

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 20000403

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries as at March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$26,637,127 thousand and NT\$28,185,958 thousand, constituting 17% and 16% of the consolidated total assets, and total liabilities of NT\$21,067,295 thousand and NT\$19,739,749 thousand, constituting 26% and 21% of the consolidated total liabilities as at March 31, 2020 and 2019, and total net operating revenues of NT\$3,699,945 thousand and NT\$3,666,580 thousand, constituting 19% and 14% of consolidated total net operating

revenue, and total comprehensive (loss) income of NT(\$2,009,736) thousand and NT\$15,364 thousand, constituting 66% and 1% of the consolidated total comprehensive (loss) income for the three-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Wang, Yu-Juan

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

May 12, 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
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets		Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 24,716,977	16	\$ 25,501,222	16	\$ 27,779,782	16
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		3,585	-	-	-	-	-
1120	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - current		17,698	-	25,935	-	24,636	-
1150	Notes receivable, net	6(4)	2,629,345	2	3,761,453	2	2,783,421	1
1170	Accounts receivable, net	6(4)	8,305,919	5	8,938,927	5	9,880,544	6
1180	Accounts receivable - related	7						
	parties		31,540	-	54,053	-	40,478	-
130X	Inventories	6(5)	16,661,009	10	17,949,870	11	18,535,999	11
1410	Prepayments		1,362,651	1	1,214,726	1	1,599,891	1
1470	Other current assets	8	1,318,622	1	1,483,789	1	1,793,632	1
11XX	Current Assets		55,047,346	35	58,929,975	36	62,438,383	36
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		58,187	-	58,187	-	58,187	-
1550	Investments accounted for	6(6)						
	using the equity method		164,051	-	157,489	-	154,296	-
1600	Property, plant and equipment,	6(7)						
	net		91,662,431	59	95,889,585	59	103,861,596	59
1755	Right-of-use assets	6(8)	5,211,806	3	5,518,534	3	5,437,091	3
1760	Investment property, net	6(9)	541,419	-	550,156	-	585,197	-
1840	Deferred income tax assets	6(26)	2,275,879	2	1,986,139	1	1,158,246	1
1900	Other non-current assets	6(10)	842,717	1	950,164	1	1,021,070	1
15XX	Non-current assets		100,756,490	65	105,110,254	64	112,275,683	64
1XXX	Total assets		\$ 155,803,836	100	\$ 164,040,229	100	\$ 174,714,066	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 17,340,115	11	\$ 16,843,366	10	\$ 17,010,973	10
2130	Current contract liabilities	6(21)	754,893	1	935,619	1	1,321,836	1
2150	Notes payable		1,057,815	1	1,122,276	1	834,524	-
2170	Accounts payable		5,157,255	3	7,793,330	5	7,830,053	4
2200	Other payables	6(12)	4,657,903	3	5,587,574	3	5,580,281	3
2230	Current income tax liabilities	6(26)	542,336	-	755,825	-	876,535	1
2280	Current lease liabilities		143,884	-	139,374	-	93,962	-
2300	Other current liabilities	6(13)(14)(15)	9,865,575	6	10,226,810	6	10,008,203	6
21XX	Current Liabilities		39,519,776	25	43,404,174	26	43,556,367	25
Non-current liabilities								
2530	Corporate bonds payable	6(14)	14,500,000	10	14,500,000	9	17,000,000	10
2540	Long-term borrowings	6(15) and 7	22,133,065	14	23,302,050	14	26,865,208	15
2550	Provisions for liabilities - non-current		143,333	-	141,841	-	138,227	-
2570	Deferred income tax liabilities	6(26)	1,332,948	1	1,313,834	1	1,553,216	1
2580	Non-current lease liabilities		536,792	-	569,553	-	223,282	-
2600	Other non-current liabilities	6(16)	2,712,651	2	2,838,090	2	3,029,887	2
25XX	Non-current liabilities		41,358,789	27	42,665,368	26	48,809,820	28
2XXX	Total Liabilities		80,878,565	52	86,069,542	52	92,366,187	53
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(17)	32,414,155	21	32,414,155	20	32,414,155	19
Capital surplus								
3200	Capital surplus	6(18)	52,576	-	52,576	-	52,576	-
Retained earnings								
3310	Legal reserve	6(19)	15,186,978	10	15,186,978	9	14,834,946	8
3320	Special reserve		5,200,298	3	5,200,298	3	4,430,061	3
3350	Unappropriated retained earnings		29,457,245	19	31,445,921	19	33,709,781	19
Other equity interest								
3400	Other equity interest	6(20)	(7,958,996)	(5)	(6,904,245)	(4)	(3,740,072)	(2)
31XX	Equity attributable to owners of the parent		74,352,256	48	77,395,683	47	81,701,447	47
36XX	Non-controlling interest		573,015	-	575,004	1	646,432	-
3XXX	Total equity		74,925,271	48	77,970,687	48	82,347,879	47
Significant contingent liabilities 9 and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$ 155,803,836	100	\$ 164,040,229	100	\$ 174,714,066	100

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(Review, not audited)

	Items	Notes	Three-month periods ended March 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 19,550,044	100	\$ 26,800,257	100
5000	Operating costs	6(5)	(16,011,064)	(82)	(21,007,919)	(78)
5900	Net operating margin		3,538,980	18	5,792,338	22
	Operating expenses	7				
6100	Selling expenses		(1,557,687)	(8)	(1,943,393)	(7)
6200	General and administrative expenses		(822,480)	(4)	(895,329)	(4)
6300	Research and development expenses		(1,058,947)	(5)	(1,287,721)	(5)
6000	Total operating expenses		(3,439,114)	(17)	(4,126,443)	(16)
6900	Operating profit		99,866	1	1,665,895	6
	Non-operating income and expenses					
7010	Other income	6(22)	239,573	1	197,730	1
7020	Other gains and losses	6(23)	(1,794,229)	(9)	326,550	1
7050	Finance costs	6(24)	(350,899)	(2)	(460,218)	(2)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(6)	6,562	-	1,682	-
7000	Total non-operating income and expenses		(1,898,993)	(10)	65,744	-
7900	(Loss) profit before income tax		(1,799,127)	(9)	1,731,639	6
7950	Income tax expense	6(26)	(184,663)	(1)	(677,369)	(2)
8200	(Loss) profit for the period		(\$ 1,983,790)	(10)	\$ 1,054,270	4

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(Review, not audited)

Items	Notes	Three-month periods ended March 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealized (loss) gain on valuation of equity instruments at fair value through profit or loss	6(3)(20)	(\$ 8,237)	-	\$ 1,751	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(8,237)	-	1,751	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(20)	(1,315,018)	(7)	1,838,471	7
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(26)	261,629	1	(364,619)	(2)
8360 Components of other comprehensive income that will be reclassified to profit or loss		(1,053,389)	(6)	1,473,852	5
8300 Other comprehensive (loss) income for the period		(\$ 1,061,626)	(6)	\$ 1,475,603	5
8500 Total comprehensive (loss) income for the period		(\$ 3,045,416)	(16)	\$ 2,529,873	9
(Loss) profit, attributable to:					
8610 Owners of the parent		(\$ 1,988,676)	(10)	\$ 1,047,439	4
8620 Non-controlling interest		4,886	-	6,831	-
		(\$ 1,983,790)	(10)	\$ 1,054,270	4
Comprehensive income attributable to:					
8710 Owners of the parent		(\$ 3,043,427)	(16)	\$ 2,507,665	9
8720 Non-controlling interest		(1,989)	-	22,208	-
		(\$ 3,045,416)	(16)	\$ 2,529,873	9
(Loss) earnings per share (in dollars)	6(27)				
9750 Basic earnings (loss) per share		(\$ 0.61)		\$ 0.32	
9850 Diluted earnings (loss) per share	6(27)	(\$ 0.61)		\$ 0.32	

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

	Equity attributable to owners of the parent							
	Capital surplus	Retained earnings			Other equity interest			
		Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Notes	Share capital - common stock							
						Total	Non-controlling interest	Total equity
Three-month period ended March 31, 2019								
	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220
	-	-	-	-	-	1,047,439	-	-
Profit for the period	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	1,438,475	1,751
Total comprehensive income	-	-	-	-	-	1,047,439	1,438,475	1,751
Balance at March 31, 2019	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 33,709,781	(\$ 3,756,043)	\$ 15,971
Three-month period ended March 31, 2020								
	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270
	-	-	-	-	-	(1,988,676)	-	-
(Loss) profit for the period	-	-	-	-	-	-	(1,046,514)	(8,237)
Other comprehensive loss for the period	-	-	-	-	-	(1,988,676)	(1,046,514)	(8,237)
Total comprehensive loss	-	-	-	-	-	-	(3,043,427)	(1,989)
Balance at March 31, 2020	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 29,457,245	(\$ 7,968,029)	\$ 9,033
	-	-	-	-	-	\$ 74,352,256	\$ 573,015	\$ 74,925,271

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
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

	Notes	Three-month periods ended March 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 1,799,127)	\$ 1,731,639
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(25)	2,960,576	3,078,775
Depreciation expense on right-of-use assets	6(8)(25)	66,702	50,729
Depreciation on investment property	6(9)(25)	5,786	6,121
Amortization expense	6(10)(25)	25,549	24,299
Expected credit loss (gain)	12(2)	33,786	(2,152)
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	(6,562)	(1,682)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(23)	(3,585)	(426)
Loss on disposal of property, plant and equipment	6(7)(23)	14,189	9,189
Reversal of impairment loss on non-financial assets	6(7)	(1,778)	-
Interest expense	6(7)(24)	350,899	460,218
Interest income	6(22)	(57,295)	(70,261)
Deferred government grants revenue		(35,969)	(35,600)
Unrealized foreign exchange loss (gain) on long-term foreign currency loans		1,767,683	(195,240)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,132,108	(109,878)
Accounts receivable		599,927	(16,474)
Accounts receivable - related parties		22,513	7,498
Inventories		1,288,861	826,230
Prepayments		(150,401)	(141,292)
Other current assets		170,122	(21,079)
Other non-current assets		74,992	127,988
Changes in operating liabilities			
Contract liabilities - current		(180,726)	574,765
Notes payable		(64,461)	211,109
Accounts payable		(2,636,075)	(1,123,149)
Other payables		(816,519)	(256,465)
Other current liabilities		(43,830)	19,829
Accrued pension liabilities		(110,480)	(42)
Other non-current liabilities		4,780	(1,284)
Cash inflow generated from operations		2,611,665	5,153,365
Interest received		52,340	65,012
Interest paid		(331,337)	(412,246)
Income tax paid		(435,098)	(337,520)
Net cash flows from operating activities		1,897,570	4,468,611

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Review, not audited)

		Three-month periods ended March 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets at fair value through profit or loss		\$ -	\$ 3,669
Acquisition of property, plant and equipment	6(7)(28)	(1,493,401)	(2,222,653)
Payment for capitalized interests	6(7)(24)	(4,603)	(23,846)
Proceeds from disposal of property, plant and equipment		34,390	61,395
Acquisition of intangible assets	6(10)	(1,894)	(2,872)
Decrease in refundable deposits		5,871	27,809
Increase in other non-current liabilities		42,234	-
Net cash flows used in investing activities		(1,417,403)	(2,156,498)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(11)(29)	6,436,270	4,282,398
Decrease in short-term loans	6(11)(29)	(5,583,217)	(3,111,285)
Proceeds from long-term loans	6(15)(29)	992,880	2,839,795
Repayments of long-term loans	6(15)(29)	(2,504,245)	(6,819,498)
(Decrease) increase in guarantee deposits received	6(29)	(4,968)	3,812
Repayments of principal portion of lease liabilities	6(8)(29)	(44,783)	(25,292)
Net cash flows used in financing activities		(708,063)	(2,830,070)
Effect of exchange rate changes on cash and cash equivalents		(556,349)	488,243
Net decrease in cash and cash equivalents		(784,245)	(29,714)
Cash and cash equivalents at beginning of period	6(1)	25,501,222	27,809,496
Cash and cash equivalents at end of period	6(1)	\$ 24,716,977	\$ 27,779,782

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

MARCH 31, 2020 AND 2019

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

(Reviewed, not audited)

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 May 12, 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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 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

Except for the compliance statement, basis of preparation and basis of consolidation described below, the other significant accounting policies of the Group are in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2019. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2019.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT.MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	100	Note 4
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	100	100	Note 4

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	100	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	49	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	75	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 4

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

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

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

Note 4: The financial statements of the entity as of March 31, 2020 and 2019, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

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

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

(5) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant

market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(6) Income taxes

- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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

There have been no significant changes as of March 31, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	\$ 5,064	\$ 3,285	\$ 3,388
Checking deposit	1,711,519	1,439,563	1,325,603
Demand deposits	16,567,349	19,648,228	19,421,201
Time deposits	6,433,045	4,410,146	7,029,590
	<u>\$ 24,716,977</u>	<u>\$ 25,501,222</u>	<u>\$ 27,779,782</u>
Interest rate range			
Time deposits	<u>1.55%~4.10%</u>	<u>1.75%~3.15%</u>	<u>1.76%~4.30%</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	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	<u>\$ 3,585</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group recognised net profit amounting to \$3,585 thousand and \$426 thousand on financial assets mandatorily measured at fair value through profit or loss - derivative instruments for the

three-month periods ended March 31, 2020 and 2019, respectively.

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

Derivative instruments	March 31, 2020	
	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2020/3/5~
USD exchange to NTD	USD 9,000 thousand	2020/6/15

The Group has no derivative instruments transaction on December 31, 2019 and March 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	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Equity instruments			
Listed stocks	\$ 8,665	\$ 8,665	\$ 8,665
Valuation adjustment	9,033	17,270	15,971
Total	<u>\$ 17,698</u>	<u>\$ 25,935</u>	<u>\$ 24,636</u>
Non-current items:			
Equity instruments			
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>	<u>\$ 58,187</u>

A. The Group has elected to classify equity instrument investment that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$75,885 thousand, \$84,122 thousand and \$82,823 thousand as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	(\$ 8,237)	\$ 1,751

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

(4) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 2,638,622	\$ 3,770,730	\$ 2,792,698
Less: Loss allowance	(9,277)	(9,277)	(9,277)
	<u>\$ 2,629,345</u>	<u>\$ 3,761,453</u>	<u>\$ 2,783,421</u>
Accounts receivable	\$ 8,380,615	\$ 8,980,542	\$ 9,893,742
Less: Loss allowance	(74,696)	(41,615)	(13,198)
	<u>\$ 8,305,919</u>	<u>\$ 8,938,927</u>	<u>\$ 9,880,544</u>

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

	March 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 6,660,914	\$ 2,638,622	\$ 7,376,434	\$ 3,770,730
Up to 30 days	1,229,375	-	1,099,362	-
31 to 90 days	251,922	-	282,247	-
91 to 180 days	108,819	-	83,960	-
Over 180 days	129,585	-	138,539	-
	<u>\$ 8,380,615</u>	<u>\$ 2,638,622</u>	<u>\$ 8,980,542</u>	<u>\$ 3,770,730</u>
	March 31, 2019			
	Accounts receivable	Notes receivable		
Without past due	\$ 8,115,518	\$ 2,792,698		
Up to 30 days	1,132,520	-		
31 to 90 days	354,641	-		
91 to 180 days	132,696	-		
Over 180 days	158,367	-		
	<u>\$ 9,893,742</u>	<u>\$ 2,792,698</u>		

The above ageing analysis was based on past due date.

- B. As at March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable and notes receivable were all from contracts with customers. And as at January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,608,070 thousand.
- C. As at March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$2,638,622 thousand and \$8,380,615 thousand; \$3,770,730 thousand and \$8,980,542 thousand; \$2,792,698 thousand and \$9,893,742 thousand, respectively.

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

(5) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,682,967	\$ -	\$ 5,682,967
Work in progress	2,516,092	(141)	2,515,951
Finished goods	5,884,456	(158,704)	5,725,752
Buildings and land held for sale	2,255,153	-	2,255,153
Inventory in transit	481,186	-	481,186
	<u>\$ 16,819,854</u>	<u>(\$ 158,845)</u>	<u>\$ 16,661,009</u>

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

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,222,308	\$ -	\$ 5,222,308
Work in progress	3,017,892	-	3,017,892
Finished goods	6,801,180	(31,180)	6,770,000
Land in progress	823,400	-	823,400
Construction in progress	2,067,816	-	2,067,816
Inventory in transit	634,583	-	634,583
	<u>\$ 18,567,179</u>	<u>(\$ 31,180)</u>	<u>\$ 18,535,999</u>

The cost of inventories recognized as expense for the period:

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Cost of goods sold	\$ 15,845,506	\$ 21,042,156
Unallocated overheads	122,040	-
Others	43,518	(34,237)
	<u>\$ 16,011,064</u>	<u>\$ 21,007,919</u>

(6) Investments accounted for using the equity method

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

As at March 31, 2020, December 31, 2019 and March 31, 2019, the carrying amount of the Group's individually immaterial joint ventures amounted to \$164,051 thousand, \$157,489 thousand and \$154,296 thousand, respectively.

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Share of profit of associates and joint ventures accounted for using the equity method	\$ 6,562	\$ 1,682
Total comprehensive income	\$ 6,562	\$ 1,682

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

(7) Property, plant and equipment, net

Three-month period ended March 31, 2020

	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,610,898	\$ -	\$ -	-	(\$ 43,463)	\$ 4,567,435
Buildings and structures	49,810,262	38,472	(6,292)	125,737	(1,328,778)	48,639,401
Machinery	102,641,974	232,906	(100,489)	545,309	(2,530,897)	100,788,803
Testing equipment	3,869,352	2,205	(87)	25,675	(87,451)	3,809,694
Transportation equipment	1,428,027	5,908	(3,008)	3,555	(17,485)	1,416,997
Office equipment	1,054,912	5,447	(183)	107	(20,718)	1,039,565
Other facilities	33,998,456	256,267	(121,063)	146,947	(980,160)	33,300,447
Unfinished construction and equipment under acceptance	5,563,842	830,180	-	(847,330)	(139,576)	5,407,116
	<u>\$ 202,977,723</u>	<u>\$ 1,371,385</u>	<u>(\$ 231,122)</u>	<u>\$ -</u>	<u>(\$ 5,148,528)</u>	<u>\$ 198,969,458</u>
Accumulated depreciation						
Buildings and structures	(\$ 18,644,299)	\$ 485,692	\$ 2,590	-	\$ 319,912	(\$ 18,807,589)
Machinery	(58,136,370)	(1,447,090)	68,436	-	1,395,895	(58,119,129)
Testing equipment	(2,888,108)	(72,444)	11	-	52,711	(2,907,830)
Transportation equipment	(1,061,464)	(25,334)	2,548	-	12,635	(1,071,615)
Office equipment	(710,600)	(33,680)	153	-	12,668	(731,459)
Other facilities	(25,364,441)	(896,336)	108,805	-	760,453	(25,391,519)
	<u>(\$ 106,805,382)</u>	<u>(\$ 2,960,576)</u>	<u>\$ 182,543</u>	<u>\$ -</u>	<u>\$ 2,554,274</u>	<u>(\$ 107,029,141)</u>
Accumulated impairment						
Machinery	(\$ 256,534)	\$ -	\$ 2,200	\$ -	\$ 2,805	(\$ 251,529)
Testing equipment	(271)	(422)	-	-	8	(685)
Transportation equipment	(1,960)	-	-	-	23	(1,937)
Office equipment	(58)	-	-	-	1	(57)
Other facilities	(23,933)	-	-	-	255	(23,678)
	<u>(\$ 282,756)</u>	<u>(\$ 422)</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 3,092</u>	<u>(\$ 277,886)</u>
	<u>\$ 95,889,585</u>					<u>\$ 91,662,431</u>

Three-month period ended March 31, 2019

	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
Cost						
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 11,587	\$ 4,595,054
Buildings and structures	49,684,022	51,388	-	38,371	990,971	50,764,752
Machinery	100,304,545	203,552	(126,909)	1,363,991	2,242,432	103,987,611
Testing equipment	3,729,686	15,608	(11,827)	54,904	66,707	3,855,078
Transportation equipment	1,369,500	14,441	(5,860)	33,696	27,055	1,438,832
Office equipment	954,368	24,737	(254)	14,954	16,057	1,009,862
Other facilities	31,361,160	642,282	(35,095)	348,934	636,928	32,954,209
Unfinished construction and equipment under acceptance	8,005,642	880,300	-	(1,906,399)	143,583	7,123,126
	<u>\$ 199,992,390</u>	<u>\$ 1,832,308</u>	<u>(\$ 179,945)</u>	<u>(\$ 51,549)</u>	<u>\$ 4,135,320</u>	<u>\$ 205,728,524</u>
Accumulated depreciation						
Buildings and structures	(\$ 17,052,347)	(\$ 503,265)	\$ -	\$ -	(\$ 346,277)	(\$ 17,901,889)
Machinery	(53,074,452)	(1,526,570)	71,958	(10,320)	(1,273,587)	(55,812,971)
Testing equipment	(2,670,049)	(75,090)	6,441	1,420	(46,122)	(2,783,400)
Transportation equipment	(998,805)	(28,557)	4,257	-	(20,116)	(1,043,221)
Office equipment	(596,140)	(34,222)	238	-	(10,309)	(640,433)
Other facilities	(22,331,442)	(911,071)	26,467	8,900	(463,291)	(23,670,437)
	<u>(\$ 96,723,235)</u>	<u>(\$ 3,078,775)</u>	<u>\$ 109,361</u>	<u>\$ -</u>	<u>(\$ 2,159,702)</u>	<u>(\$ 101,852,351)</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>\$ 103,254,578</u>					<u>\$ 103,861,596</u>

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:

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Amount capitalized	\$ 4,603	\$ 23,846
Range of the interest rates for capitalization	3.83%~4.68%	2.20%~6.48%

(8) Leasing arrangements — lessee

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

B. Short-term leases comprise of forklift trucks and stacking machines. Low-value assets comprise of computers.

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

	March 31, 2020	December 31, 2019	March 31, 2019
	Book value	Book value	Book value
Land	\$ 4,597,399	\$ 4,882,312	\$ 5,175,943
Buildings and structures	453,378	473,987	146,394
Machinery	19,635	22,208	-
Transportation equipment	101,399	98,075	85,531
Office equipment	8,589	6,257	6,833
Other equipment	31,406	35,695	22,390
	<u>\$ 5,211,806</u>	<u>\$ 5,518,534</u>	<u>\$ 5,437,091</u>
	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019	
	Depreciation expense	Depreciation expense	
Land	\$ 26,615	\$ 25,996	
Buildings and structures	21,020	12,752	
Machinery	785	-	
Transportation equipment	14,157	10,149	
Office equipment	1,027	642	
Other equipment	3,098	1,190	
	<u>\$ 66,702</u>	<u>\$ 50,729</u>	

D. For the three-month periods ended March 31, 2020 and 2019, the additions to right-of-use assets amounted to \$33,646 thousand and \$2,598 thousand, respectively.

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

<u>Items affecting profit or loss</u>	<u>Three-month period ended March 31, 2020</u>	<u>Three-month period ended March 31, 2019</u>
Interest expense on lease liabilities	\$ 4,784	\$ 1,659
Expense on short-term lease contracts	3,881	3,727
Expense on leases of low-value assets	884	971
Expense on variable lease payments	37,704	69,277
	<u>\$ 47,253</u>	<u>\$ 75,634</u>

F. For the three-month periods ended March 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$92,036 thousand and \$100,926 thousand, respectively.

G. Variable lease payments

(a) Some of the Group's lease contracts contain variable lease payment terms that are linked to the stored amount of tires. For the aforementioned lease contracts, up to 33.09% 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 \$377 thousand.

(9) Investment property, net

<u>Three-month period ended March 31, 2020</u>					
	<u>Opening net book amount as at January 1</u>	<u>Additions</u>	<u>Transfer</u>	<u>Exchange rate differences</u>	<u>Closing net book amount as at March 31</u>
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	455,023	-	-	(4,963)	450,060
	<u>\$ 791,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 4,963)</u>	<u>\$ 786,399</u>
Accumulated depreciation					
Buildings and structures	(\$ 190,168)	(\$ 5,786)	\$ -	\$ 2,012	(\$ 193,942)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 550,156</u>				<u>\$ 541,419</u>

Three-month period ended March 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	-	-	10,718	482,315
	<u>\$ 807,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,718</u>	<u>\$ 818,654</u>
Accumulated depreciation					
Buildings and structures	(\$ 172,654)	(\$ 6,121)	\$ -	(\$ 3,644)	(\$ 182,419)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 584,244</u>				<u>\$ 585,197</u>

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Rental income from investment property	<u>\$ 7,440</u>	<u>\$ 7,616</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 5,786</u>	<u>\$ 6,121</u>

B. The fair value of the investment property held by the Group as at March 31, 2020, December 31, 2019 and March 31, 2019 was \$1,060,360 thousand \$1,066,478 thousand and \$931,985 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

	March 31, 2020	December 31, 2019	March 31, 2019
Intangible assets	\$ 220,207	\$ 246,790	\$ 270,894
Others	622,510	703,374	750,176
	<u>\$ 842,717</u>	<u>\$ 950,164</u>	<u>\$ 1,021,070</u>

Movements in intangible assets :

Three-month period ended March 31, 2020						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at March 31
Cost						
Computer software	\$ 514,464	\$ 1,894	\$ -	\$ -	(\$ 6,616)	\$ 509,742
Others	7,762	-	-	-	(90)	7,672
	<u>\$ 522,226</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 6,706)</u>	<u>\$ 517,414</u>
Accumulated amortisation						
Computer software	(\$ 273,107)	(\$ 25,355)	\$ -	\$ -	\$ 3,748	(\$ 294,714)
Others	(2,329)	(194)	-	-	30	(2,493)
	<u>(\$ 275,436)</u>	<u>(\$ 25,549)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778</u>	<u>(\$ 297,207)</u>
	<u>\$ 246,790</u>					<u>\$ 220,207</u>
Three-month period ended March 31, 2019						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at March 31
Cost						
Computer software	\$ 420,716	\$ 2,872	\$ -	\$ 51,549	\$ 5,159	\$ 480,296
Accumulated amortisation						
Computer software	(\$ 183,666)	(\$ 24,299)	\$ -	\$ -	(\$ 1,437)	(\$ 209,402)
	<u>\$ 237,050</u>					<u>\$ 270,894</u>

Details of amortisation on intangible assets are as follows:

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Operating costs	\$ 2,759	\$ 2,271
Selling expenses	1,502	1,334
Administrative expenses	17,646	17,817
Research and development expenses	3,642	2,877
	<u>\$ 25,549</u>	<u>\$ 24,299</u>

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 17,340,115</u>	0.55%~6.95%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 16,843,366</u>	0.55%~7.95%	None
<u>Type of borrowings</u>	<u>March 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 17,010,973</u>	0.70%~7.95%	None

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

(12) Other payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Dividend payable	\$ 657	\$ 657	\$ 657
Wages and salaries payable	916,754	1,432,816	1,094,169
Payable on machinery and equipment	1,001,735	1,128,354	1,316,745
Employee compensation payable	105,080	209,476	142,637
Compensation due to directors	68,686	67,093	94,657
Other accrued expenses	1,729,364	1,911,096	1,796,213
Others	835,627	838,082	1,135,203
	<u>\$ 4,657,903</u>	<u>\$ 5,587,574</u>	<u>\$ 5,580,281</u>

(13) Other current liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Long-term liabilities due within one year	\$ 9,583,406	\$ 9,900,811	\$ 9,730,346
Advance receipts	3,207	272	2,573
Refund liabilities	139,658	106,627	128,586
Others	139,304	219,100	146,698
	<u>\$ 9,865,575</u>	<u>\$ 10,226,810</u>	<u>\$ 10,008,203</u>

(14) Bonds payable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Bonds payable			
-issued in 2014	\$ -	\$ -	\$ 4,800,000
Bonds payable			
-issued in 2016	5,000,000	5,000,000	5,000,000
Bonds payable			
-issued in 2017	7,000,000	7,000,000	7,000,000
Bonds payable			
-issued in 2018	5,000,000	5,000,000	5,000,000
	<u>17,000,000</u>	<u>17,000,000</u>	<u>21,800,000</u>
Less: Current portion	(2,500,000)	(2,500,000)	(4,800,000)
	<u>\$ 14,500,000</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.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2020
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until March, 2027.	1.00%~ 4.65%	None	\$ 29,003,721
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2022 at the maturity.	6.65%	None	215,250
				29,216,471
Less: Current portion				(7,083,406)
				\$ 22,133,065

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)
				\$ 23,302,050

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2019
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until January, 2026.	0.97%~4.89%	None	\$ 31,566,554
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2022 at the maturity.	6.65%	None	229,000
				31,795,554
Less: Current portion				(4,930,346)
				\$ 26,865,208

- 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.
- 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	March 31, 2020	December 31, 2019	March 31, 2019
USD	\$ 16,000,108	\$ 16,339,100	\$ 16,706,412

(16) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' including commissioned managers service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standard Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$5,104 thousand and \$5,404 thousand for the three-month periods ended March 31, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending

December 31, 2020 amount to \$23,913 thousand.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading Co., Ltd. for the three-month periods ended March 31, 2020 and 2019 were \$40,482 thousand and \$37,699 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 three-month periods ended March 31, 2020 and 2019 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2020 and 2019, were \$51,126 thousand and \$88,011 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 the three-month periods ended March 31, 2020 and 2019, were \$5,009 thousand and \$3,513 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 March 31, 2020, December 31, 2019 and March 31, 2019, the net liabilities recognised in the balance sheets were \$45,885 thousand and \$48,126 thousand and \$39,913 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 three-month periods ended March 31, 2020 and 2019, were \$5,212 thousand and \$4,985 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 three-month periods ended March 31, 2020 and 2019, the pension expense accrued in accordance to the aforementioned regulation amounted to \$2,110 thousand and \$1,666 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 three-month periods ended March 31, 2020 and 2019, the pension cost accrued in accordance to the aforementioned regulation amounted to \$2,076 thousand and \$2,271 thousand, respectively.

(17) Share capital

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

(18) Capital surplus

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

(19) Retained earnings

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

(20) Other equity items

2020			
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 6,921,515)	\$ 17,270	(\$ 6,904,245)
Valuation adjustment – Group	-	(8,237)	(8,237)
Currency translation differences:			
– Group	(1,308,143)	-	(1,308,143)
– Tax on Group	261,629	-	261,629
At March 31	(\$ 7,968,029)	\$ 9,033	(\$ 7,958,996)
2019			
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 5,214,518)	\$ 14,220	(\$ 5,200,298)
Valuation adjustment – Group	-	1,751	1,751
Currency translation differences:			
– Group	1,823,094	-	1,823,094
– Tax on Group	(364,619)	-	(364,619)
At March 31	(\$ 3,756,043)	\$ 15,971	(\$ 3,740,072)

(21) Operating revenue

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Revenue from contracts with customers	\$ 19,550,044	\$ 26,800,257

A. Disaggregation of revenue from contracts with customers

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

Three-month period ended March 31, 2020					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,497,508	\$ 7,788,461	\$ 1,995,067	\$ 8,269,008	\$ 19,550,044
Inter-segment revenue	990,965	977,502	1,494,960	537,158	4,000,585
Total segment revenue	\$ 2,488,473	\$ 8,765,963	\$ 3,490,027	\$ 8,806,166	\$ 23,550,629

Three-month period ended March 31, 2019					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,466,929	\$ 14,178,418	\$ 2,108,426	\$ 9,046,484	\$ 26,800,257
Inter-segment revenue	<u>885,480</u>	<u>1,500,280</u>	<u>1,313,234</u>	<u>563,653</u>	<u>4,262,647</u>
Total segment revenue	<u>\$ 2,352,409</u>	<u>\$ 15,678,698</u>	<u>\$ 3,421,660</u>	<u>\$ 9,610,137</u>	<u>\$ 31,062,904</u>

B. Contract liabilities

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

	March 31, 2020	December 31, 2019
Contract liabilities:		
Advance sales receipts	\$ 745,311	\$ 895,825
Customer loyalty programmes	<u>9,582</u>	<u>39,794</u>
Total	<u>\$ 754,893</u>	<u>\$ 935,619</u>

	March 31, 2019	January 1, 2019
Contract liabilities:		
Advance sales receipts	\$ 1,303,051	\$ 694,413
Customer loyalty programmes	<u>18,785</u>	<u>52,658</u>
Total	<u>\$ 1,321,836</u>	<u>\$ 747,071</u>

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Advance sales receipts	\$ 685,891	\$ 508,689
Customer loyalty programmes	<u>38,763</u>	<u>47,937</u>
	<u>\$ 724,654</u>	<u>\$ 556,626</u>

(22) Other income

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Interest income	\$ 57,295	\$ 70,261
Grant revenue	137,735	68,694
Other income	<u>44,543</u>	<u>58,775</u>
	<u>\$ 239,573</u>	<u>\$ 197,730</u>

(23) Other gains and losses

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Net currency exchange (loss) gain	(\$ 1,757,840)	\$ 370,760
Loss on disposal of property, plant and equipment	(14,189)	(9,189)
Net gain on financial assets and liabilities at fair value through profit or loss	3,585	426
Other expenses	(25,785)	(35,447)
	(\$ 1,794,229)	\$ 326,550

(24) Finance costs

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Interest expense:		
Bank borrowings	\$ 310,732	\$ 425,780
Corporate bonds	37,258	53,827
Provisions-discount	2,728	2,798
Lease liability-interest expense	4,784	1,659
	355,502	484,064
Less: Capitalisation of qualifying assets	(4,603)	(23,846)
Finance costs	\$ 350,899	\$ 460,218

(25) Expenses by nature

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Employee benefit expense		
Wages and salaries	\$ 2,693,083	\$ 3,100,916
Labour and health insurance fees	178,048	191,255
Pension costs	111,479	143,549
Directors' remuneration	2,652	13,525
Other personnel expenses	163,613	195,224
	\$ 3,148,875	\$ 3,644,469
Raw materials and supplies used	\$ 9,406,596	\$ 14,082,303
Depreciation expense on property, plant and equipment	\$ 2,960,576	\$ 3,078,775
Depreciation expense on right-of-use assets	\$ 66,702	\$ 50,729
Depreciation expense on investment property	\$ 5,786	\$ 6,121
Amortisation expense on intangible assets	\$ 25,549	\$ 24,299

Note: As at March 31, 2020 and 2019, the Company had 29,154 and 30,909 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 three-month periods ended March 31, 2020 and 2019, employees' compensation was accrued at \$0 thousand and \$30,047 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$0 thousand and \$19,726 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2019 amounting to \$93,053 thousand and \$61,089 thousand, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2019 financial statements. The employees' compensation for 2019 will be distributed in the form of cash. As of May 12, 2020, the employees' compensation for 2019 has not yet been distributed.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Current tax:		
Current tax on profits for the period	\$ 140,117	\$ 395,522
Prior year income tax underestimation	53,543	66,635
Total current tax	<u>193,660</u>	<u>462,157</u>
Deferred tax:		
Origination and reversal of temporary differences	(8,997)	215,212
Total deferred tax	<u>(8,997)</u>	<u>215,212</u>
Income tax expense	<u>\$ 184,663</u>	<u>\$ 677,369</u>

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Generated during the period :		
Currency translation differences	<u>\$ 261,629</u>	<u>(\$ 364,619)</u>

- B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(27) Earnings (loss) per share

Three-month period ended March 31, 2020		
Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 1,988,676) 3,241,416	(\$ 0.61)
<u>Diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(1,988,676) 3,241,416	
Assumed conversion of all dilutive potential ordinary shares		
Employees' compensation	- 2,968	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 1,988,676) 3,244,384	(\$ 0.61)
Three-month period ended March 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	\$ 1,047,439 3,241,416	\$ 0.32
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	1,047,439 3,241,416	
Assumed conversion of all dilutive potential ordinary shares		
Employees' compensation	- 2,816	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,047,439 3,244,232	\$ 0.32

(28) Supplemental cash flow information

Investing activities with partial cash payments :

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Purchase of property, plant and equipment	\$ 1,371,385	\$ 1,832,308
Add: Opening balance of payable on equipment	1,128,354	1,730,936
Less: Ending balance of payable on equipment	(1,001,735)	(1,316,745)
Cash paid during the period	\$ 1,498,004	\$ 2,246,499

(29) Changes in liabilities from financing activities

	2020				
	Short-term borrowings	Long-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 16,843,366	\$ 30,702,861	\$ 708,927	\$ 248,381	\$ 48,503,535
Changes in cash flow from financing activities	853,053	(1,511,365)	(44,783)	(4,968)	(708,063)
Interest paid	-	-	(4,784)	-	(4,784)
Additions	-	-	31,170	-	31,170
Amortisation of interest expense	-	-	4,784	-	4,784
Impact of changes in foreign exchange rate	(356,304)	24,975	(14,638)	-	(345,967)
At March 31	<u>\$ 17,340,115</u>	<u>\$ 29,216,471</u>	<u>\$ 680,676</u>	<u>\$ 243,413</u>	<u>\$ 47,480,675</u>
	2019				
	Short-term borrowings	Long-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 15,569,136	\$ 35,526,041	\$ 339,938	\$ 255,209	\$ 51,690,324
Changes in cash flow from financing activities	1,171,113	(3,979,703)	(25,292)	3,812	(2,830,070)
Interest paid	-	-	(1,659)	-	(1,659)
Additions	-	-	2,598	-	2,598
Amortisation of interest expense	-	-	1,659	-	1,659
Impact of changes in foreign exchange rate	270,724	249,216	-	-	519,940
At March 31	<u>\$ 17,010,973</u>	<u>\$ 31,795,554</u>	<u>\$ 317,244</u>	<u>\$ 259,021</u>	<u>\$ 49,382,792</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue

	<u>Three-month period ended March 31, 2020</u>	<u>Three-month period ended March 31, 2019</u>
Sales of goods:		
-Other related parties	\$ <u>51,497</u>	\$ <u>63,206</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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
-Other related parties	\$ <u>31,540</u>	\$ <u>54,053</u>	\$ <u>40,478</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Payables due to related parties :			
-Other related parties	\$ <u>212,750</u>	\$ <u>215,250</u>	\$ <u>229,000</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

	<u>Three-month period ended March 31, 2020</u>	<u>Three-month period ended March 31, 2019</u>
Short-term employee benefits	\$ <u>37,290</u>	\$ <u>60,428</u>
Post-employment benefits	<u>509</u>	<u>640</u>
	\$ <u>37,799</u>	\$ <u>61,068</u>

8. PLEGDED ASSETS

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

	<u>Book value</u>	
<u>Pledged asset</u>	<u>March 31, 2019</u>	<u>Purpose</u>
Time deposits (Other current assets)	\$ <u>15,423</u>	Product liability insurance

As of March 31, 2020 and December 31, 2019, no assets held by the Group were pledged to others.

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:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Property, plant and equipment	\$ 3,588,576	\$ 2,990,369	\$ 4,322,929

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Amount of letter of credit that has been issued but not yet used	\$ 154,612	\$ 45,524	\$ 172,892

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Total liabilities	\$ 80,878,565	\$ 86,069,542	\$ 92,366,187
Total equity	\$ 74,925,271	\$ 77,970,687	\$ 82,347,879
Less : Intangible assets	(220,207)	(246,790)	(270,894)
Tangible equity	\$ 74,705,064	\$ 77,723,897	\$ 82,076,985
Debt-equity ratio	108%	111%	113%

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss - current			
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,585	\$ -	\$ -
Financial assets at fair value through other comprehensive income - current			
Designation of equity instrument	17,698	25,935	24,636
Financial assets at fair value through other comprehensive income - non-current			
Designation of equity instrument	58,187	58,187	58,187
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	24,716,977	25,501,222	27,779,782
Notes receivable, net	2,629,345	3,761,453	2,783,421
Accounts receivable (including related parties)	8,337,459	8,992,980	9,921,022
Guarantee deposits paid	47,195	53,066	58,359
Other financial assets	<u>257,280</u>	<u>374,790</u>	<u>519,119</u>
	<u>\$ 36,067,726</u>	<u>\$ 38,767,633</u>	<u>\$ 41,144,526</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 17,340,115	\$ 16,843,366	\$ 17,010,973
Notes payable	1,057,815	1,122,276	834,524
Accounts payable	5,157,255	7,793,330	7,830,053
Other accounts payable	4,657,903	5,587,574	5,580,281
Corporate bonds payable (including current portion)	17,000,000	17,000,000	21,800,000
Long-term borrowings (including current portion)	29,216,471	30,702,861	31,795,554
Guarantee deposits received	<u>243,413</u>	<u>248,381</u>	<u>259,021</u>
	<u>\$ 74,672,972</u>	<u>\$ 79,297,788</u>	<u>\$ 85,110,406</u>
Lease liabilities (including current portion)	<u>\$ 680,676</u>	<u>\$ 708,927</u>	<u>\$ 317,244</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:

March 31, 2020

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD : TWD	\$ 137,387	30.225 \$	4,152,522	1%	\$ 41,525	\$ -
RMB : TWD	705,378	4.255	3,001,383	1%	30,014	-
EUR : TWD	40,228	33.240	1,337,179	1%	13,372	-
JPY : TWD	1,764,510	0.279	492,298	1%	4,923	-
GBP : TWD	4,184	37.250	155,854	1%	1,559	-
USD : RMB	56,940	7.103	1,720,913	1%	17,209	-
EUR : RMB	15,844	7.812	526,656	1%	5,267	-
JPY : RMB	408,475	0.066	114,712	1%	1,147	-
GBP : RMB	3,281	8.754	122,212	1%	1,222	-
RUB : RMB	489,235	0.091	189,434	1%	1,894	-
USD : THB	55,565	32.605	1,679,443	1%	16,794	-
EUR : THB	4,696	35.858	156,097	1%	1,561	-
USD : VND	23,505	26,056.034	710,439	1%	7,104	-
USD : CAD	21,813	1.418	659,136	1%	6,591	-
USD : IDR	29,390	16,077.128	888,313	1%	8,883	-

March 31, 2020

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	18,260	30.225	\$ 551,909	1%	\$ 5,519	\$ -
	59,419	7.103	1,795,836	1%	17,958	-
	5,313	7.812	176,604	1%	1,766	-
	43,876	32.605	1,326,145	1%	13,261	-
	37,150	26,056.034	1,122,859	1%	11,229	-
	7,908	1.418	238,961	1%	2,390	-
	306,711	16,077.128	9,270,340	1%	92,703	-
	229,800	75.619	6,945,685	1%	69,457	-

(Foreign currency:
functional currency)

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : CAD

USD : IDR

USD : INR

December 31, 2019

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

December 31, 2019

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

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : CAD

USD : IDR

USD : INR

March 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)						
Financial assets						
Monetary items						
USD : TWD	\$ 187,352	30.820	\$ 5,774,189	1%	\$ 57,742	\$ -
RMB : TWD	346,315	4.580	1,586,123	1%	15,861	-
EUR : TWD	36,076	34.610	1,248,590	1%	12,486	-
JPY : TWD	1,937,892	0.278	538,734	1%	5,387	-
GBP : TWD	5,672	40.110	227,504	1%	2,275	-
USD : RMB	81,526	6.729	2,512,535	1%	25,125	-
EUR : RMB	23,105	7.557	799,689	1%	7,997	-
GBP : RMB	2,845	8.758	114,118	1%	1,141	-
RUB : RMB	462,689	0.103	218,269	1%	2,183	-
USD : THB	66,399	31.643	2,046,436	1%	20,464	-
EUR : THB	11,491	35.534	397,705	1%	3,977	-
USD : VND	24,737	25,471.074	762,394	1%	7,624	-
USD : CAD	25,685	1.344	791,489	1%	7,915	-
USD : IDR	15,855	14,137.615	488,651	1%	4,887	-

March 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
\$					
18,940	30.820	\$ 583,731	1%	\$ 5,837	\$ -
97,284	6.729	2,998,178	1%	29,982	-
19,568	7.557	677,269	1%	6,773	-
75,396	31.643	2,323,726	1%	23,237	-
35,205	25,471.074	1,085,018	1%	10,850	-
282,254	14,137.615	8,699,068	1%	86,991	-
231,114	69.181	7,122,965	1%	71,230	-

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : IDR

USD : INR

- iv. The exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2020 and 2019 amounted to (\$1,757,840) thousand and \$370,760 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 three-month periods ended March 31, 2020 and 2019 would have increased/decreased by \$759 thousand and \$828 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 three-month periods ended March 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the TWD, USD, THB, RMB, EUR and INR.
- ii. The Group's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. As at March 31, 2020 and 2019, 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 three-month periods ended March 31, 2020 and 2019 would have been \$33,406 thousand and \$38,221 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 March 31, 2020, December 31, 2019 and March 31, 2019, 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 March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix is as follows:

<u>March 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 6,660,914	\$ -
Up to 30 days	1.99%	1,229,375	24,465
31 to 90 days	3.90%	251,922	9,835
91 to 180 days	4.89%	108,819	5,321
Over 180 days	7.95%	102,673	8,163
Individual	100.00%	26,912	26,912
		<u>\$ 8,380,615</u>	<u>\$ 74,696</u>
<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 7,376,434	\$ -
Up to 30 days	0.32%	1,099,362	3,518
31 to 90 days	0.98%	282,247	2,766
91 to 180 days	1.95%	83,960	1,635
Over 180 days	5.81%	111,310	6,467
Individual	100.00%	27,229	27,229
		<u>\$ 8,980,542</u>	<u>\$ 41,615</u>
<u>March 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,115,518	\$ -
Up to 30 days	0.17%	1,132,520	1,925
31 to 90 days	0.68%	354,641	2,412
91 to 180 days	2.38%	132,696	3,158
Over 180 days	3.60%	158,367	5,703
		<u>\$ 9,893,742</u>	<u>\$ 13,198</u>

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

	2020	2019
At January 1	\$ 41,615	\$ 15,343
Provision for impairment	33,786	6
Reversal of impairment loss	- (2,158)
Write-offs	- (6)
Effect of exchange rate changes	(705)	13
At March 31	\$ 74,696	\$ 13,198

(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.

March 31, 2020

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 10,425,706	\$ 4,388,441	\$ 2,751,590	\$ -	\$17,565,737
Notes and accounts payable	6,141,452	38,296	-	35,322	6,215,070
Other payables	4,386,328	162,891	98,153	10,531	4,657,903
Lease liability	33,675	32,530	77,679	536,792	680,676
Guarantee deposits received	2,959	340	-	240,114	243,413
Long-term borrowings	1,273,907	1,831,553	4,519,942	23,040,738	30,666,140
Bonds payable	-	2,535,500	-	14,691,150	17,226,650

December 31, 2019

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

March 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	\$ 10,609,087	\$ 3,619,327	\$ 3,081,855	\$ -	\$ 17,310,269
Notes and accounts payable	8,664,531	-	-	46	8,664,577
Other payables	5,196,575	208,904	122,329	52,473	5,580,281
Lease liability	25,206	24,681	44,075	223,282	317,244
Guarantee deposits received	3,939	-	-	255,082	259,021
Long-term borrowings	374,398	2,370,835	2,867,010	28,351,857	33,964,100
Bonds payable	-	5,018,300	-	17,385,750	22,404,050

(1) 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.

March 31, 2020				
	<u>Carrying amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,084,553	\$ -

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	\$ 17,000,000	\$ -	\$ 17,050,741	\$ -

March 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	\$ 21,800,000	\$ -	\$ 21,925,754	\$ -

- (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:

March 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Forward exchange contracts	\$ -	\$ 3,585	\$ -	\$ 3,585
Financial assets at fair value through other comprehensive income				
- Equity securities	17,698	-	58,187	75,885
Total	<u>\$ 17,698</u>	<u>\$ 3,585</u>	<u>\$ 58,187</u>	<u>\$ 79,470</u>

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

March 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	\$ 24,636	\$ -	\$ 58,187	\$ 82,823

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

- i. For Level 1, the Group used market quoted prices as their fair values according to the characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- iii. Level 2: When assessing non-standard and low-complexity financial instruments, 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 three-month periods ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the three-month periods ended March 31, 2020 and 2019.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: please refer to table 1.
- B. Provision of endorsements and guarantees to others: please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(23) and 12(2), 12(3).
- J. Significant inter-company transactions during the reporting periods: please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: please refer to table 9.
- B. Ceiling on investments in Mainland China: please refer to table 9.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three-month period ended March 31, 2020: please refer to tables 5, 6 and 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the three-month periods ended March 31, 2020 and 2019 is as follows:

Three-month period ended March 31, 2020						
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 3,343,665	\$ 2,603,488	\$ 4,693,062	\$ 2,716,785	\$ 3,479,051	\$ 16,836,051
Revenue from inter-segment revenue	2,331,269	189,246	122,532	391,282	776,526	3,810,855
Total segment revenue	\$ 5,674,934	\$ 2,792,734	\$ 4,815,594	\$ 3,108,067	\$ 4,255,577	\$ 20,646,906
Segment income (loss)	\$ 364,572	(\$ 268,331)	(\$ 159,331)	\$ 199,425	\$ 249,037	\$ 385,372

Three-month period ended March 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	\$ 3,495,412	\$ 4,033,833	\$ 8,503,971	\$ 2,927,562	\$ 5,167,008	\$ 24,127,786
Revenue from inter-segment revenue	2,172,749	326,547	194,421	416,300	1,023,567	4,133,584
Total segment revenue	\$ 5,668,161	\$ 4,360,380	\$ 8,698,392	\$ 3,343,862	\$ 6,190,575	\$ 28,261,370
Segment income (loss)	\$ 557,032	(\$ 59,886)	\$ 778,550	(\$ 32,244)	\$ 743,221	\$ 1,986,673

(4) Reconciliation for segment income (loss)

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Adjusted revenue from reportable segments	\$ 20,646,906	\$ 28,261,370
Adjusted revenue from other operating segments	2,903,723	2,801,534
Total operating segments	23,550,629	31,062,904
Elimination of inter-segment revenue	(4,000,585)	(4,262,647)
Total consolidated operating revenue	\$ 19,550,044	\$ 26,800,257

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
Adjusted income from reportable segments before income tax	\$ 385,372	\$ 1,986,673
Adjusted loss from other operating segments before income tax	(2,175,697)	(265,829)
Total operating segments	(1,790,325)	1,720,844
(Loss) income from elimination of inter-segment revenue	(8,802)	10,795
(Loss) income from continuing operations before income tax	(\$ 1,799,127)	\$ 1,731,639

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Three-month period ended March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2020	Balance at March 31, 2020 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
												Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 1,297,200	\$ 1,276,500	\$ 936,100	4.75%	Note 4	\$ -	Operating capital	-	None	\$ -	4,572,334	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,459,200	3,404,000	3,191,250	4.75%	Note 4	-	Operating capital	-	None	-	4,572,334	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	864,800	851,000	344,655	6.65%	Note 4	-	Operating capital	-	None	-	4,572,334	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,810,600	2,765,750	1,382,875	4.75%	Note 4	-	Operating capital	-	None	-	7,353,840	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	423,500	423,150	377,813	2.9063% ~3.113%	Note 4	-	Operating capital	-	None	-	13,227,912	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	Yes	8,648	8,510	8,510	4.35%	Note 4	-	Operating capital	-	None	-	26,337	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) CO., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above companies' net assets. Limit on loans granted by CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. to a single party is 10% of above company' net assets.

Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to others is 40% of above company' net assets. Limit on loans granted by CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. to others 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
Three-month period ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding guarantee amount as of March 31, 2020	Outstanding endorsement/ guarantee amount at March 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of		Footnote
		Company name	Relationship with the endorser/ guarantor								endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company	
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 37,176,128	\$ 3,307,750	\$ 3,214,125	\$ 1,474,948	\$ -	4.32	\$ 52,046,579	Y	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	37,176,128	8,775,153	8,734,226	7,855,794	-	11.75	52,046,579	Y	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	37,176,128	11,304,150	11,304,150	8,933,503	-	15.20	52,046,579	Y	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,637,216	1,945,800	1,914,750	424,126	-	8.69	22,046,520	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 March 31, 2020.

\$ 52,046,579
\$ 14,870,451
\$ 37,176,128

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

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	As of March 31, 2020			
			Number of shares/ units	Book value	Ownership (%)	Fair value
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	-	\$ 17,698	-	\$ 17,698
						Note 2
		Current financial assets at fair value through other comprehensive income				
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	-	58,187	-	58,187
		Non-current financial assets at fair value through other comprehensive income				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
Three-month period ended March 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	
			Purchases (sales)	Amount (\$)	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 1,100,819)	(23.61)	Collect within 90 days after shipment of goods	Same	Same	\$ 765,393	27.47
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(199,118)	(4.27)	Collect within 90 days after shipment of goods	Same	Same	193,482	6.94
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(890,624)	(19.10)	Collect within 30 days	Same	Same	343,500	12.33
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(103,457)	(3.70)	Collect within 60-90 days after shipment of goods	Same	Same	242,416	14.99
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(300,791)	(48.82)	Collect within 60-90 days after shipment of goods	Same	Same	186,305	20.84
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(213,468)	(13.31)	Collect within 60-90 days after shipment of goods	Same	Same	128,445	63.52
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(358,648)	(11.54)	Collect within 60-90 days after shipment of goods	Same	Same	206,441	11.32

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
March 31, 2020

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020	Overdue receivables			Expressed in thousands of NT\$ (Except as otherwise indicated)
				Amount	Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 765,471	-	-	\$ 358,219	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	193,611	-	-	49,156	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Subsidiary (Note 5)	138,509	-	-	5,196	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Subsidiary (Note 5)	164,022	-	-	78,672	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	344,045	-	-	343,542	-
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary (Note 5)	119,021	-	-	21,789	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	242,416	-	-	87,342	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	190,277	-	-	30,205	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	128,445	-	-	28,114	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	206,441	-	-	105,443	-

Note 1: Subsequent collection is the amount collected as of May 5, 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
Three-month period ended March 31, 2020

Table 7

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	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 1,100,819	Collect within 90 days after shipment of goods	Percentage of consolidated total operating revenues or total assets (Note 3) 5.63%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	765,393	Collect within 90 days after shipment of goods	0.49%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	890,624	The term is 30 days after monthly billing.	4.56%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	343,500	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	Accounts receivable	242,416	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	Other receivables	377,813	Pay interest quarterly	0.24%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	300,791	Collect within 60-90 days after shipment of goods	1.54%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	936,100	Pay interest quarterly	0.60%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	3,191,250	Pay interest quarterly	2.05%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	344,655	Pay interest quarterly	0.22%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,382,875	Pay interest quarterly	0.89%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	213,468	Collect within 60-90 days after shipment of goods	1.09%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	358,648	Collect within 60-90 days after shipment of goods	1.83%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	206,441	Collect within 60-90 days after shipment of goods	0.13%

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
Three-month period ended March 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020			Net profit (loss) of the investee for the three-month period ended March 31, 2020	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2020	Footnote
				Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Overship (%)	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	\$ 39,335,182	\$ 286,306	\$ 279,232	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	24,796,040	(122,123)	(117,139)	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	10,086,234	357,950	334,939	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	2,776,263	37,024	37,080	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	646,686	24,286	24,286	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	164,051	13,124	6,562	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	53,769	(14,008)	(14,008)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	3,371,521	2,461,355	109,995,875	100.00	-	(1,670,321)	(1,671,152)	Subsidiary Note 3, Note 4
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	-	(612,359)	(612,359)	Subsidiary Note 3, Note 4
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	360,187	40,332	40,332	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	23,753	1,217	1,217	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	13,121	(339)	(339)	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	31,248,106	(194,586)	(194,586)	Subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.
Information on investees
Three-month period ended March 31, 2020

Table 8

		Initial investment amount		Shares held as at March 31, 2020			Expressed in thousands of NTD (Except as otherwise indicated)	
Investor	Investee	Location	Main business activities	Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	24,605,185 (
								123,857) (
								(123,857)
								Footnote 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	10,546,340
								357,978
								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	7,163,942
								199,425
								Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	3,379,303
								158,530
								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.
Note 4: The Company continuously provides financial support the investees accounted for using the equity method, and transferred the credit balance of long-term investments to "other non-current liabilities".
The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China
Three-month period ended March 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three - month period ended March 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income of investee as of March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for three-month period ended March 31, 2020, (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,289,375	2	\$ 910,834	\$ -	\$ 910,834	\$ 261,230	100.00	\$ 256,333	\$ 22,046,520	\$ 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	6,800,625	2	2,385,506	-	2,385,506	(106,929)	100.00	(98,348)	22,798,650	21,095,922	(Note 2 - 4 - 6 - 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	256,913	2	68,602	-	68,602	15,408	50.00	7,704	333,321	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	3,022,500	2	-	-	-	(92,375)	100.00	(93,046)	5,023,517	1,332,617	(Note 2 - 4 - 6 - 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,275	2	-	-	-	159	100.00	159	37,338	-	(Note 6 - 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	544,050	2	-	-	-	(18,543)	100.00	(18,543)	741,199	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	3,929,250	2	-	-	-	(123,860)	100.00	(123,859)	12,267,994	4,014,294	(Note 2 - 3 - 6 - 7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China
Three-month period ended March 31, 2020

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three-month period ended March 31, 2020		Accumulated remittance from Taiwan to Mainland China as of January 1, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income of investee as of March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for three-month period ended March 31, 2020, (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	From note
				\$	\$								(Note 2 + 6 + 7)
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	\$ 1,360,125	2	\$ -	\$ -	\$ -	\$ -	\$ 78,766	100.00	\$ 81,007	\$ 7,620,557	\$ 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	604,500	2	-	-	-	-	(26,218)	100.00	(26,218)	130,038	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	148,925	2	-	-	-	-	(4,276)	95.00	(4,062)	106,913	-	(Note 6 + 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	61,323	2	-	-	-	-	(5,106)	49.00	(2,502)	129,054	-	(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	4,042,250	2	-	-	-	-	56,369	100.00	56,303	5,801,797	567,703	(Note 2 + 5 + 6 + 7)
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	1,616,900	2	-	-	-	-	(24,326)	100.00	(\$ 24,326)	\$ 1,925,092	\$ -	(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 30.225: USD 1 and NTD 4.255: RMB 1 prevailing on March 31, 2020.

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

Note 8: Investment income (loss) was recognised based on the financial statements that are reviewed and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD.
Ceiling on investments in Mainland China
Three-month period ended March 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)

Cheng Shin Rubber Ind. Co., Ltd.	\$	3,714,653	\$	20,338,403	\$
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Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020 was USD\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD\$672,900 thousand.

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

CHENG SHIN RUBBER IND. CO., LTD.

Major shareholders information

March 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Luo, Ming-Han	370,176,378	11.42
Lo, Tsai-Jen	283,225,502	8.73
Luo, Jye	224,163,978	6.91

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

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

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

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

