	52.62	54.50	51.48
	Inventory turnover rate(Number of time)	6.72	7.27	5.55	4.36	5.31
	Accounts payable turnover rate(Number of time)	12.79	14.19	12.38	11.06	12.97
	Average days required for sales	54.29	50.23	65.80	83.76	68.74
	Real estate, plants and equipment turnover rate(Number of time)	1.27	1.29	1.23	1.19	1.18
	Aggregate total asset turnover rate(Number of time)	0.17	0.17	0.16	0.16	0.17
Profitability	Asset return ratio (%)	10.73	11.05	4.79	3.18	3.20
	Equity return ratio (%)	14.44	15.00	6.53	4.36	4.43
	Ratio of net profit before tax to paid-in capital (%)	47.56	48.25	21.60	15.08	13.88
	Net profitability (%)	59.85	64.21	28.51	18.17	17.78
	Earnings per share (EPS)(NT\$)	3.94	4.09	1.71	1.09	1.07
Cash flow	Cash flow ratio(%)	214.59	105.33	96.82	55.46	46.66
	Cash flow adequacy ratio(%)	90.18	99.78	95.15	91.27	85.23
	Cash reinvestment ratio(%)	1.64	0.15	-1.78	1.19	1.43
Leverage	Operating Leverage	1.51	1.55	2.25	3.44	-26.65
	Financial Leverage	1.13	1.14	1.34	2.23	0.16

Note : Financial information regarding the fourth quarter of 2019 was prepared under IFRS and has been verified by independent auditors.

Analysis if variations exceed 20% :

1. Increase in Inventory turnover rate : due to decrease in Inventory.
2. Decrease in Ratio of operating profit to paid-in capital : due to decrease in Operating profit.
3. Decrease in Ratio of net profit before tax to paid-in capital : due to decrease in Net profit before tax.

4. Increase in Cash reinvestment ratio : due to decrease in Cash dividend and Cash flow in operating activities.
5. Increase in Operating Leverage : due to decrease in Operating profit.
6. Increase in Financial Leverage : due to decrease in Operating profit.

Formula to calculate the financial analyses:

1. Financial structure

- (1) Liabilities to assets ratio = $\text{Total liabilities} / \text{Aggregate total of assets}$.
- (2) Long-term working capital to real estate, plants and equipment ratio = $(\text{Aggregate total of equity} + \text{Non-current liabilities}) / \text{Real estate, plants and equipment, net.}$

2. Solvency

- (1) Current ratio = $\text{Current assets} / \text{Current liabilities}$.
- (2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Expenses paid in advance}) / \text{Current liabilities}$.
- (3) Interest coverage multiplicity = $\text{Net profit before income tax, interest and expenses} / \text{Interest expenditures this term}$.

3. Manageability

- (1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = $\text{Net sales} / \text{Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms}$.
- (2) Average cash collection days = $365 / \text{Accounts receivable turnover rate}$.
- (3) Inventory turnover rate = $\text{Sales costs} / \text{Average amount of inventory}$.
- (4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = $\text{Sales costs} / \text{Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms}$.
- (5) Average days required for sales = $365 / \text{Inventory turnover rate}$.
- (6) Real estate, plants and equipment turnover rate = $\text{Net sales} / \text{Average real estate, plants and equipment, net.}$
- (7) Aggregate total asset turnover rate = $\text{Net sales} / \text{Average aggregate total of assets}$.

4. Profitability

- (1) Asset return ratio = $[\text{Profit and/or loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average aggregate total of assets}$.
- (2) Equity return ratio = $\text{Profit and/or loss after tax} / \text{Average aggregate total of equity}$.
- (3) Net profitability = $\text{Profit and/or loss after tax} / \text{Net sales}$.
- (4) Earnings per share (EPS) = $(\text{Profit and/or loss belonging to parent company proprietor} - \text{Preferred shares dividend}) / \text{Weighted average number of outstanding shares}$.

5. Cash flow

- (1) Cash flow ratio = $\text{Cash flow in operating activities} / \text{Current liabilities}$.
- (2) Net cash flow adequacy ratio = $\text{Cash flow in operating activities over the past five years} / (\text{Capital expenditure} + \text{Amount of inventory increase} + \text{Cash dividend}) \text{ over the past five years}$.
- (3) Cash reinvestment ratio = $(\text{Cash flow in operating activities} - \text{Cash dividend}) / (\text{Gross property, plant, and equipment} + \text{Long-term investment} + \text{Other assets} + \text{operating fund})$.

6. Leverage:

- (1) Operating Leverage = $(\text{Operating revenues, net} - \text{Variable operating costs and expenses}) / \text{Operating interests}$.
- (2) Financial Leverage = $\text{Operating interests} / (\text{Operating interests} - \text{Interest expenses})$.

Audit Committee's Report

To the 2020 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

A handwritten signature in black ink, consisting of three Chinese characters: 許恩得 (Hsu, En-De). The signature is written in a cursive, flowing style.

Hsu, En-De
Chairman of the Audit Committee

Dated: March 24, 2020

6.4 Consolidated Financial Statements of the latest year duly audited by the Certified Public Accountants

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

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

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

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19004620

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the “other matter” section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(32). For the year ended December 31, 2019, the sales revenue amounted to NT\$109,507,773 thousand.

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

How our audit addressed the matter

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

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

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

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2019, the unfinished construction and equipment under acceptance amounted to NT\$5,563,842 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

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

liabilities as of December 31, 2019 and 2018, respectively, and total operating revenues of NT\$5,585,826 thousand and NT\$5,257,000 thousand, both representing 5% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2019 and 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

Hung, Shu-Hua

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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

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

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

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 25,501,222	16	\$ 27,809,496	16
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	3,243	
1120	Financial assets at fair value through other comprehensive income - current	6(3)	25,935	-	22,885	-
1150	Notes receivable, net	6(4)	3,761,453	2	2,673,543	1
1170	Accounts receivable, net	6(4)	8,938,927	5	9,861,931	6
1180	Accounts receivable - related parties	7	54,053	-	47,976	-
130X	Inventories	6(5)	17,949,870	11	19,362,229	11
1410	Prepayments		1,214,726	1	1,474,843	1
1470	Other current assets	8	1,483,789	1	1,767,304	1
11XX	Current Assets		58,929,975	36	63,023,450	36
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	58,187	-	58,187	-
1550	Investments accounted for under equity method	6(6)	157,489	-	152,614	-
1600	Property, plant and equipment, net	6(7)	95,889,585	59	103,254,578	59
1755	Right-of-use assets	6(8)	5,518,534	3	-	-
1760	Investment property, net	6(9)	550,156	-	584,244	-
1840	Deferred income tax assets	6(26)	1,986,139	1	1,526,629	1
1900	Other non-current assets	6(10)	950,164	1	6,163,066	4
15XX	Non-current assets		105,110,254	64	111,739,318	64
1XXX	Total assets		\$ 164,040,229	100	\$ 174,762,768	100

(Continued)

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

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

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

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

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

(Continued)

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

				Years ended December 31			
				2019		2018	
Items		Notes		AMOUNT	%	AMOUNT	%
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(16)		\$ 4,820	-	\$ 29,288	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	6(3)(20)		3,050	-	(4,633)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)		722	-	891	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)		(964)	-	20,036	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss			7,628	-	45,582	-
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(20)		(2,190,282)	(2)	(1,246,718)	(1)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(26)		426,749	1	387,749	-
8360	Components of other comprehensive income that will be reclassified to profit or loss			(1,763,533)	(1)	(858,969)	(1)
8300	Other comprehensive loss for the year			(\$ 1,755,905)	(1)	(\$ 813,387)	(1)
8500	Total comprehensive income for the year			\$ 1,759,792	2	\$ 2,761,251	3
Profit attributable to:							
8610	Owners of the parent			\$ 3,466,827	3	\$ 3,520,320	4
8620	Non-controlling interest			48,870	-	54,318	-
				\$ 3,515,697	3	\$ 3,574,638	4
Comprehensive income attributable to:							
8710	Owners of the parent			\$ 1,767,458	2	\$ 2,823,038	3
8720	Non-controlling interest			(7,666)	-	(61,787)	-
				\$ 1,759,792	2	\$ 2,761,251	3
Earnings per share (in dollars)							
9750	Basic earnings per share	6(27)		\$ 1.07		\$ 1.09	
9850	Diluted earnings per share	6(27)		\$ 1.07		\$ 1.08	

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

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

	Equity attributable to owners of the parent										Non-controlling interest	Total equity	
	Capital surplus					Retained earnings							
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			Total
Year ended December 31, 2018													
Balance at January 1, 2018		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,280,767	\$ 3,307,822	\$ 36,580,033	\$ 4,471,654	\$ -	\$ 41,593	\$ 82,205,292	\$ 686,011	\$ 82,891,303
Effect of retrospective application and retrospective restatement		-	-	-	-	-	22,740	-	18,853	(41,593)	-	-	-
Balance after restatement on January 1, 2018		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292	686,011	82,891,303
Profit for the year		-	-	-	-	-	3,520,320	-	-	-	3,520,320	54,318	3,574,638
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)	(116,105)	(813,387)
Total comprehensive income (loss)		-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038	(61,787)	2,761,251
Appropriation and distribution of 2017 earnings:													
Legal reserve		-	-	-	554,179	-	(554,179)	-	-	-	-	-	-
Special reserve		-	-	-	-	1,122,239	(1,122,239)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)	-	(5,834,548)
Balance at December 31, 2018		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	\$ 5,214,518	\$ 14,220	\$ -	\$ 79,193,782	\$ 624,224	\$ 79,818,006
Year ended December 31, 2019													
Balance at January 1, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	\$ 5,214,518	\$ 14,220	\$ -	\$ 79,193,782	\$ 624,224	\$ 79,818,006
Profit for the year		-	-	-	-	-	3,466,827	-	-	-	3,466,827	48,870	3,515,697
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	4,578	(1,706,997)	3,050	-	(1,699,369)	(56,536)	(1,755,905)
Total comprehensive income (loss)		-	-	-	-	-	3,471,405	(1,706,997)	3,050	-	1,767,458	(7,666)	1,759,792
Appropriation and distribution of 2018 earnings:													
Legal reserve		-	-	-	352,032	-	(352,032)	-	-	-	-	-	-
Special reserve		-	-	-	-	770,237	(770,237)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(3,565,557)	-	-	-	(3,565,557)	-	(3,565,557)
Cash dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(41,554)	(41,554)
Balance at December 31, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	\$ 6,921,515	\$ 17,270	\$ -	\$ 77,395,683	\$ 575,004	\$ 77,970,687

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

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

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

(Continued)

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

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 24, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

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

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

IFRS 16, ‘Leases’

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9 and IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less

present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT.MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	100	Note 4
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI)	Holding company	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	

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

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

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

Note 4: In May 2018, the Group established a subsidiary, Maxxis Europe B.V, in the Netherlands, remitted out investment in the amount of EUR 500 thousand in October 2018, and acquired 100% equity interest. The subsidiary was included in the consolidated entity in 2018.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will

flow to the Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Leasing arrangements (lessor) — lease receivables/ operating leases

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made

payments on behalf of the associate.

- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

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

- (c) Test equipment : 5 ~ 15 years
- (d) Transportation equipment : 5 ~ 10 years
- (e) Office equipment : 3 ~ 10 years
- (f) Other assets : 3 ~ 20 years

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

Effective 2019

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

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

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

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

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

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

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

(17) Leased assets/ operating leases (lessee)

Prior to 2019

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

(18) Investment property

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

(19) Intangible assets

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

life of 2 to 5 years.

(20) Impairment of non-financial assets

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

(21) Borrowings

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

(22) Notes and accounts payable

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

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

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

(24) Bonds payable

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

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

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

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

(27) Non-hedging derivatives

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

(28) Provisions

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

(29) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees', directors' and supervisors' remuneration

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

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by

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

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

(31) Dividends

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

(32) Revenue recognition

A. Sales of goods

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

B. Property development and resale

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

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

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

(33) Government grants

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

(34) Operating segments

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has reclassified pledged time deposits to 'other current assets'. Please refer to Note 8 for details.

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

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

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

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

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

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

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

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

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	17,270	14,220
Total	\$ 25,935	\$ 22,885
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 58,187	\$ 58,187

A. The Group has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$84,122 thousand and \$81,072 thousand as at December 31, 2019 and 2018, respectively.

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

	Year ended December 31, 2019	Year ended December 31, 2018
<u>Equity instruments at fair value</u> <u>through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 3,050	\$ 4,633

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

(4) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

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

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

(5) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,977,629	\$ -	\$ 5,977,629
Work in progress	2,508,792	-	2,508,792
Finished goods	6,525,220	(85,899)	6,439,321
Buildings and land held for sale	2,336,891	-	2,336,891
Inventory in transit	687,237	-	687,237
	<u>\$ 18,035,769</u>	<u>(\$ 85,899)</u>	<u>\$ 17,949,870</u>
December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,912,129	\$ -	\$ 5,912,129
Work in progress	2,742,468	-	2,742,468
Finished goods	6,674,590	(30,936)	6,643,654
Land in progress	803,983	-	803,983
Construction in progress	1,924,454	-	1,924,454
Inventory in transit	1,335,541	-	1,335,541
	<u>\$ 19,393,165</u>	<u>(\$ 30,936)</u>	<u>\$ 19,362,229</u>

The cost of inventories recognized as expense for the period:

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

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

(6) Investments accounted for using equity method

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

As at December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial joint ventures amounted to \$157,489 thousand and \$152,614 thousand, respectively.

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

(7) Property, plant and equipment, net

Year ended December 31, 2019						
	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 27,431	\$ 4,610,898
Buildings and structures	49,684,022	479,057	44,727	796,905	1,104,995	49,810,262
Machinery	100,304,545	1,089,711	496,950	4,073,374	2,328,706	102,641,974
Testing equipment	3,729,686	58,799	16,085	180,298	83,346	3,869,352
Transportation equipment	1,369,500	81,522	28,067	48,438	43,366	1,428,027
Office equipment	954,368	97,107	7,983	36,538	25,118	1,054,912
Other facilities	31,361,160	2,247,633	324,633	1,171,035	456,739	33,998,456
Unfinished construction and equipment under acceptance	8,005,642	3,951,492	-	6,350,367	42,925	5,563,842
	<u>\$ 199,992,390</u>	<u>\$ 8,005,321</u>	<u>\$ 918,445</u>	<u>\$ 43,779</u>	<u>\$ 4,057,764</u>	<u>\$ 202,977,723</u>
Accumulated depreciation						
Buildings and structures	(\$ 17,052,347)	(\$ 2,119,130)	\$ 29,794	\$ -	\$ 497,284	(\$ 18,644,399)
Machinery	(53,074,452)	(6,312,299)	324,739	(97,106)	1,022,748	(58,136,370)
Testing equipment	(2,670,049)	(306,040)	10,915	1,427	75,639	(2,888,108)
Transportation equipment	(998,805)	(113,250)	22,769	-	27,822	(1,061,464)
Office equipment	(596,140)	(138,672)	7,013	316	16,883	(710,600)
Other facilities	(22,331,442)	(3,692,634)	289,021	95,363	275,251	(25,364,441)
	<u>(\$ 96,723,235)</u>	<u>(\$ 12,682,025)</u>	<u>\$ 684,251</u>	<u>\$ -</u>	<u>\$ 1,915,627</u>	<u>(\$ 106,805,382)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	(\$ 253,353)	\$ -	\$ -	\$ 9,470	(\$ 256,534)
Testing equipment	-	282	-	-	11	(271)
Transportation equipment	-	2,036	-	-	76	(1,960)
Office equipment	-	60	-	-	2	(58)
Other facilities	(1,926)	22,861	-	-	584	(23,933)
	<u>(\$ 14,577)</u>	<u>(\$ 278,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,143</u>	<u>(\$ 282,756)</u>
	<u>\$ 103,254,578</u>					<u>\$ 95,889,585</u>

Year ended December 31, 2018

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

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

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

- B. The Group transformed TIANJIN TAFENG RUBBER IND CO., LTD. as logistics warehousing center since it was under the environmental protection restriction of China Government for the year ended December 31, 2019. The Group wrote down the carrying amount of certain equipment that are not qualified for operations based on the recoverable amount and recognised an impairment loss of \$278,592 thousand accordingly. The recoverable amount is computed based on the equipment's fair value less costs of disposal, estimated by the price of replacement cost and dismantling realisable value: (1) The replacement cost value is the evaluation value determined with reference to the market replacement value and the integrated depreciation rate of equipment; (2) The dismantling realisable value is the evaluation value based on the corresponding net weight of the equipment and market recovery unit price of waste and used items. The fair value is classified as a level 2 fair value.
- C. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

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

(8) Leasing arrangements — lessee

Effective 2019

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

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

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

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

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

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

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

G. Variable lease payments

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

(9) Investment property, net

Year ended December 31, 2019					
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	471,597	-	-	(16,574)	455,023
	<u>\$ 807,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 16,574)</u>	<u>\$ 791,362</u>
Accumulated depreciation					
Buildings and structures	(\$ 172,654)	(\$ 23,995)	\$ -	\$ 6,481	(\$ 190,168)
Accumulated impairment					
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 584,244</u>				<u>\$ 550,156</u>

Year ended December 31, 2018					
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	478,710	1,216	898	(9,227)	471,597
	<u>\$ 815,049</u>	<u>\$ 1,216</u>	<u>\$ 898</u>	<u>(\$ 9,227)</u>	<u>\$ 807,936</u>
Accumulated depreciation					
Buildings and structures	(\$ 151,355)	(\$ 24,395)	\$ -	\$ 3,096	(\$ 172,654)
Accumulated impairment					
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 612,656</u>				<u>\$ 584,244</u>

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

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

- B. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 was \$1,066,478 thousand and \$922,735 thousand, respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.
- C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr./Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Other non-current assets

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

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

Year ended December 31, 2019						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost						
Computer software	\$ 420,716	\$ 68,548	(\$ 11,400)	\$ 47,230	(\$ 10,630)	\$ 514,210
Others	-	-	-	8,063	(301)	7,762
	<u>\$ 420,716</u>	<u>\$ 68,548</u>	<u>(\$ 11,400)</u>	<u>\$ 55,293</u>	<u>(\$ 10,931)</u>	<u>\$ 522,226</u>
Accumulated amortisation						
Computer software	(183,666)	(101,923)	\$ 11,400	(2,368)	3,450	(273,107)
Others	-	(806)	-	(1,613)	90	(2,329)
	<u>(\$ 183,666)</u>	<u>(\$ 102,729)</u>	<u>\$ 11,400</u>	<u>(\$ 3,981)</u>	<u>\$ 3,540</u>	<u>(\$ 275,436)</u>
	<u>\$ 237,050</u>					<u>\$ 246,790</u>
Year ended December 31, 2018						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost						
Computer software	\$ 222,540	\$ 180,871	(\$ 120)	\$ 17,349	\$ 76	\$ 420,716
Accumulated amortisation						
Computer software	(\$ 112,307)	(\$ 68,823)	\$ 120	\$ -	(\$ 2,656)	(\$ 183,666)
	<u>\$ 110,233</u>					<u>\$ 237,050</u>

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

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

(11) Short-term borrowings

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

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

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

(12) Other payables

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

(13) Other current liabilities

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

(14) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable		
-issued in 2014	\$ -	\$ 4,800,000
Bonds payable		
-issued in 2016	5,000,000	5,000,000
Bonds payable		
-issued in 2017	7,000,000	7,000,000
Bonds payable		
-issued in 2018	5,000,000	5,000,000
	<u>17,000,000</u>	<u>21,800,000</u>
Less: Current portion	(<u>2,500,000</u>)	(<u>4,800,000</u>)
	<u>\$ 14,500,000</u>	<u>\$ 17,000,000</u>

- A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:
- (a) Interest accrued/paid:
The interest is accrued/paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
- (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

- D. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was \$4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds was 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

The corporate bonds will be redeemed in full amount at the maturity date.

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(15) Long-term borrowings

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

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

- A. Above mentioned borrowings are capital financings through financial institutions and other related parties.
- B. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2019 and 2018.
- C. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group's long-term borrowings (including current portion) denominated in foreign currencies are as follows:

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

(16) Pensions

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

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

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 1,389,880	(\$ 680,510)	\$ 709,370
Current service cost	18,362	-	18,362
Interest expense (income)	13,899	(6,805)	7,094
	<u>1,422,141</u>	<u>(687,315)</u>	<u>734,826</u>
Remeasurements:			
Change in financial assumption	39,375	-	39,375
Experience adjustments	(18,760)	-	(18,760)
Return on plan asset (excluding amounts included in interest income or expense)	-	(25,435)	(25,435)
	<u>20,615</u>	<u>(25,435)</u>	<u>(4,820)</u>
Pension fund contribution	-	(23,824)	(23,824)
Paid pension	(91,166)	83,066	(8,100)
Balance at December 31	<u>\$ 1,351,590</u>	<u>(\$ 653,508)</u>	<u>\$ 698,082</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 1,475,833	(\$ 721,893)	\$ 753,940
Current service cost	21,861	-	21,861
Interest expense (income)	16,234	(7,941)	8,293
	<u>1,513,928</u>	<u>(729,834)</u>	<u>784,094</u>
Remeasurements:			
Change in financial assumption	14,225	-	14,225
Experience adjustments	(21,478)	-	(21,478)
Return on plan asset (excluding amounts included in interest income or expense)	-	(22,035)	(22,035)
	<u>(7,253)</u>	<u>(22,035)</u>	<u>(29,288)</u>
Pension fund contribution	-	(29,727)	(29,727)
Paid pension	(116,795)	101,086	(15,709)
Balance at December 31	<u>\$ 1,389,880</u>	<u>(\$ 680,510)</u>	<u>\$ 709,370</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	<u>0.70%</u>	<u>1.00%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 32,934)</u>	<u>\$ 34,189</u>	<u>\$ 30,116</u>	<u>(\$ 29,219)</u>
December 31, 2018				
Effect on present value of defined benefit obligation	<u>(\$ 35,158)</u>	<u>\$ 36,534</u>	<u>\$ 32,433</u>	<u>(\$ 31,436)</u>

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$23,913 thousand.

- (g) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

Within 1 year	\$	130,803
2-5 years		276,973
Over 6 years		<u>359,382</u>
	\$	<u>767,158</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading Co., Ltd. for the years ended December 31, 2019 and 2018 were \$156,789 thousand and \$145,746 thousand, respectively.
- C. (a) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2019, and 2018 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018, were \$336,288 thousand and \$378,079 thousand, respectively.
- (b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc., Maxxis Tech Center Europe B.V. and Maxxis Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under the defined contribution pension plans of the Group for years ended December 31, 2019 and 2018, were \$17,960 thousand and \$13,908 thousand, respectively.
- (c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has provision for employees’ pensions based on the actuarial reports. As of December 31, 2019 and 2018, the net liabilities recognised in the balance sheets were \$48,126 thousand and \$37,461 thousand, respectively. The subsidiaries established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) and has been approved by Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdrew the fund. The pension costs under defined contribution pension plans for the years ended December 31, 2019 and 2018, were \$20,781 thousand and \$17,763 thousand, respectively.
- (d) According to Indonesian local government’s regulations “2015 PP Nomor 60” and “2015 PP Nomor 45”, the Group’s subsidiaries, PT MAXXIS International Indonesia and PT. MAXXIS TRADING INDONESIA, contribute monthly an amount equal to 3.7% and 2% of the employees’ monthly salaries and wages to the retirement insurance; contribute monthly an amount equal to 2% and 1% to pension, respectively. For the years ended December 31, 2019 and 2018, the pension expense accrued in accordance to the aforementioned regulation

amounted to \$7,264 thousand and \$5,364 thousand, respectively.

(e) According to Indonesian local government's regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952", the Group's subsidiary, Maxxis Rubber India Private Ltd., established an employees' provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the years ended December 31, 2019 and 2018, the pension cost accrued in accordance to the aforementioned regulation amounted to \$8,936 thousand and \$5,155 thousand, respectively.

(f) According to the Indonesian local government's regulation "Act for Compensation, 1972", the Group's subsidiary, Maxxis Rubber India Private Ltd., should contribute 15 days employees' salaries and wages for the employees who have served the company for over five years and paid their pension when they leave the organisation. For the years ended December 31, 2019 and 2018, the pension cost accrued in accordance to the aforementioned regulation amounted to \$1,048 thousand and \$1,003 thousand, respectively.

(17) Share capital

As at December 31, 2019, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing

earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

E. The Company recognised dividends distributed to shareholders amounting to \$3,565,557 thousand and 5,834,548 thousand (\$1.1 (in dollars) and \$1.8 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 24, 2020, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2019 was \$3,241,416 thousand at \$1.0 (in dollars) per share.

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

(20) Other equity items

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

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

(21) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2019				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 6,456,620	\$ 57,452,960	\$ 8,468,030	\$ 37,130,163	\$ 109,507,773
Inter-segment revenue	4,190,726	6,478,507	5,704,178	2,358,715	18,732,126
Total segment revenue	\$ 10,647,346	\$ 63,931,467	\$ 14,172,208	\$ 39,488,878	\$ 128,239,899

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

B. Contract liabilities

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

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

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

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

(22) Other income

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

(23) Other gains and losses

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

(24) Finance costs

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

(25) Expenses by nature

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

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

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

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$93,053 thousand and \$101,254 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$61,089 thousand and \$74,978 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.313% of distributable profit of current year for the year ended December 30, 2019.

For 2018, the employees' compensation of 2018, as resolved at the meeting of Board of Directors amounting to \$101,254 thousand, was in agreement with those amounts recognized in the 2018 financial statements. The Board of Directors during its meeting resolved to distribute 1.313% of retained earnings as directors' and supervisors' remuneration for 2018 while the amounts recognized in the financial statements based on 1.481% of retained earnings was \$74,978 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for 2018 was \$8,505 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2019. The employees' compensation for 2018 will be distributed in the form of cash. As of March 24, 2020, the employees' compensation for 2018 has not yet been distributed.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	\$ 169,527	(\$ 23,194)	\$ -	\$ 146,333
Remeasurement of defined benefit obligations	166,766	-	(964)	165,802
Exchange differences on translation of foreign financial statements	782,312	-	426,749	1,209,061
Deferred government grant revenue	287,131	(15,847)	-	271,284
Unrealised exchange loss	19,289	44,925	-	64,214
Others	101,604	27,841	-	129,445
Subtotal	<u>\$ 1,526,629</u>	<u>\$ 33,725</u>	<u>\$ 425,785</u>	<u>\$ 1,986,139</u>
-Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 767,625)	\$ 29,466	\$ -	(\$ 738,159)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealised evaluation gain on financial assets or liabilities	(649)	649	-	-
Others	(58,761)	(2,181)	-	(60,942)
Subtotal	<u>(1,341,768)</u>	<u>27,934</u>	<u>\$ -</u>	<u>(1,313,834)</u>
Total	<u>\$ 184,861</u>	<u>\$ 61,659</u>	<u>\$ 425,785</u>	<u>\$ 672,305</u>

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

- D. (i) The China subsidiary that was consolidated in the financial statements was a productive foreign enterprise and established in People's Republic of China and is eligible for local tax incentives. In line with local tax law, the tax rate and applicable tax rate was 15% and 25%, respectively.
- (ii) For the year ended December 31, 2019, the Company's subsidiary, Cheng Shin (Thailand) eligible to avail of the local tax incentives. For the year ended December 31, 2018, the Company's subsidiary, Cheng Shin (Thailand) and Cheng Shin (Vietnam) are both eligible to avail of the local tax incentives.
- E. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for "Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009". The Company is entitled to income tax exemption for 5

consecutive years starting from 2014 to 2018.

- F. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2019 and 2018 were \$42,638,273 thousand and \$41,486,669 thousand, respectively.
- G. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

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

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

(28) Supplemental cash flow information

Investing activities with partial cash payments :

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

(29) Changes in liabilities from financing activities

2019							
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 15,569,136	\$ 35,526,041	\$ 21,800,000	\$ 657	\$ 339,938	\$ 255,209	\$ 73,490,981
Changes in cash flow from financing activities	1,460,320	(4,326,658)	(4,800,000)	(3,607,111)	(127,574)	(6,828)	(11,407,851)
Additions	-	-	-	3,607,111	490,578	-	4,097,689
Interest expense	-	-	-	-	13,869	-	13,869
Impact of changes in foreign exchange rate	(186,090)	(496,522)	-	-	(7,884)	-	(690,496)
At December 31	<u>\$ 16,843,366</u>	<u>\$ 30,702,861</u>	<u>\$ 17,000,000</u>	<u>\$ 657</u>	<u>\$ 708,927</u>	<u>\$ 248,381</u>	<u>\$ 65,504,192</u>
2018							
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Guarantee deposits received	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 18,508,493	\$ 35,661,478	\$ 18,700,000	\$ 657	\$ 251,611	\$ 43,044	\$ 73,165,283
Changes in cash flow from financing activities	(3,120,700)	(479,381)	3,100,000	(5,834,548)	3,598	(2,083)	(6,333,114)
Additions	-	-	-	5,834,548	-	-	5,834,548
Impact of changes in foreign exchange rate	181,343	343,944	-	-	-	(634)	524,653
At December 31	<u>\$ 15,569,136</u>	<u>\$ 35,526,041</u>	<u>\$ 21,800,000</u>	<u>\$ 657</u>	<u>\$ 255,209</u>	<u>\$ 40,327</u>	<u>\$ 73,191,370</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Toyo Tire & Rubber Co., Ltd.	Associate which invests in subsidiary by using equity method
Cheng Shin Holland B.V.	Investee accounted for using equity method (Note)
New Pacific IND. CD., LTD.	Investee accounted for using equity method
MERIDA INDUSTRY CO., LTD.	The Company's director is the company's chairman
Maxxis (XiaMen) Trading CO., LTD.	The Company's director is the company's representatives

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

(2) Significant related party transactions

A. Operating revenue

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

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

B. Receivables from related parties

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

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

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

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

(3) Key management compensation

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

8. PLEGDED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	<u>\$ 2,990,369</u>	<u>\$ 4,777,836</u>

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

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

12. OTHERS

(1) Capital management

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

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

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss - current		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	25,935	22,885
Financial assets at fair value through other comprehensive income - non-current		
Designation of equity instrument	58,187	58,187
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	25,501,222	27,809,496
Notes receivable, net	3,761,453	2,673,543
Accounts receivable (including related parties)	8,992,980	9,909,907
Guarantee deposits paid	53,066	86,168
Other financial assets	374,790	512,470
	<u>\$ 38,767,633</u>	<u>\$ 41,075,899</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 16,843,366	\$ 15,569,136
Notes payable	1,122,276	623,415
Accounts payable	7,793,330	8,953,202
Other accounts payable	5,587,574	6,200,869
Corporate bonds payable (including current portion)	17,000,000	21,800,000
Long-term borrowings (including current portion)	30,702,861	35,526,041
Guarantee deposits received	248,381	255,209
	<u>\$ 79,297,788</u>	<u>\$ 88,927,872</u>
Lease liabilities (including current portion)	<u>\$ 708,927</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmer focuses on the unpredictability of financial markets

and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2019

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

**(Foreign currency:
functional currency)**

Financial assets

Monetary items

USD : TWD

RMB : TWD

EUR : TWD

JPY : TWD

GBP : TWD

USD : RMB

EUR : RMB

JPY : RMB

GBP : RMB

RUB : RMB

USD : THB

EUR : THB

USD : VND

USD : CAD

USD : IDR

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

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD	\$	16,513	29,980	\$	495,060	1%	\$	4,951	-
USD : RMB		89,815	6,964		2,692,655	1%		26,927	-
EUR : RMB		7,416	7,803		249,118	1%		2,491	-
USD : THB		38,456	29,689		1,153,137	1%		11,531	-
USD : VND		36,809	25,623.932		1,103,534	1%		11,035	-
USD : CAD		6,988	1,305		209,453	1%		2,095	-
USD : IDR		311,695	13,752.294		9,344,616	1%		93,446	-
USD : INR		233,647	71.043		7,004,771	1%		70,048	-

December 31, 2018

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
<u>Monetary items</u>						
USD : TWD	\$ 142,027	30.715	\$ 4,362,359	1%	\$ 43,624	\$ -
RMB : TWD	945,920	4.472	4,230,154	1%	42,302	-
EUR : TWD	42,003	35.200	1,478,506	1%	14,785	-
JPY : TWD	2,003,286	0.278	556,914	1%	5,569	-
GBP : TWD	8,063	38.880	313,489	1%	3,135	-
USD : RMB	71,565	6.868	2,198,026	1%	21,980	-
EUR : RMB	13,003	7.871	457,694	1%	4,577	-
GBP : RMB	5,331	8.694	207,267	1%	2,073	-
RUB : RMB	342,710	0.099	151,727	1%	1,517	-
USD : THB	82,571	32.223	2,535,633	1%	25,356	-
EUR : THB	13,824	36.928	486,500	1%	4,865	-
USD : VND	20,824	25,595.833	639,609	1%	6,396	-
USD : CAD	22,292	1.362	684,899	1%	6,849	-
USD : IDR	24,514	14,420.188	752,948	1%	7,529	-

December 31, 2018

Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	22,548	30.715	\$	1% 6,926	\$ -
	109,549	6.868		1% 33,647	-
	21,500	7.871		1% 7,568	-
	84,747	32.223		1% 26,025	-
	40,782	25,595.833		1% 12,526	-
	14,538	1.362		1% 4,467	-
	284,331	14,420.188		1% 87,332	-
	229,800	69.934		1% 70,583	-

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

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

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$103,735 thousand and (\$587,736) thousand, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss for the years ended December 31, 2019 and 2018 would have increased/decreased by \$841 thousand and \$811 thousand, respectively.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in the TWD, USD, THB, RMB, EUR and INR.
- ii. The Group's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. As at December 31, 2019 and 2018, if interest rates on USD, THB, RMB, EUR and INR denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been \$35,134 thousand and \$39,326 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As at December 31, 2019 and 2018, the Group have no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable; accounts receivable that are significantly past due are assessed individually for their expected credit losses. As at December 31, 2018, the provision matrix is as follows:

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

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

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

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

(c) Liquidity risk

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

covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

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

December 31, 2019

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

December 31, 2018

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 8,949,987	\$ 5,236,152	\$ 1,648,780	\$ -	\$ 15,834,919
Notes and accounts payable	9,576,572	-	-	45	9,576,617
Other payables	5,915,700	-	170,276	114,893	6,200,869
Guarantee deposits received	1,337	-	-	253,872	255,209
Long-term borrowings	2,278,532	627,249	4,571,051	30,073,164	37,549,996
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

(3) Fair value information

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

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

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

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

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

C. Financial instruments not measured at fair value

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

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

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

- (b) The methods and assumptions of fair value estimate are as follows:
 Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date, the interest rate of par value was equivalent to market interest rate.
- D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:
- (a) The related information of natures of assets and liabilities is as follows:

December 31, 2019				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ 25,935	\$ -	\$ 58,187	\$ 84,122

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

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

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

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(23) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: please refer to table 8.
- B. Ceiling on investments in Mainland China: please refer to table 8.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2019: please refer to tables 4, 5 and 6.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31, 2019

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

Year ended December 31, 2018

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

The adoption of IFRS 16, 'Leases', had the following impact on the reportable segment information in 2019.

	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Depreciation expense increased	<u>\$ 50,951</u>	<u>\$ 24,879</u>	<u>\$ 22,695</u>	<u>\$ 18,050</u>	<u>\$ 48,285</u>	<u>\$ 164,860</u>

(4) Reconciliation for segment income (loss)

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

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

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

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

(5) Information on products and services

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

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

(6) Geographical information

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

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

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

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2019 and 2018.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
											Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	\$ 2,287,000	\$ 1,291,500	\$ 1,226,925	4.75%	Note 4	\$ -	Operating capital	\$ -	None	\$ -	4,578,854	\$ 7,631,423	Note 6
	Borrower (ZHANGZHOU) IND CO., LTD.														
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	3,667,200	3,444,000	2,819,775	4.75%	Note 4	-	Operating capital	-	None	-	4,578,854	7,631,423	Note 6
	Borrower CHENG SHIN RUBBER (XIAMEN) IND., LTD.														
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	916,800	861,000	331,485	6.09%-6.65%	Note 4	-	Operating capital	-	None	-	4,578,854	7,631,423	Note 6
	Borrower CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.														
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	4,806,900	3,659,250	2,174,025	4.75%	Note 4	-	Operating capital	-	None	-	7,514,491	12,524,152	Note 6
	Borrower CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.														
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	1,146,000	-	-	4.75%	Note 4	-	Operating capital	-	None	-	7,514,491	12,524,152	Note 6
	Borrower CHENG SHIN RUBBER (XIAMEN) IND., LTD.														
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	457,400	-	-	4.75%	Note 4	-	Operating capital	-	None	-	7,514,491	12,524,152	Note 6
	Borrower XIAMEN ESATE CO., LTD.														
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	807,040	419,720	374,750	2.90%-4.75%	Note 4	-	Operating capital	-	None	-	13,539,923	22,566,539	Note 6
	Borrower CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.														
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	Other receivables	9,168	9,610	8,610	4.35%	Note 4	-	Operating capital	-	None	-	162,942	271,570	Note 6
	Borrower CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.														

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

(1) The Company is '0'.

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

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

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 38,697,842	\$ 4,683,000	\$ 3,368,700	\$ 2,139,021	\$ -	4.35	\$ 54,176,978	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	38,697,842	474,000	-	-	-	-	54,176,978	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	38,697,842	9,454,832	8,700,569	7,697,005	-	11.24	54,176,978	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	38,697,842	10,238,400	9,713,520	9,029,976	-	12.55	54,176,978	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	18,053,231	2,521,200	1,937,250	730,459	-	8.58	22,566,539	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

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

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

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

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

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

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2019.

\$ 54,176,978

\$ 15,479,137

\$ 38,697,842

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2019

Securities held by		Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
					Number of shares/ units	Ownership		Fair value	
						Book value	(%)		
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	-	Current financial assets at fair value through other comprehensive income	-	\$ 25,935	-	\$ 25,935	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

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'.
Note 2: Other marketable securities do not exceed 5% of the account.

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	
			Purchases (sales)	Amount (\$)	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	notes/accounts receivable (payable) (%)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	4,113,471	(21.10)	Collect within 90 days after shipment of goods	Same	Same	\$ 654,683	25.33	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	1,318,216	(6.76)	Collect within 90 days after shipment of goods	Same	Same	203,503	7.87	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsubsidiary	(sales)	114,047	(0.58)	Collect within 60 days after shipment of goods	Same	Same	23,695	0.92	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsubsidiary	(sales)	182,882	(0.94)	Collect within 60 days after shipment of goods	Same	Same	92,931	3.60	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	3,745,078	(19.21)	Collect within 30 days	Same	Same	355,857	13.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	172,339	(0.98)	Collect within 60-90 days after shipment of goods	Same	Same	41,290	2.02	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	ultimate parent	(sales)	164,245	(0.94)	Collect within 60 days after shipment of goods	Same	Same	18,763	0.92	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	717,903	(4.10)	Collect within 60-90 days after shipment of goods	Same	Same	266,000	12.98	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	239,429	(1.37)	Collect within 60-90 days after shipment of goods	Same	Same	15,683	0.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	101,107	(0.58)	Collect within 60-90 days after shipment of goods	Same	Same	10,457	0.51	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	1,823,000	(45.14)	Collect within 60-90 days after shipment of goods	Same	Same	279,971	22.32	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	558,086	(13.82)	Collect within 60-90 days after shipment of goods	Same	Same	86,073	6.86	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	182,131	(4.51)	Collect within 60-90 days after shipment of goods	Same	Same	39,527	3.15	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	223,577	(5.54)	Collect within 60-90 days after shipment of goods	Same	Same	36,113	2.88	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	1,072,144	(11.27)	Collect within 60-90 days after shipment of goods	Same	Same	308,178	46.27	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	268,677	(1.23)	Collect within 60-90 days after shipment of goods	Same	Same	31,542	0.81	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	190,723	(0.88)	Collect within 60-90 days after shipment of goods	Same	Same	258	0.01	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
			Purchases (sales)	Amount (\$)	Percentage of total purchases (sales) (%)	Unit price	Credit term	Balance		
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(\$ 147,238)	(47.13)	Same	Same	\$ 20,113	47.50	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(327,386)	(5.56)	Same	Same	-	-	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(178,882)	(3.20)	Same	Same	5,590	1.12	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,421,170)	(11.05)	Same	Same	194,738	12.83	Note 4
PT MAXXIS International Indonesia	Cheng Shin Rubber (vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(107,538)	(20.35)	Same	Same	44,481	39.75	Note 4

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2019

Table 5

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

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

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

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

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

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

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

Table 6	Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Expressed in thousands of NTD (Except as otherwise indicated)
					General ledger account	Amount (Note 4)	Transaction terms	
								Percentage of consolidated total operating revenues or total assets (Note 3)
0	0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 4,113,471	Collect within 90 days after shipment of goods	3.76%
0	0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	654,683	Collect within 90 days after shipment of goods	0.40%
0	0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,318,216	Collect within 90 days after shipment of goods	1.20%
0	0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	203,503	Collect within 90 days after shipment of goods	0.12%
0	0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	3,745,078	The term is 30 days after monthly billing.	3.42%
0	0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	355,857	The term is 30 days after monthly billing.	0.22%
1	1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	717,903	Collect within 60~90 days after shipment of goods	0.66%
1	1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	266,000	Collect within 60~90 days after shipment of goods	0.16%
1	1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	239,429	Collect within 60~90 days after shipment of goods	0.22%
1	1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	374,750	Pay interest quarterly	0.23%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,823,000	Collect within 60~90 days after shipment of goods	1.66%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	279,971	Collect within 60~90 days after shipment of goods	0.17%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	558,086	Collect within 60~90 days after shipment of goods	0.51%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	223,577	Collect within 60~90 days after shipment of goods	0.20%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,226,925	Pay interest quarterly	0.75%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,819,775	Pay interest quarterly	1.72%
2	2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	3	Other receivables	331,485	Pay interest quarterly	0.20%
3	3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,174,025	Pay interest quarterly	1.33%
4	4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,072,144	Collect within 60~90 days after shipment of goods	0.98%
4	4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	308,178	Collect within 60~90 days after shipment of goods	0.19%

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

Table 6	Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Expressed in thousands of NTD (Except as otherwise indicated)
					General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)	
	5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	\$ 268,677	Collect within 60~90 days after shipment of goods	0.25%	
	5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Royalty income	214,174	Collect monthly	0.20%	
	6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	3	Sales	327,386	Collect within 60~90 days after shipment of goods	0.30%	
	7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,421,170	Collect within 60~90 days after shipment of goods	1.30%	

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Initial investment amount				Shares held as at December 31, 2019				Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote	
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)				Book value
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 40,069,847	\$ 2,227,008	\$ 2,227,527	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	25,199,773	2,915,870	2,924,207	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,417,885	94,723	138,366	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,709,443	182,579	182,564	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950	1,000,000	100.00	705,193	56,434	56,434	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,001	5,000,000	50.00	157,489	13,306	6,653	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	68,500	6,501	6,501	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	-	(821,888)	(817,231)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	3,124,651	649,994,730	100.00	-	(1,472,251)	(1,472,251)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	319,849	151,345	151,345	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicles parts and accessories	30,235	30,235	9,990	100.00	26,315	(2,140)	(2,140)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	17,700	500,000	100.00	13,602	(3,434)	(3,434)	Subsidiary Note 3
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	31,809,672	2,313,861	2,312,861	Sub-subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

		Initial investment amount				Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	25,018,438	2,916,370	2,916,370	Subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,848,827	94,457	94,457	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	7,595,850	(603,385)	(585,431)	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,249,905	697,909	723,598	Subsidiary Note 3

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019, (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,246,500	2	\$ 910,834	\$ -	\$ 910,834	\$ 1,628,516	100.00	\$ 1,627,566	\$ 22,566,539	\$ 18,142,072	(Note 2、3、 5、6、7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,745,500	2	2,385,506	-	2,385,506	2,672,264	100.00	2,689,063	23,173,371	21,095,922	(Note 2、4、 6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	254,830	2	68,602	-	68,602	70,412	50.00	35,206	329,542	443,026	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	2,998,000	2	-	-	-	658,416	100.00	661,660	5,174,825	1,332,617	(Note 2、4、 6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,525	2	-	-	-	10,549	100.00	10,549	37,618	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	539,640	2	-	-	-	(465,857)	100.00	(465,857)	768,432	757,407	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	3,897,400	2	-	-	-	632,402	100.00	632,404	12,535,747	4,014,294	(Note 2、3、 6、7)

Table 8, page 1

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2019

Table 8
Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019, (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD. CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. XIAMEN ESATE 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 A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks Distribution of rubber and components of tires International container transportation business A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products Construction and trading of employees' housing	\$ 1,349,100 \$ 1,635,900	2 2 2	\$ \$	- -	- -	\$ \$	100.00 95.00 49.00 100.00	\$ 559,857 \$ 10,948 13,682 980,730	\$ 7,631,423 157,756 112,227 133,069 5,813,664	\$ 5,415,660 - - - 567,703 -	(Note 2、6、7) (Note 6、7) (Note 6、7) (Note 2、5、6、7) (Note 6、7)

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

- (1) Directly invest in a company in Mainland China.
 - (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
 - (3) Others
- Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.
- Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.
- Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.
- Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd. respectively.
- Note 6: Paid-in capital was converted at the exchange rate of NTD 29.98: USD 1 and NTD 4.305: RMB 1 prevailing on December 31, 2019.
- Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	\$	3,684,542	\$	20,173,542 \$

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Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

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

6.5 Individual Consolidated Financial Statements Duly Audited By The Certified Public Accountants In Recent Years

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19003197

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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(31). For the year ended December 31, 2019, the sales revenue amounted to NT\$19,497,888 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 recognised. 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, recognised 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.
3. We tailored our audit over sales cut-off through accounts receivable testing based on the confirmation procedures in order to check whether sales revenue and accounts receivable are recorded in the proper period.

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

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(14). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2019, the unfinished construction and equipment under acceptance amounted to NT\$1,673,323 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$3,249,905 thousand and NT\$2,828,988 thousand, representing 3% and 2% of total assets as at December 31, 2019 and 2018, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$723,598 thousand and NT\$690,601 thousand, representing 41% and 24% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Hung, Shu-Hua

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 8,525,572	8	\$ 12,820,135	11
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	3,243	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	25,935	-	22,885	-
1150	Notes receivable, net	6(4)	22,919	-	28,017	-
1170	Accounts receivable, net	6(4)	1,161,388	1	1,251,493	1
1180	Accounts receivable - related parties	7	1,379,208	1	1,611,889	1
130X	Inventories	6(5)	2,564,562	2	3,358,079	3
1410	Prepayments		128,780	-	263,624	-
1470	Other current assets	7 and 8	555,502	1	533,142	1
11XX	Current Assets		14,363,866	13	19,892,507	17
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 equity method	6(6)	79,687,896	71	81,045,015	68
1600	Property, plant and equipment,net	6(7)(28)	16,688,254	15	16,326,183	14
1755	Right-of-use assets	6(8)	107,294	-	-	-
1760	Investment property, net	6(9)	289,951	-	290,562	-
1780	Intangible assets,net	6(10)	40,633	-	70,740	-
1840	Deferred income tax assets	6(26)	1,618,542	1	1,153,491	1
1900	Other non-current assets		1,335	-	1,024	-
15XX	Non-current assets		98,492,092	87	98,945,202	83
1XXX	Total assets		\$ 112,855,958	100	\$ 118,837,709	100

(Continued)

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

Liabilities and Equity			December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)(29)	\$ 2,450,000	2	\$ 500,000	-
2130	Contract liabilities - current	6(21)	99,878	-	127,663	-
2170	Accounts payable		1,047,861	1	1,313,078	1
2180	Accounts payable - related parties	7	45,165	-	31,509	-
2200	Other payables	6(12) and 7	1,750,638	2	1,825,048	2
2230	Current income tax liabilities	6(26)	404,309	-	571,305	1
2280	Lease liabilities - current		34,501	-	-	-
2300	Other current liabilities	6(13)(14)(15)(29)	5,335,864	5	8,675,481	7
21XX	Current Liabilities		11,168,216	10	13,044,084	11
Non-current liabilities						
2530	Corporate bonds payable	6(14)(29)	14,500,000	13	17,000,000	14
2540	Long-term borrowings	6(15)(29)	7,130,000	6	7,500,000	6
2570	Deferred income tax liabilities	6(26)	1,293,851	1	1,341,768	1
2580	Lease liabilities - non-current		69,640	-	-	-
2600	Other non-current liabilities	6(6)(16)	1,298,568	1	758,075	1
25XX	Non-current liabilities		24,292,059	21	26,599,843	22
2XXX	Total liabilities		35,460,275	31	39,643,927	33
Equity						
Share capital						
3110	Shares capital - common stock	6(17)	32,414,155	29	32,414,155	27
Capital surplus						
3200	Capital surplus	6(18)	52,576	-	52,576	-
Retained earnings						
		6(19)				
3310	Legal reserve		15,186,978	13	14,834,946	13
3320	Special reserve		5,200,298	5	4,430,061	4
3350	Unappropriated retained earnings		31,445,921	28	32,662,342	27
Other equity interest						
		6(20)				
3400	Other equity interest		(6,904,245)	(6)	(5,200,298)	(4)
3XXX	Total equity		77,395,683	69	79,193,782	67
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		\$ 112,855,958	100	\$ 118,837,709	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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Years ended December 31					
Items		Notes	2019		2018		
			AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21) and 7	\$ 19,497,888	100	\$ 19,374,623	100	
5000	Operating costs	6(5)	(15,805,867)	(81)	(14,887,361)	(77)	
5900	Net operating margin		3,692,021	19	4,487,262	23	
5910	Unrealized loss (profit) from sales		40,205	-	61,424	-	
5950	Gross profit from operation		3,732,226	19	4,425,838	23	
Operating expenses							
6100	Selling expenses		(1,882,641)	(10)	(1,811,255)	(10)	
6200	General and administrative expenses		(659,712)	(3)	(627,510)	(3)	
6300	Research and development expenses		(1,246,753)	(6)	(1,338,868)	(7)	
6000	Total operating expenses		(3,789,106)	(19)	(3,777,633)	(20)	
6900	Operating (loss) profit		(56,880)	-	648,205	3	
Non-operating income and expenses							
7010	Other income	6(22) and 7	1,482,241	8	1,526,407	8	
7020	Other gains and losses	6(23)	(18,771)	-	361,293	2	
7050	Finance costs	6(24)	(306,641)	(2)	(357,835)	(2)	
7070	Share of profit of associates and joint ventures accounted for using equity method		3,398,541	17	2,708,390	14	
7000	Total non-operating income and expenses		4,555,370	23	4,238,255	22	
7900	Profit before income tax		4,498,490	23	4,886,460	25	
7950	Income tax expense	6(26)	(1,031,663)	(5)	(1,366,140)	(7)	
8200	Profit for the year		\$ 3,466,827	18	\$ 3,520,320	18	
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(16)	\$ 4,820	-	\$ 29,288	1	
8316	Unrealized gain(loss) on valuation of equity instruments at fair value through profit or loss	6(3)	3,050	-	(4,633)	-	
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		722	-	891	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(964)	-	20,036	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		7,628	-	45,582	1	
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations		(2,133,746)	(11)	(1,130,613)	(6)	
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-	
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(26)	426,749	2	387,749	2	
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(1,706,997)	(9)	(742,864)	(4)	
8300	Other comprehensive loss for the year		(\$ 1,699,369)	(9)	(\$ 697,282)	(3)	
8500	Total comprehensive income for the year		\$ 1,767,458	9	\$ 2,823,038	15	
9750	Basic earnings per share	6(27)	\$ 1.07		\$ 1.09		
9850	Diluted earnings per share	6(27)	\$ 1.07		\$ 1.08		

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

	Capital surplus			Retained earnings		Other equity interest				
	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2018										
Balance at January 1, 2018	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,280,767	\$ 3,307,822	\$ 36,580,033	(\$ 4,471,654)	\$ -	\$ 41,593	\$ 82,205,292
Effect of retrospective application and retrospective restatement	-	-	-	-	-	22,740	-	18,853	(41,593)	-
Balance after restatement on January 1	32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292
Profit for the year	-	-	-	-	-	3,520,320	-	-	-	3,520,320
Other comprehensive income (loss) for the year	-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)
Total comprehensive income (loss)	-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038
Appropriation and distribution of 2017 earnings:										
Legal reserve	-	-	-	554,179	-	(554,179)	-	-	-	-
Special reserve	-	-	-	-	1,122,239	(1,122,239)	-	-	-	-
Cash dividends	-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)
Balance at December 31, 2018	32,414,155	9,772	42,804	14,834,946	4,430,061	32,662,342	(\$ 5,214,518)	\$ 14,220	\$ -	\$ 79,193,782
Year ended December 31, 2019										
Balance at January 1, 2019	32,414,155	9,772	42,804	14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ -	\$ 79,193,782
Profit for the year	-	-	-	-	-	3,466,827	-	-	-	3,466,827
Other comprehensive income (loss) for the year	-	-	-	-	-	4,578	(1,706,997)	3,050	-	(1,699,369)
Total comprehensive income (loss)	-	-	-	-	-	3,471,405	(1,706,997)	3,050	-	1,767,458
Appropriation and distribution of 2018 earnings:										
Legal reserve	-	-	-	352,032	-	(352,032)	-	-	-	-
Special reserve	-	-	-	-	770,237	(770,237)	-	-	-	-
Cash dividends	-	-	-	-	-	(3,565,557)	-	-	-	(3,565,557)
Balance at December 31, 2019	32,414,155	9,772	42,804	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ -	\$ 77,395,683

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

		Years ended December 31	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,498,490	\$ 4,886,460
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (loss) gain on inter-company transaction		(66,038)	20,551
Depreciation	6(7)(25)	1,517,236	1,483,656
Depreciation expense on right-of-use assets	6(8)(25)	49,790	-
Depreciation on investment property	6(9)(25)	611	611
Amortization expense	6(10)(25)	45,506	35,551
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(23)	2,383	(4,703)
Loss on disposal of investments accounted for using equity method	6(23)	-	2,654
Gain on disposal of property, plant and equipment	6(23)	(150,244)	(160,336)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(3,398,541)	(2,708,390)
Interest income	6(22)	(134,367)	(177,277)
Interest expense	6(24)	306,641	357,835
Effect of exchange rate changes on cash and cash equivalents		(221,900)	68,959
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		-	41,698
Notes receivable		5,098	(4,514)
Accounts receivable		90,105	(70,365)
Accounts receivable - related parties		232,681	36,327
Inventories		790,750	74,978
Other current assets		111,236	221,275
Changes in operating liabilities			
Contract liabilities - current		(27,785)	42,432
Accounts payable		(265,217)	(93)
Accounts payable - related parties		13,656	(3,410)
Other payables		37,530	(88,268)
Accrued pension liabilities		(8,461)	(18,171)
Other current liabilities		383	(17,524)
Cash inflow generated from operations		3,429,543	4,019,936
Interest received		114,370	139,757
Dividends received		3,290,468	5,118,286
Interest paid		(337,126)	(349,183)
Income tax paid		(1,285,843)	(1,722,502)
Income tax refund received		-	27,754
Net cash flows from operating activities		5,211,412	7,234,048

(Continued)

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

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes on financial assets or liabilities at fair value through profit or loss		\$ 860	\$ 1,025
Acquisition of investments accounted for using equity method		-	(468,390)
Proceeds from disposal of investments accounted for using equity method		-	20,582
Acquisition of property, plant and equipment	6(7)(28)	(1,996,606)	(2,397,391)
Proceeds from disposal of property, plant and equipment		138,313	132,906
Acquisition of intangible assets	6(10)	(15,399)	(11,401)
(Increase) decrease in refundable deposits		(311)	491
Net cash flows used in investing activities		(1,873,143)	(2,722,178)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(29)	3,950,000	1,000,000
Decrease in short-term loans	6(29)	(2,000,000)	(500,000)
Proceeds from issuing bonds	6(14)(29)	-	5,000,000
Repayments of bonds	6(29)	(4,800,000)	(1,900,000)
Proceeds from long-term loans	6(29)	6,050,000	300,000
Repayments of long-term loans	6(29)	(7,460,000)	(1,690,667)
Decrease in guarantee deposits received		(80)	(234)
Repayments of principal portion of lease liabilities		(29,095)	-
Cash dividends paid	6(19)	(3,565,557)	(5,834,548)
Net cash flows used in financing activities		(7,854,732)	(3,625,449)
Effect of exchange rate changes on cash and cash equivalents		221,900	(68,959)
Net (decrease) increase in cash and cash equivalents		(4,294,563)	817,462
Cash and cash equivalents at beginning of year	6(1)	12,820,135	12,002,673
Cash and cash equivalents at end of year	6(1)	\$ 8,525,572	\$ 12,820,135

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, 2019 AND 2018

(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, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

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

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

IFRS 16, ‘Leases’

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

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$135,944 thousand, increased ‘lease liability’ by \$123,217 thousand and decreased prepayments by \$12,727 thousand, respectively, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate range from 0.92%.

(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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020

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, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) Derecognition of financial assets

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

(13) 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.

(14) 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.

(15) 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.

(16) 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

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the 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.

(18) Leased assets/ operating leases (lessee)

Prior to 2019

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

(19) 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.

(20) Intangible assets

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

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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'.

(26) Derecognition of financial liabilities

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

(27) 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.

(28) 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.

(29) 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.

(30) 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.

(31) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% 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.

(32) 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.

(33) 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, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 550	\$ 550
Checking deposit	2,627	2,981
Demand deposits	1,498,401	4,535,243
Foreign currency deposit	4,739,774	3,557,974
Time deposits	2,284,220	4,723,387
	<u>\$ 8,525,572</u>	<u>\$ 12,820,135</u>
Interest rate range		
Time deposits	<u>2.90%~3.15%</u>	<u>2.70%~3.68%</u>

A. 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.

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

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

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

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

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

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

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

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

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

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	\$ 8,665	\$ 8,665
Valuation adjustment	17,270	14,220
Total	<u>\$ 25,935</u>	<u>\$ 22,885</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 \$84,122 thousand and \$81,072 thousand as at December 31, 2019 and 2018, 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, 2019	Year ended December 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 3,050</u>	<u>(\$ 4,633)</u>

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

(4) Notes and accounts receivables

	December 31, 2019	December 31, 2018
Notes receivable	\$ 32,196	\$ 37,294
Less: Loss allowance	<u>(9,277)</u>	<u>(9,277)</u>
	<u>\$ 22,919</u>	<u>\$ 28,017</u>
Accounts receivable	\$ 1,173,106	\$ 1,263,211
Less: Loss allowance	<u>(11,718)</u>	<u>(11,718)</u>
	<u>\$ 1,161,388</u>	<u>\$ 1,251,493</u>

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 952,599	\$ 32,196	\$ 1,000,756	\$ 37,294
Up to 30 days	141,047	-	157,646	-
31 -90 days	53,724	-	58,719	-
91 -180 days	25,222	-	44,101	-
Over 180 days	514	-	1,989	-
	<u>\$ 1,173,106</u>	<u>\$ 32,196</u>	<u>\$ 1,263,211</u>	<u>\$ 37,294</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2018, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$2,873,842 thousand.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$32,196 thousand and \$1,173,106 thousand; \$37,294 thousand and \$1,263,211 thousand, respectively.

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

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 1,005,520	\$ -	\$ 1,005,520
Work in progress	828,354	-	828,354
Finished goods	744,592	(13,904)	730,688
	<u>\$ 2,578,466</u>	<u>(\$ 13,904)</u>	<u>\$ 2,564,562</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,409,058	\$ -	\$ 1,409,058
Work in progress	1,102,869	-	1,102,869
Finished goods	860,056	(13,904)	846,152
	<u>\$ 3,371,983</u>	<u>(\$ 13,904)</u>	<u>\$ 3,358,079</u>

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of goods sold	\$ 15,812,603	\$ 14,946,588
Loss on inventory retirement	7,036	4,668
Loss (gain) on physical inventory	10,791 (	33,845)
Revenue from sale of scraps	(24,563)	(30,050)
	<u>\$ 15,805,867</u>	<u>\$ 14,887,361</u>

(6) Investments accounted for using equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries:		
MAXXIS International Co., Ltd.	\$ 40,069,847	\$ 40,426,423
CST Trading Ltd.	25,199,773	24,870,869
MAXXIS Trading Ltd.	10,417,885	10,106,894
CHENG SHIN RUBBER USA, INC.	2,709,443	2,683,201
MAXXIS Rubber India Private Limited	-	1,092,663
PT MAXXIS International Indonesia	-	619,612
CHENG SHIN RUBBER CANADA, INC.	705,193	649,182
MAXXIS (Taiwan) Trading CO., LTD	319,849	332,897
MAXXIS Tech Center Europe B.V.	68,500	65,172
PT. MAXXIS TRADING INDONESIA	26,315	27,644
Maxxis Europe B.V.	13,602	17,844
Associates:		
NEW PACIFIC INDUSTRY COMPANY LIMITED	157,489	152,614
	<u>\$ 79,687,896</u>	<u>\$ 81,045,015</u>

- A. As at December 31, 2019, credit balance of long-term equity investments is caused and shown as 'other non-current liabilities' because the Company continuously provides financial support.

	<u>December 31, 2019</u>
Subsidiary:	
MAXXIS Rubber India Private Limited	\$ 364,976
PT MAXXIS International Indonesia	186,886
	<u>\$ 551,862</u>

B. Subsidiary

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2019.

C. Associates

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, 2019 and 2018, the carrying amount of the Company's individually immaterial joint ventures amounted to \$157,489 thousand and \$152,614 thousand, respectively.

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

(7) Property, plant and equipment, net

	Year ended December 31, 2019				
	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,186,836	79,387	-	124,684	6,390,907
Machinery	12,261,955	376,909	(94,988)	173,189	12,717,065
Testing equipment	739,482	(25,348)	(668)	7,157	771,319
Transportation equipment	164,352	6,024	-	28,485	198,861
Office equipment	158,901	16,741	-	-	175,642
Other facilities	3,714,830	(443,712)	(2,024)	15,440	4,171,958
Unfinished construction and equipment under acceptance	1,053,091	970,057	-	(349,825)	1,673,323
	<u>\$ 28,204,915</u>	<u>\$ 1,918,178</u>	<u>(\$ 97,680)</u>	<u>(\$ 870)</u>	<u>\$ 30,024,543</u>
Accumulated depreciation					
Buildings and structures	(\$ 2,151,582)	\$ 174,423	\$ -	\$ -	2,326,005)
Machinery	(6,488,194)	(690,620)	57,998	(10,785)	(7,131,601)
Testing equipment	(624,138)	(45,935)	668	6	(669,399)
Transportation equipment	(113,161)	(19,154)	-	-	(132,315)
Office equipment	(81,022)	(29,517)	-	-	(110,539)
Other facilities	(2,420,635)	(557,587)	1,013	10,779	(2,966,430)
	<u>(\$ 11,878,732)</u>	<u>(\$ 1,517,236)</u>	<u>\$ 59,679</u>	<u>\$ -</u>	<u>(\$ 13,336,289)</u>
	<u>\$ 16,326,183</u>				<u>\$ 16,688,254</u>

Year ended December 31, 2018

	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	\$ 3,925,468	\$ -	\$ -	\$ -	\$ 3,925,468
Buildings and structures	6,089,762	55,716	-	41,358	6,186,836
Machinery	11,519,438	339,629	136,635	539,523	12,261,955
Testing equipment	717,637	8,327	302	13,820	739,482
Transportation equipment	141,586	25,266	2,500	-	164,352
Office equipment	141,215	17,511	-	175	158,901
Other facilities	2,917,127	445,773	3,491	355,421	3,714,830
Unfinished construction and equipment under acceptance	829,999	1,175,106	-	952,014	1,053,091
	<u>\$ 26,282,232</u>	<u>\$ 2,067,328</u>	<u>(\$ 142,928)</u>	<u>(\$ 1,717)</u>	<u>\$ 28,204,915</u>
Accumulated depreciation					
Buildings and structures	(\$ 1,981,184)	\$ 170,398	\$ -	\$ -	2,151,582
Machinery	(5,907,542)	(715,657)	135,005	-	(6,488,194)
Testing equipment	(553,009)	(71,431)	302	-	(624,138)
Transportation equipment	(100,561)	(15,100)	2,500	-	(113,161)
Office equipment	(57,606)	(23,416)	-	-	(81,022)
Other facilities	(1,934,726)	(487,654)	1,745	-	(2,420,635)
	<u>(\$ 10,534,628)</u>	<u>(\$ 1,483,656)</u>	<u>\$ 139,552</u>	<u>\$ -</u>	<u>(\$ 11,878,732)</u>
	<u>\$ 15,747,604</u>				<u>\$ 16,326,183</u>

(8) Leasing arrangements — lessee

Effective 2019

- A. The Company leases various assets including land, buildings, business vehicles, 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 defibrillator.
- C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2019	Year ended December 31, 2019
	Book value	Depreciation expense
Land	\$ 58,085	\$ 19,022
Buildings and structures	2,272	3,750
Transportation equipment	25,414	21,048
Office equipment	4,944	1,664
Other equipment	16,579	4,306
	<u>\$ 107,294</u>	<u>\$ 49,790</u>

- D. For the year ended December 31, 2019, the additions to right-of-use assets amounted to \$21,140 thousand.
- E. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	Year ended December 31, 2019
Interest expense on lease liabilities	\$ 1,035
Expense on short-term lease contracts	3,230
Expense on leases of low-value assets	87
Expense on variable lease payments	1,725
	<u>\$ 6,077</u>

- F. For the year ended December 31, 2019, the Company's total cash outflow for leases amounted to \$42,867 thousand.
- 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 3.08% of lease payments are on the basis of variable payment terms and are accrued based on the stored amount of tires. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.
- (b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$17 thousand.

(9) Investment property, net

Year ended December 31, 2019				
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,339	\$ -	\$ -	\$ 336,339
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,105</u>
Accumulated depreciation				
Buildings and structures	(\$ 22,505)	(\$ 611)	\$ -	(\$ 23,116)
Accumulated impairment				
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 290,562</u>			<u>\$ 289,951</u>
Year ended December 31, 2018				
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	\$ 336,339	\$ -	\$ -	\$ 336,339
Buildings and structures	27,766	-	-	27,766
	<u>\$ 364,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,105</u>
Accumulated depreciation				
Buildings and structures	(\$ 21,894)	(\$ 611)	\$ -	(\$ 22,505)
Accumulated impairment				
Land	(\$ 51,038)	<u>\$ -</u>	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 291,173</u>			<u>\$ 290,562</u>

A. Rental income from investment property is shown below:

	Year ended December 31, 2019	Year ended December 31, 2018
Rental income from investment property	<u>\$ 7,998</u>	<u>\$ 8,725</u>

B. The fair value of the investment property held by the Company as at December 31, 2019 and 2018 was \$539,710 thousand and \$539,710 thousand respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Intangible assets

Year ended December 31, 2019					
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	\$ 124,455	\$ 15,399	(\$ 11,400)	\$ -	\$ 128,454
Accumulated amortisation					
Software	(\$ 53,715)	(\$ 45,506)	\$ 11,400	\$ -	(\$ 87,821)
	<u>\$ 70,740</u>				<u>\$ 40,633</u>
Year ended December 31, 2018					
	Opening net book amount as at January 1	Additions	Disposals	Transfer	Closing net book amount as at December 31
Cost					
Software	\$ 113,054	\$ 11,401	\$ -	\$ -	\$ 124,455
Accumulated amortisation					
Software	(\$ 18,164)	(\$ 35,551)	\$ -	\$ -	(\$ 53,715)
	<u>\$ 94,890</u>				<u>\$ 70,740</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Operating costs	\$ 582	\$ 542
Administrative expenses	32,159	32,159
Research and development expenses	12,765	2,850
	<u>\$ 45,506</u>	<u>\$ 35,551</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 2,450,000</u>	0.70~0.86%	None

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 500,000</u>	0.73%	None

(12) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employee compensation payable	\$ 194,306	\$ 246,584
Wages and salaries payable	520,424	485,080
Payable on machinery and equipment	327,645	406,073
Compensation due to directors and supervisors	61,089	74,978
Other accrued expenses	646,527	611,685
Others	647	648
	<u>\$ 1,750,638</u>	<u>\$ 1,825,048</u>

(13) Other current liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Long-term liabilities due within one year	\$ 5,270,000	\$ 8,610,000
Receipts under custody	63,078	62,677
Advance receipts	-	18
Others	2,786	2,786
	<u>\$ 5,335,864</u>	<u>\$ 8,675,481</u>

(14) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable		
-issued in 2014	\$ -	\$ 4,800,000
Bonds payable		
-issued in 2016	5,000,000	5,000,000
Bonds payable		
-issued in 2017	7,000,000	7,000,000
Bonds payable		
-issued in 2018	5,000,000	5,000,000
	17,000,000	21,800,000
Less: Current portion	(2,500,000)	(4,800,000)
	<u>\$ 14,500,000</u>	<u>\$ 17,000,000</u>

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

- (a) Interest accrued/ paid:
The interest is accrued/paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was \$7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- D. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was \$4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds was 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The corporate bonds will be redeemed in full amount at the maturity date.
- E. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by FSC on May 20, 2013 and completed on August 19, 2013. The bonds were fully issued and total issuance amount was \$3.8 billion with a coupon rate of 1.55%. The issuance period of the bonds was 5 years, which is from August 19, 2013 to August 19, 2018. The terms

are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until February, 2024.	1.00%~1.21%	None	\$ 9,900,000
Less: Current portion				(2,770,000)
				<u>\$ 7,130,000</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until December, 2021.	0.97%~1.25%	None	\$ 11,310,000
Less: Current portion				(3,810,000)
				<u>\$ 7,500,000</u>

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at December 31, 2019 and 2018.

(16) Pensions

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

an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

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

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 1,389,880	(\$ 680,510)	\$ 709,370
Current service cost	18,362	-	18,362
Interest expense (income)	13,899	(6,805)	7,094
	<u>1,422,141</u>	<u>(687,315)</u>	<u>734,826</u>
Remeasurements:			
Change in financial assumptions	39,375	-	39,375
Experience adjustments	(18,760)	-	(18,760)
Return on plan asset (excluding amounts included in interest income or expense)	-	(25,435)	(25,435)
	<u>20,615</u>	<u>(25,435)</u>	<u>(4,820)</u>
Pension fund contribution	-	(23,824)	(23,824)
Paid pension	(91,166)	83,066	(8,100)
Balance at December 31	<u>\$ 1,351,590</u>	<u>(\$ 653,508)</u>	<u>\$ 698,082</u>

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

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and 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, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	<u>0.70%</u>	<u>1.00%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 32,934)</u>	<u>\$ 34,189</u>	<u>\$ 30,116</u>	<u>(\$ 29,219)</u>
December 31, 2018				
Effect on present value of defined benefit obligation	<u>(\$ 35,158)</u>	<u>\$ 36,534</u>	<u>\$ 32,433</u>	<u>(\$ 31,436)</u>

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, 2020 amounts to \$23,913 thousand.
- (g) As of December 31, 2019, the weighted average duration of that retirement plan is 10 years. The analysis of timing of the weighted average duration of the future pension payment was as follows:

Within 1 year	\$	130,803
2-5 year(s)		276,973
Over 6 years		359,382
	<u>\$</u>	<u>767,158</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$156,102 thousand and \$145,048 thousand, respectively.

(17) Share capital

As at December 31, 2019, the Company’s authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of shares or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The Company recognised dividends distributed to shareholders amounting to \$3,565,557 thousand and 5,834,548 thousand (\$1.1 (in dollars) and \$1.8 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 24, 2020, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2019 was \$3,241,416 thousand at \$1.0 (in dollars) per share.
- F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

2019					
	Currency translation	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income		Total	
At January 1	(\$ 5,214,518)	\$	14,220	(\$	5,200,298)
Valuation adjustment – Company	-		3,050		3,050
Currency translation differences:					-
– Subsidiaries and associates	(2,133,746)	-		(	2,133,746)
– Tax on subsidiaries and associate	426,749	-			426,749
At December 31	<u>(\$ 6,921,515)</u>	<u>\$</u>	<u>17,270</u>	<u>(\$</u>	<u>6,904,245)</u>
2018					
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain on available-for-sale financial assets	Total
At January 1	(\$4,471,654)	\$ -	\$ -	\$ 41,593	(\$4,430,061)
Effect of retrospective application and retrospective restatement	-	22,740	18,853	(41,593)	-
Valuation adjustment - Company	-	27	(4,633)	-	(4,606)
Valuation adjustment transferred to retained earnings	-	(22,767)	-	-	(22,767)
Currency translation differences:					
– Subsidiaries and associates	(1,137,791)	-	-	-	(1,137,791)
– Tax on subsidiaries and	388,969	-	-	-	388,969
– Disposal of investments accounted for using equity method transferred to profit or loss	7,178	-	-	-	7,178
– Disposal of investments accounted for using equity method transferred to profit or loss-tax	(1,220)	-	-	-	(1,220)
At December 31	<u>(\$5,214,518)</u>	<u>\$ -</u>	<u>\$ 14,220</u>	<u>\$ -</u>	<u>(\$5,200,298)</u>

(21) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	<u>\$ 1,949,788</u>	<u>\$ 19,374,623</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, 2019					
	Sale of tires based on location				
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 2,148,713	\$ 155,301	\$ 1,094,730	\$ 6,504,651	\$ 9,903,395
Inter-segment revenue	<u>3,745,078</u>	<u>87,253</u>	<u>4,113,471</u>	<u>1,648,691</u>	<u>9,594,493</u>
Total segment revenue	<u>\$ 5,893,791</u>	<u>\$ 242,554</u>	<u>\$ 5,208,201</u>	<u>\$ 8,153,342</u>	<u>\$ 19,497,888</u>
Year ended December 31, 2018					
	Sale of tires based on location				
	Taiwan	China	US	Others	Total
Revenue from external contracts	\$ 2,170,451	\$ 158,978	\$ 1,295,375	\$ 6,760,620	\$ 10,385,424
Inter-segment revenue	<u>3,698,288</u>	<u>170,398</u>	<u>3,333,935</u>	<u>1,786,578</u>	<u>8,989,199</u>
Total segment revenue	<u>\$ 5,868,739</u>	<u>\$ 329,376</u>	<u>\$ 4,629,310</u>	<u>\$ 8,547,198</u>	<u>\$ 19,374,623</u>

B. Contract liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities:			
Advance sales receipts	<u>\$ 99,878</u>	<u>\$ 127,663</u>	<u>\$ 85,231</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period:			
	Year ended December 31, 2019	Year ended December 31, 2018	
Advance sales receipts	<u>\$ 102,773</u>	<u>\$ 69,475</u>	

(22) Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from patent royalties	\$ 533,531	\$ 531,044
Revenue from trademark royalties	388,000	380,161
Revenue from commission	232,529	237,898
Interest income endorsements/guarantees	26,122	11,855
Interest income	108,245	165,422
Income from investment	18,361	22,993
Revenue from per diem	54,783	8,042
Others	120,670	168,992
	<u>\$ 1,482,241</u>	<u>\$ 1,526,407</u>

(23) Other gains and losses

	Year ended December 31, 2019	Year ended December 31, 2018
Net currency exchange (loss) gain	(\$ 161,641)	\$ 180,825
Gain on disposal of property, plant and equipment	150,244	160,336
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(2,383)	4,703
Loss on investment	-	(2,654)
Miscellaneous (disbursements) income	(4,991)	18,083
	<u>(\$ 18,771)</u>	<u>\$ 361,293</u>

(24) Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense:		
Bank borrowings	\$ 118,052	\$ 145,409
Corporate bonds	187,554	212,426
Lease liability-interest expense	1,035	-
	<u>\$ 306,641</u>	<u>\$ 357,835</u>

(25) Expenses by nature

	Year ended December 31, 2019		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,775,000	\$ 1,298,640	\$ 4,073,640
Labour and health insurance fees	259,478	119,832	379,310
Pension costs	122,234	59,324	181,558
Directors' remuneration	-	57,224	57,224
Other personnel expenses	89,410	27,404	116,814
	<u>\$ 3,246,122</u>	<u>\$ 1,562,424</u>	<u>\$ 4,808,546</u>
Raw materials and supplies used	<u>\$ 8,851,494</u>	<u>\$ -</u>	<u>\$ 8,851,494</u>
Depreciation expense on property, plant and equipment	<u>\$ 1,332,861</u>	<u>\$ 184,375</u>	<u>\$ 1,517,236</u>
Depreciation expense on right-of-use assets	<u>\$ 19,162</u>	<u>\$ 30,628</u>	<u>\$ 49,790</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 611</u>	<u>\$ 611</u>
Amortisation expense on intangible assets	<u>\$ 582</u>	<u>\$ 44,924</u>	<u>\$ 45,506</u>
Year ended December 31, 2018			
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,573,824	\$ 1,388,340	\$ 3,962,164
Labour and health insurance fees	230,529	123,114	353,643
Pension costs	112,114	63,088	175,202
Directors' remuneration	-	68,651	68,651
Other personnel expenses	85,212	35,329	120,541
	<u>\$ 3,001,679</u>	<u>\$ 1,678,522</u>	<u>\$ 4,680,201</u>
Raw materials and supplies used	<u>\$ 8,487,610</u>	<u>\$ -</u>	<u>\$ 8,487,610</u>
Depreciation charges on property, plant and equipment	<u>\$ 1,295,407</u>	<u>\$ 188,249</u>	<u>\$ 1,483,656</u>
Depreciation expense on investment property	<u>\$ -</u>	<u>\$ 611</u>	<u>\$ 611</u>
Amortisation expense on intangible assets	<u>\$ 542</u>	<u>\$ 35,009</u>	<u>\$ 35,551</u>

Note: As at December 31, 2019 and 2018, the Company had 6,435 and 6,453 employees, respectively, of which 7 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' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. Average employee benefit costs for the year ended December 31, 2019 was \$739 thousand ((Total employee benefit costs for the year ended December 31, 2019 – Total directors' remuneration for the year ended December 31, 2019) / (Number of employees for the year ended December 31, 2019 – Number of non-employee directors for the year ended December 31, 2019)). Average employee benefit costs for the year ended December 31, 2018 was \$715 thousand ((Total

employee benefit costs for the year ended December 31, 2018 – Total directors’ remuneration for the year ended December 31, 2018) / (Number of employees for the year ended December 31, 2018 – Number of non-employee directors for the year ended December 31, 2018)).

- C. Average employee wages and salaries for the year ended December 31, 2019 were \$634 thousand (Total employee wages and salaries for the year ended December 31, 2019 / (Number of employees for the year ended December 31, 2019 – Number of non-employee directors for the year ended December 31, 2019)).
- D. Average employee wages and salaries for the year ended December 31, 2018 were \$615 thousand (Total employee wages and salaries for the year ended December 31, 2018 / (Number of employees for the year ended December 31, 2018 – Number of non-employee directors for the year ended December 31, 2018)).
- E. Changes of average employee wages and salaries was 3.09% ((Average employee wages and salaries for the year ended December 31, 2019 - Average employee wages and salaries for the year ended December 31, 2018)/ Average employee wages and salaries for the year ended December 31, 2018).

For the years ended December 31, 2019 and 2018, employees’ compensation was accrued at \$93,053 thousand, and \$101,254 thousand, respectively; while directors’ and supervisors’ remuneration was accrued at \$61,089 thousand and \$74,978 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 2% and 1.313% of distributable profit of current year for the year ended December 31, 2019.

For 2018, the employees’ compensation of 2018, as resolved at the meeting of Board of Directors amounting to \$101,254 thousand, was in agreement with those amounts recognized in the 2018 financial statements. The Board of Directors during its meeting resolved to distribute 1.313% of retained earnings as directors’ and supervisors’ remuneration for 2018 while the amounts recognized in the financial statements based on 1.481% of retained earnings was \$74,978 thousand for directors’ and supervisors’ remuneration. The difference in the directors’ and supervisors’ remuneration for 2018 was \$8,505 thousand. The difference resulted from adjustment of estimated percentage of directors’ and supervisors’ remuneration which had been adjusted in the profit or loss for 2019. The employees’ compensation for 2018 will be distributed in the form of cash. As of March 24, 2020, the employees’ compensation for 2018 has not yet been distributed. Information about employees’ compensation and directors’ and supervisors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profits for the period	\$ 1,193,484	\$ 1,330,613
Prior year income tax (over) underestimation	(74,638)	61,100
Total current tax	1,118,846	1,391,713
Deferred tax:		
Origination and reversal of temporary differences	(87,183)	(80,545)
Impact of change in tax rate	-	54,972
Income tax expense	<u>\$ 1,031,663</u>	<u>\$ 1,366,140</u>

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

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

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2019	Year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	\$ 899,698	\$ 977,293
Effects from items disallowed by tax regulation	89,713	86,005
Income from investing overseas subsidiaries not recognized as deferred tax liabilities	(545,723)	(361,984)
Temporary differences not recognised as deferred tax assets	694,213	610,473
Tax exempt income by tax regulation	(31,600)	(37,012)
Effect from five-year tax exemption	-	(24,707)
Prior year income tax (over) underestimation	(74,638)	61,100
Impact of change in tax rate	-	54,972
Income tax expense	<u>\$ 1,031,663</u>	<u>\$ 1,366,140</u>

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 169,527	(\$ 23,194)	\$ -	\$ 146,333
Remeasurement of defined benefit obligations	166,766	-	(964)	165,802
Exchange differences on translation of foreign financial statements	732,312	-	426,749	1,209,061
Unrealised exchange loss	19,289	44,925	-	64,214
Others	15,597	17,535	-	33,132
Subtotal	<u>\$ 1,153,491</u>	<u>\$ 39,266</u>	<u>\$ 423,785</u>	<u>\$ 1,618,542</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 767,625)	\$ 29,466	\$ -	(\$ 738,159)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealized evaluation gains on financial assets and liabilities	(649)	649	-	-
Others	(58,761)	17,802	-	(40,959)
Subtotal	<u>(\$ 1,341,768)</u>	<u>\$ 47,917</u>	<u>\$ -</u>	<u>(\$ 1,293,851)</u>
Total	<u>(\$ 188,277)</u>	<u>\$ 87,183</u>	<u>\$ 425,785</u>	<u>\$ 324,691</u>

	2018			
	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	\$ 145,841	\$ 23,686	\$ -	\$ 169,527
Remeasurement of defined benefit obligations	146,730	-	20,036	166,766
Unrealized evaluation losses on financial assets and liabilities	69	(69)	-	-
Exchange differences on translation of foreign	394,523	40	387,749	782,312
Unrealised exchange loss	26,576	(7,287)	-	19,289
Others	13,257	2,340	-	15,597
Subtotal	<u>\$ 726,996</u>	<u>\$ 18,710</u>	<u>\$ 407,785</u>	<u>\$ 1,153,491</u>
- Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 817,759)	\$ 50,134	\$ -	(\$ 767,625)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealized evaluation gains on financial assets and liabilities	-	(649)	-	(649)
Others	(16,139)	(42,622)	-	(58,761)
Subtotal	<u>(\$ 1,348,631)</u>	<u>\$ 6,863</u>	<u>\$ -</u>	<u>(\$ 1,341,768)</u>
Total	<u>(\$ 621,635)</u>	<u>\$ 25,573</u>	<u>\$ 407,785</u>	<u>(\$ 188,277)</u>

- D. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for “Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009”. The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.
- E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2019 and 2018 were \$42,638,273 thousand and \$41,486,669 thousand, respectively.
- F. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.
- G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(27) Earnings per share

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,466,827	3,241,416	\$ 1.07
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,466,827	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,801	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,466,827	3,244,217	\$ 1.07
Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,520,320	3,241,416	\$ 1.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,520,320	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	3,196	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,520,320	3,244,612	\$ 1.08

(28) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2019	Year ended December 31, 2018
Purchase of property, plant and equipment	\$ 1,918,178	\$ 2,067,328
Add: Opening balance of payable on equipment	406,073	736,136
Less: Ending balance of payable on equipment	(327,645)	(406,073)
Cash paid during the period	<u>\$ 1,996,606</u>	<u>\$ 2,397,391</u>

(29) Changes in liabilities from financing activities

	2019						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 500,000	\$ 11,310,000	\$ 21,800,000	\$ 647	\$ 123,217	\$ 7,130	\$ 33,740,994
Changes in cash flow from financing activities	1,950,000	(1,410,000)	(4,800,000)	(3,565,557)	(30,130)	(80)	(7,855,767)
Additions	-	-	-	3,565,557	10,019	-	(3,575,576)
Interest expense	-	-	-	-	1,035	-	1,035
At December 31	<u>\$ 2,450,000</u>	<u>\$ 9,900,000</u>	<u>\$ 17,000,000</u>	<u>\$ 647</u>	<u>\$ 104,141</u>	<u>\$ 7,050</u>	<u>\$ 29,350,000</u>
	2018						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Guarantee deposits received		Liabilities from financing activities-gross
At January 1	\$ -	\$ 12,700,667	\$ 18,700,000	\$ 647	\$ 7,364		\$ 31,408,678
Changes in cash flow from financing activities	500,000	(1,390,667)	3,100,000	(5,834,548)	(234)		(3,625,449)
Additions	-	-	-	5,834,548	-		5,834,548
At December 31	<u>\$ 500,000</u>	<u>\$ 11,310,000</u>	<u>\$ 21,800,000</u>	<u>\$ 647</u>	<u>\$ 7,130</u>		<u>\$ 33,617,777</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Sales of goods:		
– Subsidiaries		
CHENG SHIN RUBBER USA, INC.	\$ 4,113,471	\$ 3,333,935
MAXXIS (Taiwan) Trading CO., LTD.	3,745,078	3,698,288
Others	1,735,944	1,956,976
– Associates	-	7,209
– Other related parties	63,318	77,854
	<u>\$ 9,657,811</u>	<u>\$ 9,074,262</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, 2019	Year ended December 31, 2018
Sales of goods:		
Subsidiaries	<u>\$ 363,606</u>	<u>\$ 286,230</u>

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

C. Property transactions

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

	Year ended December 31, 2019		Year ended December 31, 2018
	Sales amount	Gain (loss) on disposal	Sales amount
			Gain (loss) on disposal
Subsidiaries	<u>\$ 297,213</u>	<u>\$ 103,632</u>	<u>\$ 363,609</u>
			<u>\$ 131,159</u>

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

	December 31, 2019	December 31, 2018
Subsidiaries	<u>\$ 100,374</u>	<u>\$ 112,536</u>

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

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

(a) Revenue from patent royalties:

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	\$ 533,531	\$ 531,044

(b) Ending balance of royalty receivables from technology:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 152,458	\$ 155,403

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, 2019	Year ended December 31, 2018
Subsidiaries	\$ 26,122	\$ 11,855

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

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 23,660	\$ 8,062

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

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

(a) Revenue from commission:

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	\$ 232,529	\$ 237,898

(b) Ending balance of receivables from commission:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 55,155	\$ 54,084

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:

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	\$ 388,000	\$ 379,903

(b) Ending balance of receivables from trademark royalties:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 93,873	\$ 88,338

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:

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	\$ 54,783	\$ 8,042

(b) Ending balance of receivables from per diem:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 39,570	\$ 2,763

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

	December 31, 2019	December 31, 2018
Accounts receivable		
–Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	\$ 355,857	\$ 296,946
CHENG SHIN RUBBER USA, INC.	654,683	693,701
CHENG SHIN RUBBER CANADA, INC.	203,503	415,261
Others	145,108	184,535
–Other related parties	20,057	21,446
	\$ 1,379,208	\$ 1,611,889

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

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 100,374	\$ 112,528

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

K. Accounts payable

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 45,017	\$ 31,220
Associates	148	289
	\$ 45,165	\$ 31,509

L. Other payables

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 160,346	\$ 129,196

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

M. Information about guarantees

As of December 31, 2019 and 2018, the Company and the financial institutions agreed the Company’s subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details is as follows:

Warrantee	Guaranteed line of credit	Used amounts as of December 31, 2019
Subsidiaries	USD 638,800 thousand	USD 578,039 thousand
	THB 2,000,000 thousand	THB 1,257,280 thousand
	RMB 450,000 thousand	RMB 169,677 thousand
	INR 1,450,000 thousand	INR 0 thousand
Warrantee	Guaranteed line of credit	Used amounts as of December 31, 2018
Subsidiaries	USD 693,800 thousand	USD 578,198 thousand
	THB 2,000,000 thousand	THB 1,942,880 thousand
	RMB 550,000 thousand	RMB 270,273 thousand
	INR 400,000 thousand	INR 61,630 thousand

As of December 31, 2019 and 2018, the Company’s endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Short-term employee benefits	\$ 186,049	\$ 205,067
Post-employment benefits	2,561	3,054
	<u>\$ 188,610</u>	<u>\$ 208,121</u>

8. PLEDGED ASSETS

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

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

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:

	December 31, 2019	December 31, 2018
Property, plant and equipment	<u>\$ 350,192</u>	<u>\$ 302,772</u>

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

	December 31, 2019	December 31, 2018
Amount of letter of credit that has been issued but not yet used	<u>\$ 9,541</u>	<u>\$ 18,417</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

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

12. OTHERS

(1) Capital management

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

	December 31, 2019	December 31, 2018
Total liabilities	\$ 35,460,275	\$ 39,643,927
Total equity	\$ 77,395,683	\$ 79,193,782
Less : Intangible assets	(40,633)	(70,740)
Tangible equity	\$ 77,355,050	\$ 79,123,042
Debt-equity ratio	45.84%	50.10%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Financial assets at fair value through profit or loss-current		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income - current		
Designation of equity instrument	25,935	22,885
Financial assets at fair value through other comprehensive income - non-current		
Designation of equity instrument	58,187	58,187
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	8,525,572	12,820,135
Notes receivable, net	22,919	28,017
Accounts receivable (including related parties)	2,540,596	2,863,382
Guarantee deposits paid	1,297	986
Other financial assets	-	15,395
	<u>\$ 11,174,506</u>	<u>\$ 15,812,230</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,450,000	\$ 500,000
Accounts payable (including related parties)	1,093,026	1,344,587
Other accounts payable	1,750,638	1,825,048
Corporate bonds payable (including current portion)	17,000,000	21,800,000
Long-term borrowings (including current portion)	9,900,000	11,310,000
Guarantee deposits received	<u>7,050</u>	<u>7,130</u>
	<u>\$ 32,200,714</u>	<u>\$ 36,786,765</u>
Lease liabilities (including current portion)	<u>\$ 104,141</u>	<u>\$ -</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 and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 151,203	29.980	\$ 4,533,066	1%	\$ 45,331	\$ -
EUR : TWD	36,518	33.590	1,226,640	1%	12,266	-
JPY : TWD	1,566,265	0.276	432,289	1%	4,323	-
RMB : TWD	726,140	4.305	3,126,033	1%	31,260	-
GBP : TWD	3,299	39.360	129,849	1%	1,298	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
USD : TWD	\$ 120,971	29.980	\$ 3,626,711	1%	\$ 9,173	\$ 27,094
EUR : TWD	14,223	33.590	477,751	1%	3,957	821
JPY : TWD	1,359,503	0.276	375,223	1%	3,752	-
RMB : TWD	287,835	4.305	1,239,130	1%	12,391	-
CAD : TWD	30,704	22.968	705,209	1%	-	7,052
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 16,513	29.980	495,060	1%	\$ 4,951	-
IDR : TWD	73,656,588	0.002	160,571	1%	-	1,606
INR : TWD	864,873	0.422	364,976	1%	-	3,650

December 31, 2018

		Sensitivity analysis				
Foreign currency amount (In thousands)		Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
\$	142,027	30.715	\$ 4,362,359	1%	\$ 43,624	-
	42,002	35.200	1,478,470	1%	14,785	-
	2,003,286	0.278	557,314	1%	5,573	-
	945,826	4.472	4,229,734	1%	42,297	-
	8,063	38.880	313,489	1%	3,135	-
<u>Financial assets</u>						
<u>Non-monetary items</u>						
\$	110,809	30.715	\$ 3,403,498	1%	\$ 7,203	26,832
	9,854	35.200	346,861	1%	2,639	830
	926,399	0.278	257,724	1%	2,577	-
	218,761	4.472	978,299	1%	9,783	-
	28,779	22.558	649,182	1%	-	6,492
	303,876,195	0.002	647,256	1%	-	6,473
	2,487,849	0.439	1,092,663	1%	-	10,927
<u>Financial liabilities</u>						
<u>Monetary items</u>						
\$	22,548	30.715	692,562	1%	\$ 6,926	-

- 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, 2019 and 2018 amounted to (\$161,641) thousand and \$180,825 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, 2019 and 2018 would have increased/decreased by \$841 thousand and \$811 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 would have been \$9,880 thousand and \$9,448 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, 2019 and 2018, the Company have no written-off financial assets that are still under recourse procedures.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2019 and 2018, the provision matrix is as follows:

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 952,599	\$ -
Up to 30 days	0.59%	141,047	832
31 to 90 days	3.79%	53,724	2,036
91 to 180 days	33.82%	25,222	8,530
Over 180 days	62.21%	514	320
		<u>\$ 1,173,106</u>	<u>\$ 11,718</u>
<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 1,000,756	\$ -
Up to 30 days	0.17%	157,646	268
31 to 90 days	2.00%	58,719	1,174
91 to 180 days	20.72%	44,101	9,138
Over 180 days	57.21%	1,989	1,138
		<u>\$ 1,263,211</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>2019</u>
At January 1 (At December 31)	<u>\$ 11,718</u>
	<u>2018</u>
At January 1 _ IAS 39	<u>\$ 11,718</u>
Adjustments under new standards	<u>-</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, 2019

<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	\$ 2,452,362	\$ -	\$ -	\$ -	\$ 2,452,362
Accounts payable					
(including related parties)	1,093,026	-	-	-	1,093,026
Other payables	1,539,548	-	118,037	95,053	1,750,638
Guarantee deposits received	-	-	-	7,050	7,050
Long-term borrowings	151,131	135,766	2,580,301	7,217,216	10,084,414
Bonds payable	-	-	2,651,100	14,734,650	17,385,750

December 31, 2018

<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	\$ 501,810	\$ -	\$ -	\$ -	\$ 501,810
Accounts payable					
(including related parties)	1,344,587	-	-	-	1,344,587
Other payables	1,561,123	-	162,672	101,253	1,825,048
Guarantee deposits received	-	-	-	7,130	7,130
Long-term borrowings	1,278,230	247,197	2,384,749	7,567,815	11,477,991
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

As at December 31, 2019 and 2018, there was no financial derivative liabilities transaction.

(3) Fair value information

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

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

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

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

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

C. Financial instruments not measured at fair value

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

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

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

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

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

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

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

December 31, 2019				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 58,187</u>	<u>\$ 84,122</u>

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Forward exchange contracts	\$ -	\$ 3,243	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income				
- Equity securities	22,885	-	58,187	81,072
	<u>\$ 22,885</u>	<u>\$ 3,243</u>	<u>\$ 58,187</u>	<u>\$ 84,315</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, 2019 and 2018, there was no transfer between Level 1 and Level 2.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 4.

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

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6(2), (23) and 12(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: please refer to table 8.

B. Ceiling on investments in Mainland China: please refer to table 8.

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

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2019: please refer to tables 4, 5 and 6.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2019

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

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

(1) The Company is "0".

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

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

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 38,697,842	\$ 4,683,000	\$ 3,368,700	\$ 2,139,021	\$ -	4.35	\$ 54,176,978	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	38,697,842	474,000	-	-	-	-	54,176,978	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	38,697,842	9,454,832	8,700,569	7,697,005	-	11.24	54,176,978	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	38,697,842	10,238,400	9,713,520	9,029,976	-	12.55	54,176,978	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	18,053,231	2,521,200	1,937,250	730,459	-	8.58	22,566,539	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

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

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

\$ 54,176,978

\$ 15,479,137

\$ 38,697,842

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

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

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2019.

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

December 31, 2019

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, 2019			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	-	\$ 25,935	-	\$ 25,935 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, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Unit price	Credit term	Balance		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$ 4,113,471	(21.10)	Collect within 90 days after shipment of goods	Same	\$ 654,683	25.33	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,318,216)	(6.76)	Collect within 90 days after shipment of goods	Same	203,503	7.87	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsiary	(sales)	(114,047)	(0.58)	Collect within 60 days after shipment of goods	Same	23,695	0.92	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsiary	(sales)	(182,882)	(0.94)	Collect within 60 days after shipment of goods	Same	92,931	3.60	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,745,078)	(19.21)	Collect within 30 days	Same	355,857	13.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(172,339)	(0.98)	Collect within 60-90 days after shipment of goods	Same	41,290	2.02	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	ultimate parent	(sales)	(164,245)	(0.94)	Collect within 60 days after shipment of goods	Same	18,763	0.92	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(717,903)	(4.10)	Collect within 60-90 days after shipment of goods	Same	266,000	12.98	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(239,429)	(1.37)	Collect within 60-90 days after shipment of goods	Same	15,683	0.77	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(101,107)	(0.58)	Collect within 60-90 days after shipment of goods	Same	10,457	0.51	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,823,000)	(45.14)	Collect within 60-90 days after shipment of goods	Same	279,971	22.32	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(558,086)	(13.82)	Collect within 60-90 days after shipment of goods	Same	86,073	6.86	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(182,131)	(4.51)	Collect within 60-90 days after shipment of goods	Same	39,527	3.15	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(223,577)	(5.54)	Collect within 60-90 days after shipment of goods	Same	36,113	2.88	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,072,144)	(11.27)	Collect within 60-90 days after shipment of goods	Same	308,178	46.27	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(268,677)	(1.23)	Collect within 60-90 days after shipment of goods	Same	31,542	0.81	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(190,723)	(0.88)	Collect within 60-90 days after shipment of goods	Same	258	0.01	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Transaction			Differences in transaction terms compared to third party transactions (Note 1)				Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(\$ 147,238)	(47.13)	Collect within 60-90 days after shipment of goods	Same	\$ 20,113	47.50	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(327,386)	(5.56)	Collect within 60-90 days after shipment of goods	Same	-	-	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(178,882)	(3.20)	Collect within 60-90 days after shipment of goods	Same	5,590	1.12	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,421,170)	(11.05)	Collect within 60-90 days after shipment of goods	Same	194,738	12.83	Note 4
PT MAXXIS International Indonesia	Cheng Shin Rubber (vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(107,538)	(20.35)	Collect within 60-90 days after shipment of goods	Same	44,481	39.75	Note 4

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2019

Table 5

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

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

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

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

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

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

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Table 6, page 1

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

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Expressed in thousands of NTD (Except as otherwise indicated)
				General ledger account	Amount (Note 4)	Transaction terms	
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	\$ 268,677	Collect within 60-90 days after shipment of goods	0.25%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Royalty income	214,174	Collect monthly	0.20%
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	3	Sales	327,386	Collect within 60-90 days after shipment of goods	0.30%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,421,170	Collect within 60-90 days after shipment of goods	1.30%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Year ended December 31, 2019

Table 7 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018		Number of shares	Ownership (%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218		35,050,000	100.00	\$ 40,069,847	\$ 2,227,008	\$ 2,227,527	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073		72,900,000	100.00	25,199,773	2,915,870	2,924,207	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780		237,811,720	100.00	10,417,885	94,723	138,366	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820		1,800,000	100.00	2,709,443	182,579	182,564	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950		1,000,000	100.00	705,193	56,434	56,434	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,001		5,000,000	50.00	157,489	13,306	6,653	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260		1,000,000	100.00	68,500	6,501	6,501	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355		79,997,000	100.00	-	(821,888)	(817,231)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	3,124,651		649,994,730	100.00	-	(1,472,251)	(1,472,251)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000		10,000,000	100.00	319,849	151,345	151,345	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicles parts and accessories	30,235	30,235		9,990	100.00	26,315	(2,140)	(2,140)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	17,700		500,000	100.00	13,602	(3,434)	(3,434)	Subsidiary Note 3
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-		226,801,983	100.00	31,809,672	2,313,861	2,312,861	Subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Initial investment amount			Shares held as at December 31, 2019								
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 1)	Footnote
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	25,018,438	2,916,370	2,916,370	Sub-subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,848,827	94,457	94,457	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	7,595,850	(603,385)	(585,431)	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,249,905	697,909	723,598	Sub-subsidiary Note 3

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

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

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

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

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019, (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,246,500	2	\$ 910,834	\$ -	\$ 910,834	\$ 1,628,516	100.00	\$ 1,627,566	\$ 22,566,539	\$ 18,142,072	(Note 2 - 3 - 5 - 6 - 7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,745,500	2	2,385,506	-	2,385,506	2,672,264	100.00	2,689,063	23,173,371	21,095,922	(Note 2 - 4 - 6 - 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	254,830	2	68,602	-	68,602	70,412	50.00	35,206	329,542	443,026	(Note 6 - 8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	2,998,000	2	-	-	-	658,416	100.00	661,660	5,174,825	1,332,617	(Note 2 - 4 - 6 - 8)
KUNSHAN MAXXIS TIRE CO., LTD TIANJIN TAFENG RUBBER IND CO., LTD.	Retail of accessories for rubber tires Warehouse logistics and after- sales service centre	21,525 539,640	2 2	- -	- -	- -	10,549 (465,857)	100.00 100.00 (	10,549 465,857)	37,618 768,432	- 757,407	(Note 6 - 8) (Note 6 - 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	3,897,400	2	-	-	-	632,402	100.00	632,404	12,535,747	4,014,294	(Note 2 - 3 - 6 - 7)

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

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019, (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
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	\$ 1,349,100	2	\$ -	\$ -	\$ -	\$ -	100.00	\$ 559,857	\$ 7,631,423	\$ 5,415,660	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	599,600	2	-	-	-	(120,149)	100.00	(120,149)	157,756	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	150,675	2	-	-	-	(11,524)	95.00	(10,948)	112,227	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	62,043	2	-	-	-	27,921	49.00	13,682	133,069	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,089,750	2	-	-	-	978,468	100.00	980,730	5,813,664	567,703	(Note 2、5、6、7)
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	\$ 1,635,900	2	\$ -	\$ -	\$ -	442,095	100.00	\$ 442,095	\$ 1,972,014	\$ -	(Note 6、7)

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

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

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

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 29.98: USD 1 and NTD 4.305: RMB 1 prevailing on December 31, 2019.

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

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD.
Ceiling on investments in Mainland China
Year ended December 31, 2019

Table 8

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)	Expressed in thousands of NTD (Except as otherwise indicated)
Cheng Shin Rubber Ind. Co., Ltd.	\$	3,684,542	\$	20,173,542	\$

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

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

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

Item	Description			Amount
Cash on hand and petty cash				\$ 550
Bank deposits				
Check deposits				2,627
Demand deposits				1,498,401
Foreign currency deposits	USD	85,304 thousand	Exchange rate 29.98	4,739,774
	EUR	29,497 thousand	Exchange rate 33.59	
	JPY	1,422,807 thousand	Exchange rate 0.276	
	GBP	1,930 thousand	Exchange rate 39.36	
	RMB	167,911 thousand	Exchange rate 4.305	
Time deposits	RMB	530,597 thousand	Exchange rate 4.305	
	Period	2019.10.16~2020.3.23		
	Interest rate	2.90% ~ 3.68%		2,284,220
				<u>\$ 8,525,572</u>

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

Name of Customer	Description	Amount	Remark
Nissan North America, Inc.		\$ 209,027	
Polaris Industries Inc.		89,314	
Maxxis International GMBH		76,399	
General Motors		67,162	
			None of the balances of each
			remaining accounts is
			greater than 5% of this
Others		731,204	account balance.
		1,173,106	
Less: Allowance for bad debts		(11,718)	
		<u>\$ 1,161,388</u>	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

Item	Description	Amount		Remark
		Cost	Market price	Method for determining market price
Raw materials		\$ 1,005,520	\$ 996,443	Net realisable value
Work in process		828,354	826,863	Net realisable value
Finished goods		744,592	814,106	Net realisable value
		2,578,466	<u>\$ 2,637,412</u>	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		(13,904)		
		<u>\$ 2,564,562</u>		

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CHENG SHIN RUBBER IND. CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Investee	As of January 1, 2019		Addition		Deductions		As of December 31, 2019		Market price or net in		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	\$ 40,426,423	-	\$ 720,349	-	(\$ 1,076,925)	Note 1	35,050,000	\$ 1,143	\$ 40,069,847	None
CST Trading Ltd.	72,900,000	24,870,869	-	1,978,427	-	(1,649,523)	Note 1	72,900,000	346	25,199,773	None
MAXXIS Trading Ltd.	237,811,720	10,106,894	-	521,834	-	(210,843)	Note 1	237,811,720	44	10,417,885	None
PT MAXXIS International Indonesia	79,997,000	619,612	-	(806,498)	-	-	-	79,997,000	(2)	(186,886)	None
Cheng Shin Rubber USA, Inc.	1,800,000	2,683,201	-	150,362	-	(124,120)	Note 1	1,800,000	1,505	2,709,443	None
MAXXIS Rubber India Private Limited	649,994,730	1,092,663	-	(1,457,639)	-	-	-	649,994,730	(1)	(364,976)	None
PT.MAXXIS TRADING INDONESIA	9,990	27,644	-	(1,329)	-	-	-	9,900	2,634	26,315	-
Cheng Shin Rubber Canada, Inc.	1,000,000	649,182	-	118,151	-	(62,140)	Note 1	1,000,000	705	705,193	None
NEW PACIFIC INDUSTRY	5,000,000	152,614	-	6,653	-	(1,778)	Note 1	5,000,000	31	157,489	None
COMPANY LIMITED	-	-	-	-	-	-	-	-	-	-	-
MAXXIS Tech Center Europe B.V.	1,000,000	65,172	-	3,328	-	-	-	1,000,000	69	68,500	None
Maxxis Europe B.V.	500,000	17,844	-	(4,242)	-	-	-	500,000	27	13,602	None
MAXXIS (Taiwan) Trading Co., Ltd.	10,000,000	332,897	-	151,369	-	(164,417)	Note 1	10,000,000	32	319,849	None
		<u>\$ 81,045,015</u>		<u>\$ 1,380,765</u>		<u>(\$ 3,289,746)</u>				<u>\$ 79,136,034</u>	

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2019.

Note 2: Credit balance of long-term equity investments is caused and shown as 'other non-current liabilities' because the Company continuously provides financial support to investee companies accounted for using equity method.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Creditor	Amount of borrowings	Contract period	Interest Rate	Pledges or collaterals	Remark
FIRST COMMERCIAL BANK CO., LTD.	\$ 2,950,000	2014.10.06~ 2020.08.23	Note	None	
HUA NAN COMMERCIAL BANK LTD.	2,200,000	2019.03.11~ 2022.07.15	Note	None	
CHANG HWA COMMERCIAL BANK, LTD.	1,100,000	2014.07.31~ 2021.09.23	Note	None	
HSBC Bank (Taiwan) Limited	1,000,000	2019.07.15~ 2022.07.17	Note	None	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	2017.10.18~ 2020.10.16	Note	None	
Mega International Commercial Bank	1,000,000	2018.12.24~ 2021.12.24	Note	None	
Export - Import Bank of the Republic of China	650,000	2019.01.11~ 2024.01.11	Note	None	
	9,900,000				
Less: maturity at one year	(2,770,000)				
	<u>\$ 7,130,000</u>				

Note: For the year ended December 31, 2019, interest rate of borrowing ranged between 1.00%~1.21%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SALES REVENUE, NET
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	6,386	\$ 8,250,945	
Cover tires for motorcycles	5,882	4,011,540	
Cover tires for automobiles	2,829	2,863,142	
Cover tires for bicycles	6,346	1,954,655	
Radial ply truck tyres	232	1,386,146	
Cover tires for industrial use	725	383,719	
Tubes for bicycles	4,354	231,414	
			None of the balances of each remaining accounts is greater than NT\$100
Others	-	585,214	million.
		19,666,775	
Less: Sales returns and discounts		(168,887)	
		<u>\$ 19,497,888</u>	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Item	Amount
Direct material	
Opening balance of materials	\$ 1,135,545
Add: Purchases in the period	8,469,216
Less: Materials sold	(112,359)
Transfer to expenses	(271,109)
Scrapping of raw material	(128)
Loss on physical inventory for raw materials	(2,334)
Ending balance of raw materials	(895,621)
Materials used during the period	8,323,210
Direct labour	1,359,985
Manufacturing overhead	6,345,150
Manufacturing costs	16,028,345
Add: Opening balance of work in process	1,102,869
Work in process purchased	342,923
Amortisation of difference	28,504
Less: Work in process sold	(37,674)
Transferred to expenses	(1,008,467)
Loss on physical inventory for work in process	(11,131)
Scrapping of inventory	(842)
Ending balance of work in progress	(828,354)
Cost of finished goods	15,616,173
Add: Opening balance of finished goods	860,056
Finished goods purchased	347,634
Gain on physical of finished goods	2,674
Amortisation of difference	20,211
Less: Transferred to expenses	(433,520)
Scrapping of finished goods	(6,066)
Ending balance of finished goods	(744,592)
Cost of manufacturing and sales of goods for the period	15,622,570
Cost of materials sold	112,359
Cost of work in process sold	37,674
Cost of production and sales of goods	15,812,603
Add: Scrapping of inventory	7,036
Loss on physical inventory	10,791
Less: Revenue from sale of scraps	(24,563)
Total cost of sales	\$ 15,805,867

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

Item	Description	Amount	Note
Depreciation		\$ 1,352,022	
Wages and salaries		1,537,250	
Utilities expense		557,390	
Repairs and maintenance expense		573,209	
Fuel expense		385,086	
Other expenses		1,940,193	
			None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 6,345,150</u>	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

Item	Description	Selling expenses	General and administrative expenses	Remark
Taxes		\$ 436,438	\$ -	
Advertisement expense		385,984	-	
Wages and salaries		394,391	341,850	
Freight		132,046	-	
Import/export(customs) expense		129,373	-	
Repairs and maintenance expense		-	67,082	
Depreciation		-	47,830	
Amortization		-	34,275	
Other expenses		<u>404,409</u>	<u>168,675</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 1,882,641</u>	<u>\$ 659,712</u>	

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- 6.6 Facts regarding the Company and its affiliated enterprises which have developed hard-up financial standing in recent year and the period as of the Annual Report date: Nil

VII. Analysis for Financial Condition and Operating Results and Risk Management

7.1 Comparative analysis of financial condition

in NT\$1000

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	\$58,929,975	\$63,023,450	\$(4,093,475)	-6.50
Real estate, property, plants, and equipment	95,889,585	103,254,578	(7,364,993)	-7.13
Intangible assets	246,790	237,050	9,740	4.11
Other assets	8,973,879	8,247,690	726,189	8.80
Total assets	164,040,229	174,762,768	(10,722,539)	-6.14
Current liabilities	43,404,174	44,487,184	(1,083,010)	-2.43
Non-current liabilities	42,665,368	50,457,578	(7,792,210)	-15.44
Total liabilities	86,069,542	94,944,762	(8,875,220)	-9.35
Equity	32,414,155	32,414,155	0	0
Capital reserve	52,576	52,576	0	0
Retained earnings	51,833,197	51,927,349	(94,152)	-0.18
Other equity	(6,904,245)	(5,200,298)	(1,703,947)	-32.77
Treasury stock	-	-	-	-
Non-controlling interest	575,004	624,224	(49,220)	-7.88
Total equity	77,970,687	79,818,006	(1,847,319)	-2.31
Analysis if variations exceed 20% and amount reaches NT\$10 million:				
Decrease in equity: due to exchange losses arising from translation of foreign operations				

7.2 Analysis of operating results

(1) Analysis of financial performance

in NT\$1000

Item \ Year	2019	2018	Amount of increase (decrease)	Change (%)
Operating revenue	109,507,773	109,221,209	286,564	0.26
Operating costs	(85,548,240)	(84,898,267)	649,973	0.77
Gross profit	23,959,533	24,322,942	(363,409)	-1.49
Operating expenses	(16,956,401)	(16,907,753)	48,648	0.29
Operating profit	7,003,132	7,415,189	(412,057)	-5.56
Revenue and expense outside operation	(1,175,833)	(1,505,548)	329,715	-21.90
Income before income tax	5,827,299	5,909,641	(82,342)	-1.39
Income tax expense	(2,311,602)	(2,335,003)	-23,401	-1.00
Net profit	3,515,697	3,574,638	(58,941)	-1.65
Other comprehensive income (loss) after tax	(1,755,905)	(813,387)	(942,518)	-115.88
Total comprehensive income	1,759,792	2,761,251	(1,001,459)	-36.27
Analysis if variations exceed 20% and amount reaches NT\$10 million:				
(1) Increase in revenue and expense outside operation: due to a decrease in subsidy income of NT\$126,316,000, an increase in net foreign exchange profit of NT\$691,471,000 and an increase in the impairment loss of equipment of NT\$278,592,000.				
(2) Decrease in other comprehensive income (loss) after tax: due to exchange losses arising from translation of foreign operations.				
(3) Decrease in total comprehensive income: due to exchange losses arising from translation of foreign operations.				

- (2) Analysis of change to gross profit: Decrease in gross profit is largely due to a drop in operating revenue and an increase in cost of goods sold.
- (3) The Company's 2019 revenue was 0.26% higher than 2018, with no material changes to core business scope.

Action Plan: We have firmly believed in our strategies that “driving the tire repair market (RE) with the vehicles assembly factories (OE),” and “boosting the collaboration between vehicles assembly factories (OE) with the tire repair market (RE).” This strategy will further increases our market share and cater for the rebound of global economy.

7.3 Cash flow

(1) Liquidity analysis for the most recent two years

Item \ Year	2019	2018	Percentage of change
Cash Flow Ratio (%)	42.13	33.39	26.18%
Cash Flow Adequacy Ratio (%)	91.84	90.11	1.92%
Cash Reinvestment Ratio (%)	6.45	3.97	62.47%
Analysis of percentage of change: (if fluctuation exceeds 20% or more):			
(1) Increase in cash flow ratio: due to an increase in net cash flow from operating activities.			
(2) Increase in cash reinvestment ratio: due to an increase in net cash flow from operating activities and decrease in distribution of cash dividends.			

(2) Cash flow analysis for the coming year

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment plan	Financing plan
\$25,501,222	\$15,486,534	\$12,649,943	\$28,337,813	-	-
1. Change in projected cash flow for the next year: Operations: The group's steady growth in revenues is expected. Investments: The group continues to invest in overseas subsidiaries and to upgrade obsolete equipment. Financing: Primarily payment of cash dividends and repaying loans and corporate bonds.					
2. Measures for managing cash deficit and liquidity analysis: N/A.					

7.4 Impact of major capital expenditure over the latest year on financial operations

(1) Status of major capital expenditure and source of funds

in NT\$1,000

Plan	Actual or projected source of funds	Actual or projected completion date	Funds required Total amount	Actual or projected capital expenditure status	
				2018	2019
Purchase and upgrade of equipment	Bank loans, corporate bonds, and company fund	2019	\$8,587,584	\$8,587,584	
Purchase and upgrade of equipment	Bank loans and company fund	2020	\$8,521,311		\$8,521,311

(2) Projected benefits:

1. Primarily a potential expansion of daily production capacity for tires.

2. Analysis of other projected benefits:

Continue to expand production capacity, upgrade equipment automation and increase market share in the global tire industry.

7.5 Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:

(1) The Company's reinvestment policy considers long-term investment as its priority. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks.

(2) Investment plan for the upcoming year: Currently our plants in India and Indonesia mainly aim to raise capacity utilization.

7.6 Analysis and evaluation of risk factors

(1) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability over the latest year and as of the date of the annual report; future action plan:

Impact on:

1. Interest rate fluctuation

In 2019, the U.S. Federal Reserve (Fed) lowered the interest rates three times and due to the outbreak of COVID-19, took the opportunity to embark on a slew of emergency actions, including two more slashes of its key interest rate to essentially 0 percent and launching an ambitious round of quantitative easing (QE). Under the QE program, the Fed announced that it would purchase at least \$700 billion bonds over the coming months with no limit. This is at a scale far greater than the four trillion dollars purchase plan during the global financial crisis. Taiwan's Central Bank lowered its benchmark rate by 25 basis points to 1.125%, a record low. The Company will monitor the updates from central banks around the world and the market condition closely, and make adjustments to the Company's liabilities and adopt necessary hedging strategies.

2. Exchange rate fluctuation

As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in the fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.

The group's marketing and procurement activities are mostly done in RMB, U.S.

Dollars, New Taiwan Dollars and Thai Baht. Given their similar exchange rate ratios, exchange rate fluctuation risk is hedged. Exchange rate risk incurred from overseas investment derives mostly from RMB, US Dollar and Thai Baht. Debt positions acquired from facility expansion are mostly in US Dollars, RMB, Japanese Yen and Thai Baht. In addition, there are exchange conversion gains and losses denominated in the Indonesian Rupiah and Indian Rupees due to the construction of plants in Indonesia and India. The Company mainly adopts the strategy of natural hedge of the net positions and monitor the fluctuations in exchange rates closely.

3. Inflation

In light of the uncertainty in global economic forecast, the Company is not in a position to predict for inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company's sales. Nonetheless, no material adverse impact is expected for the overall operation.

- (2) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements and Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss) over the latest year and as of the date of the annual report:

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal," pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

- (3) Budget for future R&D plan and projected investment in R&D as at the date of the annual report:

1. R&D Plan

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
1	Development of PCR silent tires	1. Technology research of silent tires	2020.12.31
2.	Development of an Economic Tire	1. Compound R&D 2.. Structure R&D	2020.12.31
3.	Spare tire lightweight technology R&D	1. Structure R&D 2. New material R&D 3. Profile/ tire structure R&D	2020.12.31
4.	Racing tires technology R&D	1. New racing compound research 2. New materials research 3. Profile/ tire structure research	2020.10.30

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
5.	LRR technology R&D	1. LRR formula R&D 2. New materials R&D 3. Profile/structure R&D	2020.10.30
6.	Wet grip technology R&D	1. New silica compound research R&D 2. New materials R&D 3. Profile/ structure research	2020.10.30
7.	Keep tire pressure technology R&D	1. New materials research	2020.10.30
8.	MCR Development of sport tires	1 New compound R&D 2.New structure R&D	2020.12.31
9.	Development of lightweight and low RR Road tires	1. New compound R&D 2. New carcass R&D 3. New breaker R&D	2020.06.30
10.	Development of semi-slick gravel tires	1. New On/off road tread pattern design 2. High tear carcass R&D	2020.04.30
11.	ATV New puncture resistance technology research	1. New structure R&D 2. New material R&D	2020.12.31
12.	Truck Steer Product Development	1. New tread compound R&D 2. New structure R&D	2020.07.31
13.	Development of RV tires	1. New structure R&D 2. New sidewall compound R&D	2020.11.30

2. Projected investment in R&D

The R&D investment in 2020 is projected to be about 4-5% of the annual revenue to maintain the Company's R&D competitiveness

3. Intellectual property (IP) information disclosure

(1) Intellectual property management and system strategies: We have viewed research and development as the basis of our technology since the establishment of the Company. Technology is a type of intangible property and the Company highly values the idea that the intellectual property right of technology should be protected. To strengthen the Company's R&D ability, we have been promoting the short-term, medium-term, and long-term strategic planning since 2015. In the beginning, the goal was set to increase the patent quantity. In the medium-term and long-term strategy, we focus on improving the patent quality and invest on technological development to make sure the quality and quantity of the Company's patents are both upgraded. Under the protection of the intellectual property rights, the value of our technology and patents could be created and the ultimate goal would be gaining profit by the commodification of the patents.

(2) Intellectual property management system: The Patent Management Policy was stipulated to ensure the execution of patents creation and the quality of the execution. In order to upgrade the Company's technology and place emphasis on intangible property, the Patent Management Policy have been stipulated to encourage all R&D and non-R&D personnel in the group to actively bring up patent proposals. The Policy also provides incentives for proposals. The intellectual property department has also set up an online patent platform so that the R&D engineers can understand the current competitors' latest patent development in the Company's industries more effectively and access the public patent information of the different countries for reference.

(3) Potential intellectual property risks and countermeasures: The Company's products are sold to more than 180 countries globally. Therefore, it is quite difficult to investigate the violations. The preventive measures are as follows:

A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies' products. If there is any similarity that raise concerns or potential violation to the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation exists.

B: Preventing IP violations by the Company: Before the release of the Company's product, an R&D engineer is required to perform a global patent search featuring this product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents.

After following the two preventive measures above, the authorization from the Company's management team must first be obtained before displaying the relevant patent information on the advertisements to publicize the Company's intellectual property rights and releasing any product advertisement material or new technology.

4. Intellectual property list/result (the Company's total patent cases as of 2019)

Intellectual properties	Parent Company	Subsidiaries
Invention	10	73
New prototypes	4	322
Design	194	791
Total	1,394	

5. The Company's intellectual property management plan and execution details above were reported to the board for their understanding on April 23, 2020.
- (4) Impact of changes in domestic and foreign policy and laws on the Company's financial operations over the latest year and as at the date of the annual report; action plans:
- The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.
- (5) Impact of changes in technology and industry environment on the Company's financial operations over the latest year and as of the date of the annual report; action plans:
- Over the latest year and as of the date of the annual report, there is no change in technology and industry environment that has an impact on the Company's financial operations.
- (6) Impact of changes to corporate image on corporate crisis management over the latest year and as of the date of the annual report; action plans:
- The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as at the date of the annual report.
- (7) Projected benefits and potential risks associated with mergers and acquisitions activities over the latest year and as at the date of the annual report: None.
- (8) Projected benefits and potential risks associated with facility expansion over the latest year and as at the date of the annual report: None.
- (9) Risks associated with concentration of supply and sales over the latest year and as of the date of the annual report: None.
- (10) Impact of transfer of significant number of shares by directors, supervisors and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and action plans: None.
- (11) Impact of change in ownership, risks associated and action plans: None.
- (12) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.
- (13) Other major risks:

A. Based on the materiality principle of corporate social responsibility, the Company conducts the relevant risk evaluation of the important issues and stipulates the relevant risk management policies and measures according to the evaluated risks as follows:

Material Issue	Risk Type	Potential Risk	Risk Management Policy and Measure	Responsible Department
Corporate Governance	Financial Risk	Exchange Rate Risk	The group's major currencies for sales and purchase are RMB, USD, NTD, and THB. The sales and purchases amount were of similar scale, thus the exchange rate risk is offset. The exchange rate risk resulting from the overseas investment come from RMB, USD, THB, VND, INR, and IDR. The Company mainly adopts natural hedges of net positions and monitors foreign exchange fluctuations closely.	Finance Department
	Legal Compliance	Intellectual Property Right Risk	<p>The Company's products are sold to more than 180 countries globally. Therefore, it is quite difficult to investigate the violations. The preventive measures are as follows:</p> <p>A. Preventing IP violations by other companies: The intellectual property department monitors the current status of other companies' patents at all times. The business department is also keeping an eye on other companies' products. If there is any similarity that raise concerns or potential violation to the Company's patents, they will report to the intellectual property department so that the investigation will be conducted to confirm whether any violation exists.</p> <p>B: Preventing IP violations by the Company: Before the release of the Company's product, an R&D engineer is required to perform a global patent search featuring this</p>	R&D Department

			<p>product to confirm it does not violate any existing patent. Then, the R&D engineer is required to submit a patent application in accordance with the Invention & Utility Model Patent Management Policy and the Design Patent Management Policy to ensure that all of the Company's products on the market are protected with patent rights and do not violate other companies' patents.</p> <p>After following the two preventive measures above, the authorization from the Company's management team must first be obtained before displaying the relevant patent information on the advertisements to publicize the Company's intellectual property rights and releasing any product advertisement material or new technology.</p>	
	Continuous Operational Risk	Material Price Risk/ Material Supply Management	<p>Material price alert: Cheng Shin employs the personnel responsible for observing the international raw material trading prices to timely monitor the raw material market prices online and keying in all the information into the system and inform the Company's senior management of the unusual information so as to closely oversee and seize the market trends.</p>	General Manager Office
	Information Security Risk	Confidential Information Protection	<p>The Company has stipulated the information security policies in accordance with the information security management system ISO27001 to list all information security measures including strengthening information security management, ensuring information usability, completion, and confidentiality, and preventing</p>	Information Department

			intentional or unintentional threat from inside or outside of the Company.	
Environment	Damage Risk	Material Disaster	<p>The stipulation of the Disaster Accident Management Regulations: Detailing the procedures to deal with any contingency, the emergency contact system, and the disaster countermeasures.</p> <p>The stipulation of the Comprehensive Contingency Measure: In China we have stipulated the Comprehensive Contingency Measures for accidents such as fire explosion, poisoning, machinery harm, vehicle harm, dust explosion, electric shock, and suffocation, detailing the emergency team organization and the major responsibilities of each team, and emergency handling procedures to conform to the National Security Manufacturing Act, the Safety and Health Regulations for Manufacturing Procedures, and the Manufacturing Safety Accident Countermeasure Guidelines for the Manufacturing Department.</p>	Safety and Health Department
	Pollution Risk	Environment Control Ability	Cheng Shin has promoted the environment management system ISO14001 for years. Through the annual external and internal audits, the environmental policy stipulation, and the setting, execution, audit, and review of the objectives, CAPDCA is achieved to continue to improve the environmental performance.	Safety and Health Department
	Environmental Regulation Risk	Legal Compliance	With regard to the environmental protection regulations amended and announced by the government, the Company collects the latest promulgated laws and regulations for the responsible departments to verify	Safety and Health Department

			<p>if these laws and regulations are being adequately adhered to make sure that the Company's operation is in conformity and the relevant regulations of the Company will be amended accordingly. .</p> <p>If there is any relevant laws and regulations on the environmental issues such as greenhouse gas, the Company should actively participate in the contingency team organized by the Industrial Development Bureau of the Ministry of Economic Affairs, pay attention to the draft laws and regulations and relevant changes, and keep track of the relevant information at all times.</p>	
Society	Human Resources Risk	Key Talents	To form consensus among management, the Company hosts offsites training seminar for the management to attend; management are split into teams and with the help of the facilitators, the training would help to inspire changes in the mindsets. This model helps to cultivate talents in a systematic way.	Human Resources Department
	Occupational Safety Risk	Operational Risk Resulting from not Following Occupational Safety and Health Standard Procedures	To ensure the safety and health standards at the workplace, lower the accident costs, and reduce the working hour losses, Cheng Shin has adopted the occupational safety and health management system ISO45001 to achieve the safety and health goals and performance. Meanwhile, the organizational risks and opportunities are considered, the occupation safety and health risks within the organization are identified, and the damage and risks are eliminated and controlled to lower the impact.	Safety and Health Department

B. Impact of information system damage on the company and countermeasures

Our company's information system is structured with two highly reliable host computers, remote backup, and data backup mechanism based on its risk level to ensure the continuous service. In addition, the backup data are stored and saved at another location and the drill of mock tests and emergency responses is regularly performed to ensure the normal operation and safeguards of the information system. The risk of system crash due to the unpredictable natural disasters and personal negligence is also lowered to ensure that the expected system recovery timeline is met.

With the aim to quickly and successfully resume business operation and lower the extent of possible losses and risks when the event of information system damage occurs, the countermeasures are in place such as the regular analysis of disasters impact on operations performed every year, the designing and upgrading of the proper software and hardware equipment and resources based on their risk levels, and the improvement of the operation procedures.

To respond to the advances of the technology, the electronic data protection system updates have become even more important. With regard to the data protection, we further reinforce the protection of the clients' intellectual property in addition to the multiple protective measures of data encryption. Moreover, the office computers are all equipped with the automatic electronic data protection system, which allows the clients' sensitive documents to be protected once they are transmitted to the Company and actively prevent them from being opened by any non-company personnel. What is more important is that any operations that are not permitted will be recorded in a log with details of the administrators and general users conducting the operations tracked. The tracked operations include (1) file decryption (2) document printing and (3) file deletion. If any unusual operation occurs, the system will alert the system administrator to investigate and analyze the incident so as to fully protect the electronic data and avoid the danger of the data leak.

The Company has always been exercised the utmost caution in fully protecting the clients' intellectual property and identity privacy and monitoring every document and file regarding the product secrecy and confidentiality. Therefore, through the continuous data updates and establishing the breach protection mechanism, we try our best to achieve the goal of 100% data protection so that the clients and suppliers feel safe when they conduct business with the Company.

7.7 Other material matters: None.

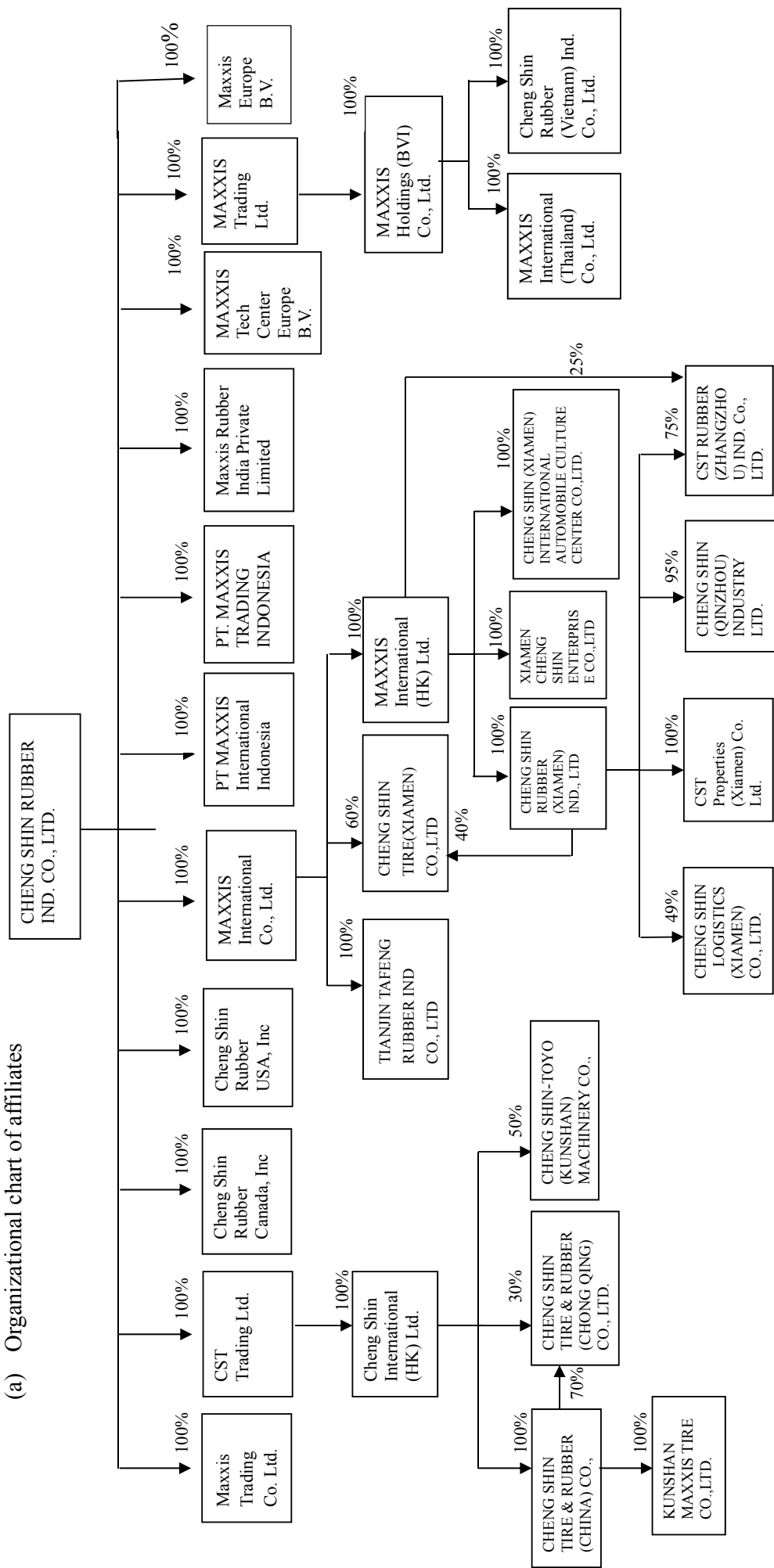
VIII. Special Notes

8.1 Information on Affiliated Companies

(1) Consolidated Business Report of Affiliated Companies

1. Status of affiliates

(a) Organizational chart of affiliates



(b) In accordance with Article 369-3 of the Company Act, the Company and those listed below are presumed to have a controlling and subordinate relationship and do not meet such definition under Article 369-2 of the Company Act. Therefore, they are not included in the consolidated financial statement. The information of their shareholders and directors: None.

(c) Pursuant to Article 369-2(2) of the Company Act, subsidiaries whose personnel, finance or business are controlled directly or indirectly by the Company: None.

2. Basic information on affiliates

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber (Xiamen) Ind. Ltd.	1989.05.26	No. 15, Xibin Rd., Xinglin Zhen, Jimei District, Xiamen City	US\$175,000,000	Produces and sells various types of automobile tires
Cheng Shin Rubber USA, Inc	1990.05.11	545 OLD PEACHTREE ROAD, SUWANEE, GA30024 USA	US\$18,000,000	Import-export trade in tires
Cheng Shin Logistics (Xiamen) Co. Ltd.	1993.03.25	No. 11, Xinshun Rd., Haicang District, Xiamen	RMB\$14,411,765	International containerized shipping business
CST Trading Ltd.	1993.05.19	P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS	US\$72,900,000	General trade and investment
Cheng Shin Tire & Rubber (China) Co. Ltd	1993.07.27	No. 8, Hefeng Rd., Lujia Township, Kunshan City	US\$225,000,000	Produces and sells various types of automobile tires
Tianjin Tafeng Rubber Ind Co., Ltd.	1994.08.15	No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin	US\$18,000,000	Produces and sells various types of automobile tires
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	1996.03.20	Chaoyang East Rd., Kunshan R&D Zone, Jiangsu Province	US\$8,500,000	Produces and sells tire molds for cars and trucks
MAXXIS International Co., Ltd.	1997.01.30	P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.	US\$35,050,000	General trade and investment
Cheng Shin (Qinzhou) Industry Ltd.	1998.09.23	No. 26, Jiangang Rd., Legou Business District, Qinzhou Economic Development Zone, Guangxi	RMB\$45,000,000	Rubber and tire parts distribution and delivery

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber Canada, Inc	1999.01.31	400 CHRYSLER DRIVE, UNIT C BRAMPTON, ONTARIO, L6S 5Z5 CANADA	CAD\$ 1,518,700	Import-export trade in tires
Cheng Shin Tire (Xiamen) Co., Ltd	2001.12.28	No. 15, Xiyuan Rd., Haicang District, Ximen	US\$130,000,000	Produces and sells various types of automobile tires
MAXXIS Trading Ltd.	2002.08.26	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US\$237,811,720	General trade and investment
MAXXIS Holdings (BVI) Co., Ltd.	2002.08.27	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US\$237,811,720	General trade and investment
MAXXIS International (Thailand) Co., Ltd.	2002.11.05	300/1 MOO 1, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAYONG PROVINCE 21140, THAILAND	THB\$6,500,000,000	Produces and sells various types of automobile tires
XiaMen Cheng Shin Enterprise Co., Ltd.	2004.01.11	No. 15, Xinshun Rd., Haicang District, Xiamen	US\$45,000,000	Produces and sells various types of automobile tires
MAXXIS Tech Center Europe B.V.	2005.04.01	Neutronenlaan 7, 5405 NG Uden, The Netherlands	EUR\$ 1,000,000	Tire testing
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	2005.12.08	C'ity TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.	US\$62,000,000	Produces and sells various types of automobile tires
MAXXIS International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Harbour Road, Wanchai, Hong Kong	US\$226,801,983	General trade and investment
Cheng Shin International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Harbour Road, Wanchai, Hong Kong	US\$246,767,840	General trade and investment
Cheng Shin (Xiamen) International Automobile Cultural Center Co. Ltd.	2009.07.17	Room 101, No. 58, Shuilishe, Kengnei Vil., Guankou Township, Jimei District, Xiamen	US\$20,000,000	Automobile assembly and product R&D, testing and related product display
CST Rubber (Zhangzhou) Ind. Co., Ltd.	2010.03.22	No. 15, Qingshi Road, Gangwei Township, Longhai City	RMB\$950,000,000	Produces and sells various types of automobile tires
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2010.05.17	No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City	US\$100,000,000	Produces and sells various types of vehicle tires, rubber products,

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
CST Properties (Xiamen) Co., Ltd.	2013.08.21	Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen	RMB380,000,000	molds and accessories.
PT Maxxis International Indonesia	2014.08.27	Kawasan Greenland International Industrial Center (GIIC) Blok CG No. 01, Kota Deltamas, Desa Pasirranji, Kec. Cikarang Pusat, Kabupaten Bekasi	US\$80,000,000	Employee dormitory construction and sales
Maxxis Rubber India Private Limited	2015.03.26	A/1, 2 nd Floor, Safal Profitaire, Corporate Road, Prahladnagar, Ahmedabad-380015, Gujarat, INDIA		Produces and sells tires and inner tubes
Kunshan Maxxis Tire Co., Ltd.	2015.09.28	No. 8, Hefeng Rd., Lujia Township, Kunshan City	INR 6,500,000,000	Motorcycle tires and inner tube production and sales
Maxxis Trading Company Limited	2016.01.13	No. 180, Juguang Rd., Sanyi Vil., Yuanlin City, Changhua County	RMB5,000,000	Sales of various vehicle tires, rubber products, molds and accessories
PT. Maxxis Trading Indonesia	2017.05.10	Kawasan Greenland International Industrial Center (GIIC) Blok CG. No. 1A Kota Deltamas, Desa Pasirranji, Kec. Cikarang Pusat, Kabupaten Bekasi	NT\$100,000,000	Sales of various automobile tires, rubber products, and accessories
Maxxis Europe B.V.	2018.05.24	Neutronenlaan 7, 5405 NG Uden, The Netherlands	US\$1,000,000	Auto parts trading
			EUR\$500,000	Sales of various automobile tires

Note: Applicable exchange rates are as of the end of the year of the affiliates

(US\$1:NT\$29.98;EUR\$1:NT\$33.59;CAD\$1:NT\$22.9675;RMB\$1:NT\$4.305;THB\$1:NT\$1.0098;VND\$1:NT\$0.00117;IDR\$1:NT\$0.00218;INR\$1:NT\$0.422)for conversions

3.Information on shareholders of controlling and subordinate companies: There are no presumed subordinate companies.

4.Industry scope of the group affiliates

- (a) Businesses engaged by the Company and its affiliates include tires, general trading and investment, international trade, machinery, R&D and testing of automotive accessories, testing and exhibition of related products, human resource dispatch, etc.
- (b) Cooperation between the Company and affiliates:

Cooperation Matters	Affiliates
Manufacturing and marketing of tire products	The Company, Cheng Shin Rubber (Xiamen) Ind. Ltd. ,Cheng Shin Tire & Rubber (China) Co., Ltd. , Tianjin Tafeng Rubber Ind., Co., Ltd. , Cheng Shin Tire (Xiamen) Co., Ltd. , XiaMen Cheng Shin Enterprise Co., Ltd. , MAXXIS International (Thailand) Co., Ltd. , Cheng Shin Rubber (Vietnam) IND. Co., Ltd. , Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. , CST Rubber (Zhangzhou) Ind. Co., Ltd. , PT MAXXIS International Indonesia, Maxxis Rubber India Private Limited
Marketing of Tire Products	Cheng Shin Rubber USA, Inc., Cheng Shin Rubber Canada, Inc., Kunshan Maxxis Tire Co., Ltd., Maxxis Trading Company Limited, PT. MAXXIS TRADING INDONESIA, Maxxis Europe B. V.
Production of Molds and Equipment	Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.
Tire Testing Center	MAXXIS Tech Center Europe B. V.
R&D Centers	The Company, Cheng Shin Tire & Rubber (China) Co., Ltd. , Cheng Shin Rubber USA, Inc. , Cheng Shin Rubber (Xiamen) Ind. Ltd.
Automotive accessory development and testing, etc.	Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.
International packaging and shipping business	Cheng Shin Logistics (Xiamen) Co., Ltd., Cheng Shin (Qinzhou) Industry Ltd., Tianjin Tafeng Rubber Ind Co., Ltd.

5. Directors, Supervisors and General Managers of affiliated enterprises:

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
MAXXIS International Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu Li-Ching	35,050,000	100%
CST Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	72,900,000	100%
Cheng Shin Rubber USA, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Lee Hung-Wen	1,800,000	100%
Cheng Shin Rubber Canada, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Zheng, Ya-Wei	1,000,000	100%
MAXXIS Tech Center Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Lin, Jin-Quan	1,000,000	100%
Cheng Shin Rubber (Xiamen) Ind. Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
	Supervisor	MAXXIS International (HK) Ltd. Representative: Hsu, Chih-Ming		
Tianjin Tafeng Rubber Ind Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
Cheng Shin (Qinzhou) Industry Ltd.	Director	Xiamen Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Shiu-Hsiung	-	95%
XiaMen Cheng Shin Enterprise Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo,	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin Tire (Xiamen) Co., Ltd.		Min-Ling		
	Supervisor	MAXXIS International (HK) Ltd. Representative: Chen, Han-Xin		
	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling Cheng Shin Rubber (Xiamen) Ind. Ltd. Representative: Hsu, Chih-Ming	-	60%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind. Ltd. Representative: Chen, Han-Xin		40%
Cheng Shin Tire & Rubber (China) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li		
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lee, Chin-Chang	-	50%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li		
MAXXIS Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%
MAXXIS Holdings (BVI) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
MAXXIS International (Thailand) Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen; Chen, Shiu-Hsiung	65,000,000	100%
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen; Liao, Zheng-Yao; Chiu, Li-Ching	62,000,000	100%
MAXXIS International (HK) Ltd.	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen	226,801,983	100%
Cheng Shin International (HK) Ltd.	Director	CST Trading Ltd. Representatives: Lo, Tsai-Jen	246,767,840	100%
PT MAXXIS International Indonesia	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Li, Hong-Ge; Xie, Zheng-Chang	79,997,000	99.99625%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
PT. MAXXIS TRADING INDONESIA	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Li, Hong-Ge	9,990	99.9%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
Maxxis Rubber India Private Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Liao, Zheng-Yao; Liu, Chun-Xuan	649,994,730	99.99919%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd.		
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind. Ltd.		

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin Logistics (Xiamen) Co., Ltd.		Representative: Chen, Han-Xin		
	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd.		49%
		Representative: Chen, Shiu-Hsiung; Hsu, Chih-Ming		25.5%
		Xiamen Maxxis Trading Company Limited		25.5%
	Supervisor	Representative: Lo, Tsai-Jen Hong Kong Daxiang Investment Co., Ltd. Representative: Chen, Han-Xin	-	
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.		Cheng Shin Rubber (Xiamen) Ind. Ltd.		49%
	Director	Representative: Chen, Han-Guang		
	Supervisor	Cheng Shin Tire & Rubber (China) Co., Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang		100%
Kunshan Maxxis Tire Co., Ltd.		Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Lo, Yong-Li	-	
	Director	Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Lee, Chin-Chang		100%
	Supervisor	Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Jiang, Zhi-Wei	-	
CST Properties (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung		100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Xin	-	
CST Rubber (Zhangzhou) Ind. Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung MAXXIS International (HK) Ltd. Representatives: Lo, Tsai-Jen, Lo, Ming-Ling	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Maxxis Trading Company Limited	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Xin		
	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Liao, Cheng-Yao; Chen, Shiu-Hsiung	10,000,000	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Chiu, Li-Ching		
Maxxis Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Ting, Tso-Lin	500,000	100%

(2) Financial status and operating performance of affiliates:

in NT\$1000

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT\$) (After tax)
MAXXIS International Co., Ltd.	1,017,852	40,469,946	99	40,069,847	-	-275	2,227,008	63.54
CST Trading Ltd.	2,117,016	25,199,885	112	25,199,773	-	-264	2,915,870	40.00
Cheng Shin Rubber USA, Inc	539,640	4,219,369	1,509,926	2,709,443	7,516,132	231,337	182,579	101.43
Cheng Shin Rubber Canada, Inc	34,881	1,038,472	333,279	705,193	2,299,995	94,420	56,434	56.43
Cheng Shin (Qinzhou) Industry Ltd.	193,725	122,268	10,041	112,227	9,709	-12,259	-11,524	-
Cheng Shin Tire & Rubber (China) Co., Ltd.	7,699,359	29,845,279	6,671,926	23,173,371	21,768,779	2,325,531	2,672,264	-
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	292,425	387,892	58,350	329,542	312,403	75,352	70,412	-
Cheng Shin Rubber (Xiamen) Ind. Ltd.	5,370,505	31,472,396	8,905,857	22,566,539	17,514,768	133,557	1,628,516	-
Tianjin Tafeng Rubber Ind Co., Ltd.	636,113	831,661	63,229	768,432	241,837	-199,705	-465,857	-
Cheng Shin Tire (Xiamen) Co., Ltd.	4,155,017	14,802,479	2,266,732	12,535,747	13,153,097	669,468	632,402	-
MAXXIS Trading Ltd.	6,906,052	10,417,984	99	10,417,885	-	-169	94,723	0.40
MAXXIS Holdings (BVI) Co., Ltd.	6,906,052	10,848,827	-	10,848,827	-	-67	94,457	0.40
XiaMen Cheng Shin Enterprise Co., Ltd.	1,568,229	8,233,050	601,627	7,631,423	4,038,380	408,496	560,653	-
MAXXIS Tech Center Europe B.V.	33,590	89,870	21,370	68,500	120,879	8,209	6,501	6.50
Cheng Shin Rubber (Vietnam) IND. Co., Ltd	1,317,749	5,017,732	1,767,827	3,249,905	5,585,826	952,628	697,909	11.26
MAXXIS International (Thailand) Co., Ltd.	6,563,700	15,420,100	7,824,250	7,595,850	12,864,572	-508,493	-603,385	-9.28
MAXXIS International (HK) Ltd.	6,586,330	31,809,672	-	31,809,672	-	-106	2,313,861	10.20
Cheng Shin International (HK) Ltd.	7,166,138	25,018,438	-	25,018,438	-	-99	2,916,370	11.82

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT\$) (After tax)
Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.	574,276	719,282	561,526	157,756	4,431	-85,177	-120,149	-
Cheng Shin Logistics (Xiamen) Co., Ltd.	62,043	232,213	99,144	133,069	477,000	34,374	27,921	-
CST Rubber (Zhangzhou) Ind. Co., Ltd.	4,089,750	14,640,407	8,826,743	5,813,664	9,514,606	1,344,763	978,468	-
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2,807,316	7,942,473	2,767,648	5,174,825	5,886,982	841,283	658,416	-
CST Properties (Xiamen) Co., Ltd.	1,635,900	3,362,122	1,390,108	1,972,014	1,609,464	635,055	442,095	-
PT MAXXIS International Indonesia	1,979,614	9,596,821	9,596,821	0	528,325	-908,443	-821,888	-10
Maxxis Rubber India Private Limited	2,743,000	8,116,993	8,116,993	0	465,833	-1,004,969	-1,472,251	-2
Kunshan Maxxis Tire Co., Ltd.	21,525	41,959	4,4341	37,618	542,836	11,218	10,549	-
Maxxis Trading Company Limited	100,000	782,891	463,042	319,849	4,251,132	189,108	151,345	15
PT. MAXXIS TRADING INDONESIA	29,086	32,803	6,488	26,315	25,391	-1,819	-2,140	-214
Maxxis Europe B.V.	16,795	20,906	7,304	13,602	9,632	-3,446	-3,434	-7

Note 1: Assets and liabilities are based on end-of-year exchange rates

(US\$1:NT\$29.98;EUR\$1:NT\$33.59;CAD\$1:NT\$22.9675;RMB\$1:NT\$4.305;THB\$1:NT\$1.0098;VND\$1:NT\$0.00117;IDR\$1:NT\$0.00218;INR\$1:NT\$0.422)

Profits and losses are based on weighted average exchange rates

(US\$1:NT\$30.9118;EUR\$1:NT\$34.6128;CAD\$1:NT\$23.2783;RMB\$1:NT\$4.47216;THB\$1:NT\$1.00084;VND\$1:NT\$0.00121;IDR\$1:NT\$0.0022;INR\$1:NT\$0.43914)

Note 2: Paid-in capital.

(3) Consolidated financial statement of affiliates:

For 2019 (from January 1, 2019 to December 31, 2019), companies that are required to be included in the consolidated financial statements of affiliates in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiaries under International Accounting Standard No. 10. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiaries, no consolidated financial statements of affiliates are separately prepared.

(4) Affiliation Reports: In the absence of any presumed subordinate, no such report is prepared.

- 8.2 Private placement of securities over the latest year and as at the date of the printing of the annual report: None.
- 8.3 Shareholding or disposition of shares of the Company by any subsidiary over the latest year and as at the date of the printing of the annual report: None.
- 8.4 Other matters required to be specified: None
- 8.5 Material matters specified by Article 36(3)(ii) of the Securities and Exchange Act that has a material impact on interests of shareholders or price of securities over the latest year and as of the date the printing of the annual report: None.

Cheng Shin Rubber Industry Co. Ltd.

Chairman



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15% Rolling Resistance reduction for improved fuel economy



1.6dB Noise reduction for improved passenger comfort



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