

**CHENG SHIN RUBBER IND. CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
JUNE 30, 2020 AND 2019**

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 20000479

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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-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\$26,528,704 thousand and NT\$29,408,744 thousand, constituting 17% and 17% of the consolidated total assets, and total liabilities of NT\$20,207,859 thousand and NT\$21,062,949 thousand, constituting 25% and 23% of the consolidated total liabilities as at June 30, 2020 and 2019, respectively, and total net operating revenues of

NT\$2,300,561 thousand, NT\$4,019,175 thousand, NT\$6,000,506 thousand and NT\$7,685,755 thousand, constituting 10%, 14%, 14% and 14% of consolidated total net operating revenue, and total comprehensive (loss) income of NT\$744,812 thousand, NT(\$189,385)thousand, NT(\$1,234,924) thousand and NT(\$174,021) thousand, constituting 50%, 15%, 83% and 5% of the consolidated total comprehensive (loss) income for the three-month and six-month periods then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-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.

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Wang, Yu-Juan

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Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

August 11, 2020

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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**  
**JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

Assets		Notes	June 30, 2020		December 31, 2019		June 30, 2019				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	25,659,380	17	\$	25,501,222	16	\$	26,502,692	15
1110	Financial assets at fair value	6(2)									
	through profit or loss - current			-	-		-	-		1,050	-
1120	Financial assets at fair value	6(3)									
	through other comprehensive										
	income - current			29,407	-		25,935	-		19,777	-
1150	Notes receivable, net	6(4)		1,805,784	1		3,761,453	2		2,416,812	2
1170	Accounts receivable, net	6(4)		7,531,116	5		8,938,927	5		10,456,522	6
1180	Accounts receivable - related	7									
	parties			21,600	-		54,053	-		39,588	-
130X	Inventories	6(5)		15,814,102	10		17,949,870	11		18,406,729	11
1410	Prepayments			1,353,543	1		1,214,726	1		1,912,562	1
1470	Other current assets	8		1,252,020	1		1,483,789	1		1,555,235	1
11XX	Current Assets			53,466,952	35		58,929,975	36		61,310,967	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)									
	under the equity method			170,323	-		157,489	-		156,065	-
1600	Property, plant and equipment,	6(7)									
	net			90,564,867	59		95,889,585	59		102,662,508	59
1755	Right-of-use assets	6(8)		5,296,919	3		5,518,534	3		5,434,729	3
1760	Investment property, net	6(9)		532,084	-		550,156	-		575,337	-
1840	Deferred income tax assets	6(27)		2,424,753	2		1,986,139	1		1,225,164	1
1900	Other non-current assets	6(10)		907,340	1		950,164	1		1,044,975	1
15XX	Non-current assets			99,954,473	65		105,110,254	64		111,156,965	64
1XXX	Total assets		\$	153,421,425	100	\$	164,040,229	100	\$	172,467,932	100

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**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity		Notes	June 30, 2020		December 31, 2019		June 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 14,614,914	10	\$ 16,843,366	10	\$ 17,501,394	10
2130	Current contract liabilities	6(21)	752,190	1	935,619	1	1,471,050	1
2150	Notes payable		435,348	-	1,122,276	1	856,054	1
2170	Accounts payable		5,315,416	3	7,793,330	5	8,173,295	5
2200	Other payables	6(12)	8,102,749	5	5,587,574	3	9,255,617	6
2230	Current income tax liabilities	6(27)	552,188	-	755,825	-	540,753	-
2280	Current lease liabilities		155,339	-	139,374	-	109,266	-
2300	Other current liabilities	6(13)(14)(15)	7,706,395	5	10,226,810	6	10,912,494	6
21XX	Current Liabilities		37,634,539	24	43,404,174	26	48,819,923	29
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	23,218,063	15	23,302,050	14	21,496,092	12
2550	Provisions for liabilities – non-current		144,778	-	141,841	-	141,048	-
2570	Deferred income tax liabilities	6(27)	1,428,508	1	1,313,834	1	1,817,746	1
2580	Non-current lease liabilities		557,549	-	569,553	-	227,199	-
2600	Other non-current liabilities	6(16)	2,695,802	2	2,838,090	2	2,936,785	2
25XX	Non-current liabilities		42,544,700	28	42,665,368	26	43,618,870	25
2XXX	Total Liabilities		80,179,239	52	86,069,542	52	92,438,793	54
Equity								
Equity attributable to owners of parent								
	Share capital	6(17)						
3110	Share capital - common stock		32,414,155	21	32,414,155	20	32,414,155	19
	Capital surplus	6(18)						
3200	Capital surplus		52,576	-	52,576	-	52,576	-
	Retained earnings	6(19)						
3310	Legal reserve		15,533,661	10	15,186,978	9	15,186,978	9
3320	Special reserve		6,904,245	5	5,200,298	3	5,200,298	3
3350	Unappropriated retained earnings		26,429,129	17	31,445,921	19	30,718,823	18
	Other equity interest	6(20)						
3400	Other equity interest		( 8,665,069 )	( 5 )	( 6,904,245 )	( 4 )	( 4,121,994 )	( 3 )
31XX	Equity attributable to owners of the parent		72,668,697	48	77,395,683	47	79,450,836	46
36XX	Non-controlling interest		573,489	-	575,004	1	578,303	-
3XXX	Total equity		73,242,186	48	77,970,687	48	80,029,139	46
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date							
3X2X	Total liabilities and equity		\$ 153,421,425	100	\$ 164,040,229	100	\$ 172,467,932	100

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(Review, not audited)

	Items	Notes	Three-month periods ended June 30			Six-month periods ended June 30		
			2020		2019	2020		2019
			AMOUNT	%	AMOUNT	AMOUNT	%	AMOUNT
4000	Sales revenue	6(21) and 7	\$ 22,028,770	100	\$ 28,455,523	\$ 41,578,814	100	\$ 55,255,780
5000	Operating costs	6(5)	( 16,907,517)	( 77)	( 21,795,540)	( 32,918,581)	( 79)	( 42,803,459)
5900	Net operating margin		5,121,253	23	6,659,983	8,660,233	21	12,452,321
	Operating expenses	7						
6100	Selling expenses		( 1,741,897)	( 8)	( 1,983,256)	( 3,299,584)	( 8)	( 3,926,649)
6200	General and administrative expenses		( 774,775)	( 3)	( 941,883)	( 1,597,255)	( 4)	( 1,837,212)
6300	Research and development expenses		( 1,152,648)	( 5)	( 1,237,321)	( 2,211,595)	( 5)	( 2,525,042)
6000	Total operating expenses		( 3,669,320)	( 16)	( 4,162,460)	( 7,108,434)	( 17)	( 8,288,903)
6900	Operating profit		1,451,933	7	2,497,523	1,551,799	4	4,163,418
	Non-operating income and expenses							
7100	Interest income	6(22)	92,636	-	72,523	149,931	-	142,784
7010	Other income	6(23)	297,417	1	136,508	479,695	1	263,977
7020	Other gains and losses	6(24)	1,109,456	5	132,202	( 684,773)	( 2)	458,752
7050	Finance costs	6(25)	( 301,882)	( 1)	( 416,370)	( 652,781)	( 1)	( 876,588)
7060	Share of profit of associates and joint ventures	6(6)						
	accounted for using the equity method		6,272	-	1,769	12,834	-	3,451
7000	Total non-operating income and expenses		1,203,899	5	( 73,368)	( 695,094)	( 2)	( 7,624)
7900	Profit before income tax		2,655,832	12	2,424,155	856,705	2	4,155,794
7950	Income tax expense	6(27)	( 382,536)	( 2)	( 710,647)	( 567,199)	( 1)	( 1,388,016)
8200	Profit for the period		\$ 2,273,296	10	\$ 1,713,508	\$ 289,506	1	\$ 2,767,778

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(Review, not audited)

	Items	Notes	Three-month periods ended June 30		Six-month periods ended June 30	
			2020	2019	2020	2019
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8316	Unrealized gain (loss) on valuation of entity instruments at fair value through profit or loss	6(3)(20)	\$ 11,709	- (\$ 4,859)	\$ 3,472	- (\$ 3,108)
8310	Components of other comprehensive income that will not be reclassified to profit or loss		11,709	- ( 4,859)	3,472	- ( 3,108)
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(20)	( 906,119)	4)( 556,098)	( 2,221,137)	5) 1,282,373
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)				
8360	Components of other comprehensive income that will be reclassified to profit or loss		179,445	1 94,266	441,074	1 ( 270,353)
8300	<b>Other comprehensive (loss) income for the period</b>		( 726,674)	3)( 461,832)	( 1,780,063)	4) 1,012,020
8500	<b>Total comprehensive income (loss) for the period</b>		(\$ 714,965)	3)( \$ 466,691)	( \$ 1,776,591)	4) \$ 1,008,912
	Profit, attributable to:		\$ 1,558,331	7 \$ 1,246,817	4 (\$ 1,487,085)	3) \$ 3,776,690
8610	Owners of the parent		\$ 2,263,930	10 \$ 1,696,868	6 \$ 275,254	1 \$ 2,744,307
8620	Non-controlling interest		9,366	- 16,640	- 14,252	- 23,471
			\$ 2,273,296	10 \$ 1,713,508	6 \$ 289,506	1 \$ 2,767,778
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		\$ 1,557,857	7 \$ 1,314,946	4 (\$ 1,485,570)	3) \$ 3,822,611
8720	Non-controlling interest		474	- ( 68,129)	- ( 1,515)	- ( 45,921)
			\$ 1,558,331	7 \$ 1,246,817	4 (\$ 1,487,085)	3) \$ 3,776,690
9750	Earnings per share (in dollars) Basic earnings per share	6(28)	\$ 0.70	\$ 0.52	\$ 0.08	\$ 0.85
9850	Diluted earnings per share	6(28)	\$ 0.70	\$ 0.52	\$ 0.08	\$ 0.85

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(Review, not audited)

	Equity attributable to owners of the parent										
	Notes	Share capital - common stock	Treasury stock transactions	Capital Surplus			Retained Earnings			Total	
				Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity interest		
								Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Non-controlling interest	Total equity
Six-month period ended June 30, 2019											
		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	\$ 5,214,518 )	\$ 14,220	\$ 624,224	\$ 79,818,006
		-	-	-	-	-	2,744,307	-	-	23,471	2,767,778
6(20)		-	-	-	-	-	-	1,081,412	( 3,108 )	( 69,392 )	1,008,912
		-	-	-	-	-	2,744,307	1,081,412	( 3,108 )	( 45,921 )	3,776,690
Appropriation and distribution of 2018 earnings :											
		-	-	-	352,032	-	( 352,032 )	-	-	-	-
		-	-	-	-	770,237	( 770,237 )	-	-	-	-
6(19)		-	-	-	-	-	( 3,565,557 )	-	-	-	( 3,565,557 )
		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 30,718,823	\$ 4,133,106 )	\$ 11,112	\$ 578,303	\$ 80,029,139
Six-month period ended June 30, 2020											
		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	\$ 6,921,515 )	\$ 17,270	\$ 575,004	\$ 77,970,687
		-	-	-	-	-	275,254	-	-	14,252	289,506
6(20)		-	-	-	-	-	-	( 1,764,296 )	3,472	( 15,767 )	( 1,776,591 )
		-	-	-	-	-	275,254	( 1,764,296 )	3,472	( 1,515 )	( 1,487,085 )
Appropriation and distribution of 2019 earnings :											
		-	-	-	346,683	-	( 346,683 )	-	-	-	-
		-	-	-	-	1,703,947	( 1,703,947 )	-	-	-	-
6(19)		-	-	-	-	-	( 3,241,416 )	-	-	-	( 3,241,416 )
		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,533,661	\$ 6,904,245	\$ 26,429,129	\$ 8,685,811 )	\$ 20,742	\$ 573,489	\$ 73,242,186

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**  
**SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(Review, not audited)

		Six-month periods ended June 30	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 856,705	\$ 4,155,794
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(26)	5,771,193	6,270,843
Depreciation expense on right-of-use assets	6(8)(26)	138,320	117,354
Depreciation on investment property	6(9)(26)	11,445	12,227
Amortisation expense	6(10)(26)	49,875	49,635
Expected credit loss (gain)	12(2)	30,141	( 1,300 )
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	( 12,834 )	( 3,451 )
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(24)	147	( 1,476 )
Loss on disposal of property, plant and equipment	6(7)(24)	17,800	26,485
Reversal of impairment loss on non-financial assets	6(7)	( 1,758 )	-
Interest expense	6(7)(25)	652,781	876,588
Interest income	6(22)	( 149,931 )	( 142,784 )
Deferred government grants revenue		( 72,155 )	( 70,085 )
Unrealized foreign exchange loss (gain) on long-term foreign currency loans		357,114	( 279,145 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,955,669	256,731
Accounts receivable		1,378,892	( 593,328 )
Accounts receivable - related parties		32,453	8,388
Inventories		2,135,768	955,500
Prepayments		( 144,251 )	( 373,032 )
Other current assets		231,121	52,170
Other non-current assets		( 10,550 )	98,769
Changes in operating liabilities			
Contract liabilities - current		( 183,429 )	723,979
Notes payable		( 686,928 )	232,639
Accounts payable		( 2,477,914 )	( 779,907 )
Other payables		( 524,662 )	( 61,170 )
Other current liabilities		33,933	55,025
Accrued pension liabilities		( 105,762 )	3,346
Other non-current liabilities		4,571	( 1,317 )
Cash inflow generated from operations		9,287,754	11,588,478
Interest received		150,579	139,815
Interest paid		( 602,428 )	( 778,331 )
Income tax paid		( 736,902 )	( 1,243,171 )
Income tax refund received		45,830	208,710
Net cash flows from operating activities		8,144,833	9,915,501

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**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(Review, not audited)

		Six-month periods ended June 30	
	Notes	2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Net changes in financial assets at fair value through profit or loss		( \$ 147 )	\$ 3,669
Acquisition of property, plant and equipment	6(7)(29)	( 3,319,565 )	( 4,529,195 )
Payment for capitalized interests	6(7)(25)	( 9,719 )	( 11,904 )
Proceeds from disposal of property, plant and equipment		80,016	114,793
Acquisition of investment properties	6(9)	( 82 )	-
Acquisition of intangible assets	6(10)	( 6,320 )	( 5,644 )
Decrease in refundable deposits		4,309	14,480
Increase in other non-current liabilities		87,851	-
Net cash flows used in investing activities		( 3,163,657 )	( 4,413,801 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans	6(11)(30)	10,268,805	11,810,827
Decrease in short-term loans	6(11)(30)	( 11,987,323 )	( 10,148,463 )
Proceeds from long-term loans	6(15)(30)	3,146,141	3,926,101
Repayments of long-term loans	6(15)(30)	( 5,413,703 )	( 12,636,920 )
(Decrease) increase in guarantee deposits received	6(30)	( 8,631 )	4,192
Repayments of principal portion of lease liabilities	6(8)(30)	( 88,928 )	( 62,992 )
Net cash flows used in financing activities		( 4,083,639 )	( 7,107,255 )
Effect of exchange rate changes on cash and cash equivalents		( 739,379 )	298,751
Net increase (decrease) in cash and cash equivalents		158,158	( 1,306,804 )
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)	\$ 25,659,380	\$ 26,502,692

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**

**JUNE 30, 2020 AND 2019**

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

(Review, 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 August 11, 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9 and IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022

<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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts — cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

#### **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
			June 30, 2020	December 31, 2019	June 30, 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 6
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT. MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	100	100	Note 6

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS RUBBER JAPAN CO., LTD.	Import and export of tires	100	-	-	Note 5、7
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Import and export of tires	20	-	-	Note 4、7
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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	
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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 6
CHENG SHIN RUBBER USA, INC.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Import and export of tires	80	-	-	Note 4・7

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

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

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

Note 4: In March 2019, the Company established MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. in Mexico, and remitted out investment in the amount of MXN 859 thousand with the subsidiary, CHENG SHIN RUBBER USA, INC., during the second quarter of 2020, and jointly acquired 100% equity interest of MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V. The subsidiary was included in the consolidated entity in the second quarter of 2020.

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

Note 6: The financial statements of the entity as of June 30, 2020 and 2019, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note 7: The financial statements of the entity as of June 30, 2020, 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 June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and revolving funds	\$ 6,918	\$ 3,285	\$ 4,200
Checking deposit	1,462,247	1,439,563	1,475,005
Demand deposits	19,528,913	19,648,228	20,817,297
Time deposits	4,661,302	4,410,146	4,206,190
	<u>\$ 25,659,380</u>	<u>\$ 25,501,222</u>	<u>\$ 26,502,692</u>

Interest rate range

Time deposits	<u>1.07%~3.85%</u>	<u>1.75%~3.15%</u>	<u>1.76%~4.00%</u>
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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	June 30, 2020	December 31, 2019	June 30, 2019
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	\$ -	\$ -	\$ 1,050

A. The Group recognised net (loss) profit amounting to (\$3,732) thousand, \$1,050 thousand, (\$147) thousand and \$1,476 thousand on financial assets mandatorily measured at fair value through profit or loss - derivative instruments for the three-month and the six-month periods ended June 30, 2020 and 2019, respectively.

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

Derivative instruments	June 30, 2019	
	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2019/6/21~
USD exchange to NTD	USD 6,000 thousand	2019/8/27

The Group has no derivative instruments transaction on June 30, 2020 and December 31, 2019.

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

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

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

Items	June 30, 2020	December 31, 2019	June 30, 2019
Current items:			
Equity instruments			
Listed stocks	\$ 8,665	\$ 8,665	\$ 8,665
Valuation adjustment	20,742	17,270	11,112
Total	\$ 29,407	\$ 25,935	\$ 19,777
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 58,187	\$ 58,187	\$ 58,187

A. The Group has elected to classify equity instruments investment that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$87,594 thousand, \$84,122 thousand and \$77,964 thousand as at June 30, 2020, December 31, 2019 and June 30, 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 June 30, 2020	Three-month period ended June 30, 2019
<u>Equity instruments at fair value</u> <u>through other comprehensive income</u> Fair value change recognised in other comprehensive income (loss)	\$ 11,709	(\$ 4,859)
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019

<u>Equity instruments at fair value</u> <u>through other comprehensive income</u> Fair value change recognised in other comprehensive income (loss)	\$ 3,472	(\$ 3,108)
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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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 1,815,061	\$ 3,770,730	\$ 2,426,089
Less: Loss allowance	( 9,277)	( 9,277)	( 9,277)
	<u>\$ 1,805,784</u>	<u>\$ 3,761,453</u>	<u>\$ 2,416,812</u>
Accounts receivable	\$ 7,600,824	\$ 8,980,542	\$ 10,470,570
Less: Loss allowance	( 69,708)	( 41,615)	( 14,048)
	<u>\$ 7,531,116</u>	<u>\$ 8,938,927</u>	<u>\$ 10,456,522</u>

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

	June 30, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 6,034,111	\$ 1,815,061	\$ 7,376,434	\$ 3,770,730
Up to 30 days	976,440	-	1,099,362	-
31 to 90 days	354,265	-	282,247	-
91 to 180 days	109,330	-	83,960	-
Over 180 days	126,678	-	138,539	-
	<u>\$ 7,600,824</u>	<u>\$ 1,815,061</u>	<u>\$ 8,980,542</u>	<u>\$ 3,770,730</u>
	June 30, 2019			
	Accounts receivable	Notes receivable		
Without past due	\$ 8,482,141	\$ 2,426,089		
Up to 30 days	1,168,450	-		
31 to 90 days	473,412	-		
91 to 180 days	159,783	-		
Over 180 days	186,784	-		
	<u>\$ 10,470,570</u>	<u>\$ 2,426,089</u>		

The above ageing analysis was based on past due date.

B. As at June 30, 2020, December 31, 2019 and June 30, 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 June 30, 2020, December 31, 2019 and June 30, 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 \$1,815,061 thousand and \$7,600,824 thousand; \$3,770,730 thousand and \$8,980,542 thousand; \$2,426,089 thousand and \$10,470,570 thousand, respectively.

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

(5) Inventories

June 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,047,677	\$ -	\$ 5,047,677
Work in progress	2,519,939	( 276)	2,519,663
Finished goods	5,859,286	( 123,956)	5,735,330
Buildings and land held for sale	2,198,773	-	2,198,773
Inventory in transit	312,659	-	312,659
	<u>\$ 15,938,334</u>	<u>(\$ 124,232)</u>	<u>\$ 15,814,102</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>
June 30, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,194,479	\$ -	\$ 5,194,479
Work in progress	2,916,623	-	2,916,623
Finished goods	6,896,052	( 89,467)	6,806,585
Land in progress	812,793	-	812,793
Construction in progress	2,031,705	-	2,031,705
Inventory in transit	644,544	-	644,544
	<u>\$ 18,496,196</u>	<u>(\$ 89,467)</u>	<u>\$ 18,406,729</u>

The cost of inventories recognized as expense for the period:

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Cost of goods sold	\$ 16,877,792	\$ 21,770,870
Unallocated overheads	63,420	-
Others	(33,695)	24,670
	<u>\$ 16,907,517</u>	<u>\$ 21,795,540</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Cost of goods sold	\$ 32,723,298	\$ 42,813,026
Unallocated overheads	185,460	-
Others	9,823	(9,567)
	<u>\$ 32,918,581</u>	<u>\$ 42,803,459</u>

For the three-month period ended June 30, 2020, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using 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 June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amount of the Group's individually immaterial joint ventures amounted to \$170,323 thousand, \$157,489 thousand and \$156,065 thousand, respectively.

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Share of profit of associates and joint ventures accounted for using the equity method	\$ 6,272	\$ 1,769
Total comprehensive income	<u>\$ 6,272</u>	<u>\$ 1,769</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Share of profit of associates and joint ventures accounted for using the equity method	\$ 12,834	\$ 3,451
Total comprehensive income	<u>\$ 12,834</u>	<u>\$ 3,451</u>

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

Six-month period ended June 30, 2020					
	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences
Cost					End of period
Land	\$ 4,610,898	\$ -	\$ -	\$ -	\$ 25,722
Buildings and structures	49,810,262	72,849	10,642	200,541	\$ 4,585,176
Machinery	102,641,974	430,870	187,781	1,318,827	48,710,473
Testing equipment	3,869,352	20,592	3,339	38,108	101,482,738
Transportation equipment	1,428,027	14,016	15,730	38,889	3,827,122
Office equipment	1,054,912	20,206	615	3,499	1,432,174
Other facilities	33,998,456	743,421	223,415	321,643	1,051,604
Unfinished construction and equipment under acceptance	5,563,842	1,780,391	-	( 1,921,507)	33,847,867
	\$ 202,977,723	\$ 3,082,345	\$ 441,522	\$ -	\$ 5,297,261
Accumulated depreciation					\$ 200,234,415
Buildings and structures	(\$ 18,644,399)	\$ 958,391	\$ 5,271	\$ -	\$ 474,299
Machinery	( 58,136,370)	( 2,808,132)	107,067	-	( 59,324,380)
Testing equipment	( 2,888,108)	( 141,302)	1,735	-	( 2,960,532)
Transportation equipment	( 1,061,464)	( 49,943)	14,814	-	( 1,076,071)
Office equipment	( 710,600)	( 65,915)	542	-	( 757,979)
Other facilities	( 25,364,441)	( 1,747,510)	198,915	-	( 26,168,551)
	(\$ 106,805,382)	(\$ 5,771,193)	\$ 328,344	\$ -	(\$ 109,410,733)
Accumulated impairment					
Machinery	(\$ 256,534)	\$ -	\$ 17,107	\$ -	(\$ 233,249)
Testing equipment	( 271)	417	417	-	( 264)
Transportation equipment	( 1,960)	-	-	-	( 1,908)
Office equipment	( 58)	-	13	-	( 44)
Other facilities	( 23,933)	-	-	-	( 23,350)
	(\$ 282,756)	(\$ 417)	\$ 17,537	\$ -	(\$ 258,815)
	\$ 95,889,585				\$ 90,564,867

Six-month period ended June 30, 2019

	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences	End of period
<b>Cost</b>						
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 35,365	\$ 4,618,832
Buildings and structures	49,684,022	232,270	-	495,772	811,316	51,223,380
Machinery	100,304,545	564,123	233,502	2,267,473	2,167,177	105,069,816
Testing equipment	3,729,686	35,729	18,692	93,706	63,539	3,903,968
Transportation equipment	1,369,500	30,480	13,121	36,827	14,896	1,438,582
Office equipment	954,368	37,429	388	24,998	13,831	1,030,238
Other facilities	31,361,160	1,186,885	267,996	672,077	715,698	33,667,824
Unfinished construction and equipment under acceptance	8,005,642	1,907,867	-	3,648,042	149,013	6,414,480
	<u>\$ 199,992,390</u>	<u>\$ 3,994,783</u>	<u>\$ 533,699</u>	<u>\$ 57,189</u>	<u>\$ 3,970,835</u>	<u>\$ 207,367,120</u>
<b>Accumulated depreciation</b>						
Buildings and structures	(\$ 17,052,347)	(\$ 1,126,087)	\$ -	\$ -	(\$ 228,058)	(\$ 18,406,492)
Machinery	( 53,074,452)	( 3,031,838)	132,375	10,336	( 1,260,952)	( 57,245,203)
Testing equipment	( 2,670,049)	( 149,161)	12,619	1,436	( 37,025)	( 2,842,180)
Transportation equipment	( 998,805)	( 57,632)	11,451	-	( 10,536)	( 1,055,522)
Office equipment	( 596,140)	( 68,986)	371	-	( 8,767)	( 673,522)
Other facilities	( 22,331,442)	( 1,837,139)	235,605	8,900	( 543,040)	( 24,467,116)
	<u>(\$ 96,723,235)</u>	<u>(\$ 6,270,843)</u>	<u>\$ 392,421</u>	<u>\$ -</u>	<u>(\$ 2,088,378)</u>	<u>(\$ 104,690,035)</u>
<b>Accumulated impairment</b>						
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>\$ 102,662,508</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:

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Amount capitalized	\$ 9,719	\$ 11,904
Range of the interest rates for capitalization	3.83%~4.68%	2.20%~7.53%

(8) Leasing arrangements — lessee

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

	June 30, 2020 Book value	December 31, 2019 Book value	June 30, 2019 Book value
Land	\$ 4,648,064	\$ 4,882,312	\$ 5,148,762
Buildings and structures	454,522	473,987	156,310
Machinery	19,648	22,208	24,003
Transportation equipment	136,999	98,075	71,047
Office equipment	8,470	6,257	7,885
Other equipment	29,216	35,695	26,722
	<u>\$ 5,296,919</u>	<u>\$ 5,518,534</u>	<u>\$ 5,434,729</u>

	Three-month period ended June 30, 2020 Depreciation expense	Three-month period ended June 30, 2019 Depreciation expense
Land	\$ 26,316	\$ 36,076
Buildings and structures	26,018	15,418
Machinery	762	1,597
Transportation equipment	14,566	9,898
Office equipment	1,014	791
Other equipment	2,942	2,845
	<u>\$ 71,618</u>	<u>\$ 66,625</u>

	Six-month period ended June 30, 2020 Depreciation expense	Six-month period ended June 30, 2019 Depreciation expense
Land	\$ 52,931	\$ 62,072
Buildings and structures	47,038	28,170
Machinery	1,547	1,597
Transportation equipment	28,723	20,047
Office equipment	2,041	1,433
Other equipment	6,040	4,035
	<u>\$ 138,320</u>	<u>\$ 117,354</u>



D. For the three-month and the six-month periods ended June 30, 2020 and 2019, the additions to right-of-use assets amounted to \$80,433 thousand, \$50,367 thousand, \$114,079 thousand and \$52,965 thousand, respectively.

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

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 256	\$ 1,837
Expense on short-term lease contracts	5,257	10,154
Expense on leases of low-value assets	962	924
Expense on variable lease payments	68,272	53,203
	<u>\$ 74,747</u>	<u>\$ 66,118</u>
	Six-month period	Six-month period
<u>Items affecting profit or loss</u>	ended June 30, 2020	ended June 30, 2019
Interest expense on lease liabilities	\$ 5,040	\$ 3,496
Expense on short-term lease contracts	9,138	13,881
Expense on leases of low-value assets	1,846	1,895
Expense on variable lease payments	105,976	122,480
	<u>\$ 122,000</u>	<u>\$ 141,752</u>

F. For the three-month and the six-month periods ended June 30, 2020 and 2019, the Group's total cash outflow for leases amounted to \$118,892 thousand, \$103,818 thousand, \$210,928 thousand and \$204,744 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 40.71% 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 \$1,060 thousand.

(9) Investment property, net

	Six-month period ended June 30, 2020				
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at June 30
Cost					
Land	\$ 336,339	\$ 82	\$ -	\$ -	\$ 336,421
Buildings and structures	455,023	-	-	( 11,315)	443,708
	<u>\$ 791,362</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>(\$ 11,315)</u>	<u>\$ 780,129</u>
Accumulated depreciation					
Buildings and structures	(\$ 190,168)	(\$ 11,445)	\$ -	\$ 4,606	(\$ 197,007)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 550,156</u>				<u>\$ 532,084</u>

Six-month period ended June 30, 2019					
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at June 30
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	471,597	-	-	4,863	476,460
	<u>\$ 807,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,863</u>	<u>\$ 812,799</u>
Accumulated depreciation					
Buildings and structures	(\$ 172,654)	(\$ 12,227)	\$ -	(\$ 1,543)	(\$ 186,424)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 584,244</u>				<u>\$ 575,337</u>

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

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Rental income from investment property	<u>\$ 5,588</u>	<u>\$ 7,603</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 5,659</u>	<u>\$ 6,106</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Rental income from investment property	<u>\$ 13,028</u>	<u>\$ 15,219</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 11,445</u>	<u>\$ 12,227</u>

B. The fair value of the investment property held by the Group as at June 30, 2020, December 31, 2019 and June 30, 2019 was \$1,052,529 thousand \$1,066,478 thousand and \$926,932 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

	June 30, 2020	December 31, 2019	June 30, 2019
Intangible assets	\$ 197,726	\$ 246,790	\$ 252,253
Others	709,614	703,374	792,722
	<u>\$ 907,340</u>	<u>\$ 950,164</u>	<u>\$ 1,044,975</u>

Movements in intangible assets :

Six-month period ended June 30, 2020						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at June 30
Cost						
Computer software	\$ 514,464	\$ 6,320	\$ -	\$ -	(\$ 10,912)	\$ 509,872
Others	7,762	-	-	-	(206)	7,556
	<u>\$ 522,226</u>	<u>\$ 6,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 11,118)</u>	<u>\$ 517,428</u>
Accumulated amortisation						
Computer software	(\$ 273,107)	(\$ 49,491)	\$ -	\$ -	\$ 5,541	(\$ 317,057)
Others	(2,329)	(384)	-	-	68	(2,645)
	<u>(\$ 275,436)</u>	<u>(\$ 49,875)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>(\$ 319,702)</u>
	<u>\$ 246,790</u>					<u>\$ 197,726</u>
Six-month period ended June 30, 2019						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at June 30
Cost						
Computer software	\$ 420,716	\$ 5,644	\$ -	\$ 57,189	\$ 4,938	\$ 488,487
Accumulated						
Computer software	(\$ 183,666)	(\$ 49,635)	\$ -	\$ -	(\$ 2,933)	(\$ 236,234)
	<u>\$ 237,050</u>					<u>\$ 252,253</u>

Details of amortisation on intangible assets are as follows:

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Operating costs	\$ 2,551	\$ 2,702
Selling expenses	1,644	1,540
Administrative expenses	16,497	18,150
Research and development expenses	3,634	2,944
	<u>\$ 24,326</u>	<u>\$ 25,336</u>

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Operating costs	\$ 5,310	\$ 4,973
Selling expenses	3,146	2,874
Administrative expenses	34,143	35,967
Research and development expenses	7,276	5,821
	<u>\$ 49,875</u>	<u>\$ 49,635</u>

(11) Short-term borrowings

Type of borrowings	June 30, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 14,614,914</u>	0.55%~7.00%	None

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

Type of borrowings	June 30, 2019	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 17,501,394</u>	0.55%~7.95%	None

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

(12) Other payables

	June 30, 2020	December 31, 2019	June 30, 2019
Dividend payable	\$ 3,242,073	\$ 657	\$ 3,607,788
Wages and salaries payable	1,137,719	1,432,816	1,195,101
Payable on machinery and equipment	881,415	1,128,354	1,184,620
Employee compensation payable	115,275	209,476	187,965
Compensation due to directors and supervisors	76,658	67,093	125,003
Other accrued expenses	1,776,037	1,911,096	1,760,369
Others	873,572	838,082	1,194,771
	<u>\$ 8,102,749</u>	<u>\$ 5,587,574</u>	<u>\$ 9,255,617</u>

(13) Other current liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Long-term liabilities due within one year	\$ 7,346,463	\$ 9,900,811	\$ 10,599,441
Advance receipts	1,872	272	268
Refund liabilities	225,974	106,627	123,251
Others	132,086	219,100	189,534
	<u>\$ 7,706,395</u>	<u>\$ 10,226,810</u>	<u>\$ 10,912,494</u>

(14) Bonds payable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 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	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	17,000,000	17,000,000	21,800,000
Less: Current portion	<u>( 2,500,000)</u>	<u>( 2,500,000)</u>	<u>( 4,800,000)</u>
	<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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2020</u>
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until June 2027.	0.79%~4.50%	None	\$ 27,854,976
Other borrowings				
Unsecured borrowings	Principal is repayable in November 2022 at the maturity.	6.65%	None	209,550
				28,064,526
Less: Current portion				( 4,846,463)
				<u>\$ 23,218,063</u>
<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until November 2026.	1.00%~4.76%	None	\$ 30,487,611
Other borrowings				
Unsecured borrowings	Principal is repayable in November 2022 at the maturity.	6.65%	None	215,250
				30,702,861
Less: Current portion				( 7,400,811)
				<u>\$ 23,302,050</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2019
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until July 2026.	0.97%~4.89%	None	\$ 27,069,483
Other borrowings				
Unsecured borrowings	Principal is repayable in November 2022 at the maturity.	6.65%	None	226,050
				27,295,533
Less: Current portion				( 5,799,441)
				\$ 21,496,092

- A. Above mentioned borrowings are capital financings through financial institutions and other related parties.
- B. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements as at June 30, 2020, December 31, 2019 and June 30, 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	June 30, 2020	December 31, 2019	June 30, 2019
USD	\$ 16,357,735	\$ 16,339,100	\$ 17,727,930

(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, \$7,324 thousand, \$10,208 thousand and \$12,728 thousand for the three-month and the six-month periods ended June 30, 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 and the six-month periods ended June 30, 2020 and 2019 were \$39,125 thousand, \$38,518 thousand, \$79,967 thousand and \$76,217 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 six-month periods ended June 30, 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 and the six-month periods ended June 30, 2020 and 2019, were \$33,942 thousand, \$86,212 thousand, \$85,068 thousand and \$174,223 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 and the six-month periods ended June 30, 2020 and 2019, were \$4,559 thousand, \$3,930 thousand, \$9,568 thousand and \$7,443 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 June 30, 2020, December 31, 2019 and June 30, 2019, the net liabilities recognised in the balance sheets were \$49,516 thousand and \$48,126 thousand and \$41,938 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 and the six-month periods ended June 30, 2020 and 2019, were \$4,632 thousand, \$5,117 thousand, \$9,844 thousand and \$10,102 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 and the six-month periods ended June 30, 2020 and 2019, the pension expense accrued in accordance to the aforementioned regulation amounted to \$2,067 thousand, \$1,750 thousand, \$4,177 thousand and \$3,416 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 and the six-month periods ended June 30, 2020 and 2019, the pension cost accrued in accordance to the aforementioned regulation amounted to \$1,735 thousand, \$2,171 thousand, \$3,811 thousand and \$4,442 thousand, respectively.

(17) Share capital

As at June 30, 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 June 16, 2020, the shareholders during their meeting resolved that total dividends for the distribution of earnings for the year of 2019 was \$3,241,416 thousand at \$1.0 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(26).

(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	-	3,472	3,472
Currency translation differences:			
– Group	( 2,205,370)	-	( 2,205,370)
– Tax on Group	441,074	-	441,074
At June 30	(\$ 8,685,811)	\$ 20,742	(\$ 8,665,069)

  

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	-	( 3,108)	( 3,108)
Currency translation differences:			
– Group	1,351,765	-	1,351,765
– Tax on Group	( 270,353)	-	( 270,353)
At June 30	(\$ 4,133,106)	\$ 11,112	(\$ 4,121,994)

(21) Operating revenue

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Revenue from contracts with customers	\$ 22,028,770	\$ 28,455,523
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Revenue from contracts with customers	\$ 41,578,814	\$ 55,255,780

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 June 30, 2020					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,494,707	\$ 13,823,489	\$ 1,377,660	\$ 5,332,914	\$ 22,028,770
Inter-segment revenue	<u>1,038,747</u>	<u>1,984,552</u>	<u>710,124</u>	<u>183,135</u>	<u>3,916,558</u>
Total segment revenue	<u>\$ 2,533,454</u>	<u>\$ 15,808,041</u>	<u>\$ 2,087,784</u>	<u>\$ 5,516,049</u>	<u>\$ 25,945,328</u>
Three-month period ended June 30, 2019					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,824,686	\$ 15,072,297	\$ 2,213,738	\$ 9,344,802	\$ 28,455,523
Inter-segment revenue	<u>1,205,520</u>	<u>1,728,712</u>	<u>1,553,828</u>	<u>646,961</u>	<u>5,135,021</u>
Total segment revenue	<u>\$ 3,030,206</u>	<u>\$ 16,801,009</u>	<u>\$ 3,767,566</u>	<u>\$ 9,991,763</u>	<u>\$ 33,590,544</u>
Six-month period ended June 30, 2020					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 2,992,215	\$ 21,611,950	\$ 3,372,727	\$ 13,601,922	\$ 41,578,814
Inter-segment revenue	<u>2,029,712</u>	<u>2,962,054</u>	<u>2,205,084</u>	<u>720,293</u>	<u>7,917,143</u>
Total segment revenue	<u>\$ 5,021,927</u>	<u>\$ 24,574,004</u>	<u>\$ 5,577,811</u>	<u>\$ 14,322,215</u>	<u>\$ 49,495,957</u>
Six-month period ended June 30, 2019					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 3,291,615	\$ 29,250,715	\$ 4,322,164	\$ 18,391,286	\$ 55,255,780
Inter-segment revenue	<u>2,091,000</u>	<u>3,228,992</u>	<u>2,867,062</u>	<u>1,210,614</u>	<u>9,397,668</u>
Total segment revenue	<u>\$ 5,382,615</u>	<u>\$ 32,479,707</u>	<u>\$ 7,189,226</u>	<u>\$ 19,601,900</u>	<u>\$ 64,653,448</u>

#### B. Contract liabilities

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

	June 30, 2020	December 31, 2019
Contract liabilities:		
Advance sales receipts	\$ 736,542	\$ 895,825
Customer loyalty programmes	<u>15,648</u>	<u>39,794</u>
Total	<u>\$ 752,190</u>	<u>\$ 935,619</u>
	June 30, 2019	January 1, 2019
Contract liabilities:		
Advance sales receipts	\$ 1,440,719	\$ 694,413
Customer loyalty programmes	<u>30,331</u>	<u>52,658</u>
Total	<u>\$ 1,471,050</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 June 30, 2020	Three-month period ended June 30, 2019
Advance sales receipts	\$ 58,681	\$ 6,129
Customer loyalty programmes	-	-
	<u>\$ 58,681</u>	<u>\$ 6,129</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Advance sales receipts	\$ 642,887	\$ 514,818
Customer loyalty programmes	38,763	47,937
	<u>\$ 681,650</u>	<u>\$ 562,755</u>

(22) Interest income

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Interest income from bank deposits	<u>\$ 92,636</u>	<u>\$ 72,523</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Interest income from bank deposits	<u>\$ 149,931</u>	<u>\$ 142,784</u>

(23) Other income

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Grant revenue	\$ 152,910	\$ 53,466
Other income	144,507	83,042
	<u>\$ 297,417</u>	<u>\$ 136,508</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Grant revenue	\$ 290,645	\$ 122,160
Other income	189,050	141,817
	<u>\$ 479,695</u>	<u>\$ 263,977</u>

(24) Other gains and losses

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Net currency exchange gain	\$ 1,149,062	\$ 183,362
Loss on disposal of property, plant and equipment	( 3,611)	( 17,296)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	( 3,732)	1,050
Other expenses	( 32,263)	( 34,914)
	<u>\$ 1,109,456</u>	<u>\$ 132,202</u>

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Net currency exchange (loss) gain	(\$ 608,778)	\$ 554,122
Loss on disposal of property, plant and equipment	( 17,800)	( 26,485)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	( 147)	1,476
Other expenses	( 58,048)	( 70,361)
	<u>(\$ 684,773)</u>	<u>\$ 458,752</u>

(25) Finance costs

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Interest expense:		
Bank borrowings	\$ 266,390	\$ 345,368
Corporate bonds	37,671	54,426
Provisions-discount	2,681	2,797
Lease liability-interest expense	<u>256</u>	<u>1,837</u>
	306,998	404,428
Add: Reversal of capitalisation of disqualifying assets	-	16,581
Less: Capitalisation of qualifying assets	<u>( 5,116)</u>	<u>( 4,639)</u>
Finance costs	<u>\$ 301,882</u>	<u>\$ 416,370</u>

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Interest expense:		
Bank borrowings	\$ 577,122	\$ 771,148
Corporate bonds	74,929	108,253
Provisions-discount	5,409	5,595
Lease liability-interest expense	<u>5,040</u>	<u>3,496</u>
	662,500	888,492
Add: Reversal of capitalisation of disqualifying assets	-	16,581
Less: Capitalisation of qualifying assets	<u>( 9,719)</u>	<u>( 28,485)</u>
Finance costs	<u>\$ 652,781</u>	<u>\$ 876,588</u>

(26) Expenses by nature

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Employee benefit expense		
Wages and salaries	\$ 2,813,661	\$ 3,185,233
Labour and health insurance fees	158,994	179,211
Pension costs	91,164	145,022
Directors' remuneration	9,528	31,916
Other personnel expenses	175,911	219,869
	<u>\$ 3,249,258</u>	<u>\$ 3,761,251</u>
Raw materials and supplies used	<u>\$ 10,770,128</u>	<u>\$ 14,609,732</u>
Depreciation expense on property, plant and equipment	<u>\$ 2,810,617</u>	<u>\$ 3,192,068</u>
Depreciation expense on right-of-use assets	<u>\$ 71,618</u>	<u>\$ 66,625</u>
Depreciation expense on investment property	<u>\$ 5,659</u>	<u>\$ 6,106</u>
Amortisation expense on intangible assets	<u>\$ 24,326</u>	<u>\$ 25,336</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Employee benefit expense		
Wages and salaries	\$ 5,506,744	\$ 6,286,149
Labour and health insurance fees	337,042	370,466
Pension costs	202,643	288,571
Directors' remuneration	12,180	45,441
Other personnel expenses	339,524	415,093
	<u>\$ 6,398,133</u>	<u>\$ 7,405,720</u>
Raw materials and supplies used	<u>\$ 20,176,724</u>	<u>\$ 28,692,035</u>
Depreciation expense on property, plant and equipment	<u>\$ 5,771,193</u>	<u>\$ 6,270,843</u>
Depreciation expense on right-of-use assets	<u>\$ 138,320</u>	<u>\$ 117,354</u>
Depreciation expense on investment property	<u>\$ 11,445</u>	<u>\$ 12,227</u>
Amortisation expense on intangible assets	<u>\$ 49,875</u>	<u>\$ 49,635</u>

Note: As at June 30, 2020 and 2019, the Company had 28,911 and 29,572 employees, of which 8 and 7 directors were not the Company's employees, respectively.

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and the six-month periods ended June 30, 2020 and 2019, employees' compensation was accrued at \$8,678 thousand, \$43,440 thousand, \$8,678 thousand and \$73,487 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$5,697 thousand, \$28,518 thousand, \$5,697 thousand and \$48,244 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.313% of distributable profit of current year for the six-month period ended June 30, 2020.

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 August 11, 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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Current tax:		
Current tax on profits for the period	\$ 375,504	\$ 547,563
Prior year income tax overestimation	( 119,099)	( 128,794)
Total current tax	<u>256,405</u>	<u>418,769</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>126,131</u>	<u>291,878</u>
Total deferred tax	<u>126,131</u>	<u>291,878</u>
Income tax expense	<u>\$ 382,536</u>	<u>\$ 710,647</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Current tax:		
Current tax on profits for the period	\$ 515,621	\$ 943,085
Prior year income tax overestimation	( 65,556)	( 62,159)
Total current tax	<u>450,065</u>	<u>880,926</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>117,134</u>	<u>507,090</u>
Total current tax	<u>117,134</u>	<u>507,090</u>
Income tax expense	<u>\$ 567,199</u>	<u>\$ 1,388,016</u>

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

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Generated during the period :		
Currency translation differences	<u>\$ 179,445</u>	<u>\$ 94,266</u>

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019	
Generated during the period :			
Currency translation differences	\$ 441,074	(\$ 270,353)	
B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.			
(28) <u>Earnings per share</u>			
	<u>Three-month period ended June 30, 2020</u>		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,263,930	3,241,416	\$ 0.70
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,263,930	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	262	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,263,930	3,241,678	\$ 0.70
	<u>Three-month period ended June 30, 2019</u>		
	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	\$ 1,696,868	3,241,416	\$ 0.52
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,696,868	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,098	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,696,868	3,242,514	\$ 0.52



Six-month period ended June 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 275,254	3,241,416	\$ 0.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	275,254	3,241,416	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	1,741	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 275,254	3,243,157	\$ 0.08
Six-month period ended June 30, 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	\$ 2,744,307	3,241,416	\$ 0.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,744,307	3,241,416	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	2,914	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,744,307	3,244,330	\$ 0.85

(29) Supplemental cash flow information

Investing activities with partial cash payments :

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Purchase of property, plant and equipment	\$ 3,082,345	\$ 3,994,783
Add: Opening balance of payable on equipment	1,128,354	1,730,936
Less: Ending balance of payable on equipment	( 881,415)	( 1,184,620)
Cash paid during the period	\$ 3,329,284	\$ 4,541,099

(30) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Long-term borrowings	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$16,843,366	\$ 30,702,861	\$ 657	\$ 708,927	\$ 248,381	\$ 48,504,192
Changes in cash flow from financing activities	( 1,718,518)	( 2,267,562)	-	( 88,928)	( 8,631)	( 4,083,639)
Interest paid	-	-	-	( 5,040)	-	( 5,040)
Additions	-	-	3,241,416	108,645	-	3,350,061
Amortisation of interest expense	-	-	-	5,040	-	5,040
Impact of changes in foreign exchange rate	( 509,934)	( 370,773)	-	( 15,756)	-	( 896,463)
At June 30	\$14,614,914	\$ 28,064,526	\$ 3,242,073	\$ 712,888	\$ 239,750	\$ 46,874,151
	2019					
	Short-term borrowings	Long-term borrowings	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$15,569,136	\$ 35,526,041	\$ 657	\$ 339,938	\$ 255,209	\$ 51,690,981
Changes in cash flow from financing activities	1,662,364	( 8,710,819)	-	( 62,992)	4,192	( 7,107,255)
Interest paid	-	-	-	( 3,496)	-	( 3,496)
Additions	-	-	3,607,130	50,346	-	3,657,476
Amortisation of interest expense	-	-	-	3,496	-	3,496
Impact of changes in foreign exchange rate	269,894	480,311	1	9,173	-	759,379
At June 30	\$17,501,394	\$ 27,295,533	\$ 3,607,788	\$ 336,465	\$ 259,401	\$ 49,000,581

## 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 vice chairman
Maxxis (XiaMen) Trading CO., LTD.	The Company's director is the company's representative
Luo, Jye	Relative of the Company's director within first degree of relationship
Lo, Ming-Ling	Spouse of the Company's director
Lo, Ming-I	Spouse of the Company's chairman
Lo, Tsai-Jen	The Company's director
Luo, Yuan-Yo	Relative of the Company's director within first degree of relationship
Lo, Yuan-Long	Relative of the Company's director within first degree of relationship

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Three-month period ended June 30, 2020</u>	<u>Three-month period ended June 30, 2019</u>
Sales of goods:		
-Other related parties	<u>\$ 63,847</u>	<u>\$ 73,388</u>
	<u>Six-month period ended June 30, 2020</u>	<u>Six-month period ended June 30, 2019</u>
Sales of goods:		
-Other related parties	<u>\$ 115,344</u>	<u>\$ 136,594</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts receivable:			
-Other related parties	<u>\$ 21,600</u>	<u>\$ 54,053</u>	<u>\$ 39,588</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Payables due to related parties :			
-Other related parties	<u>\$ 209,550</u>	<u>\$ 215,250</u>	<u>\$ 226,050</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.

#### D. Lease transactions - lessee

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

(b) Acquisition of right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Key management personnel	\$ -	\$ 5,785	\$ 5,785
(c) Lease liabilities			
i. Outstanding balance			
	June 30, 2020	December 31, 2019	June 30, 2019
Key management personnel	\$ 41,353	\$ 55,136	\$ 54,880
ii. Interest expense			
	June 30, 2020	December 31, 2019	June 30, 2019
Key management personnel	\$ 193	\$ 503	\$ 247

(3) Key management compensation

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Short-term employee benefits	\$ 45,952	\$ 68,288
Post-employment benefits	510	640
	<u>\$ 46,462</u>	<u>\$ 68,928</u>
	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Short-term employee benefits	\$ 83,242	\$ 128,716
Post-employment benefits	1,019	1,280
	<u>\$ 84,261</u>	<u>\$ 129,996</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value June 30, 2019	Purpose
Time deposits (Other current assets)	\$ 15,538	Product liability insurance

As of June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	\$ 3,614,874	\$ 2,990,369	\$ 2,796,778

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

	June 30, 2020	December 31, 2019	June 30, 2019
Amount of letter of credit that has been issued but not yet used	\$ 11,148	\$ 45,524	\$ 161,817

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 six-month period ended June 30, 2020, the Group's strategy was unchanged from 2019. The gearing ratios as at June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Total liabilities	\$ 80,179,239	\$ 86,069,542	\$ 92,438,793
Total equity	\$ 73,242,186	\$ 77,970,687	\$ 80,029,139
Less : Intangible assets	( 197,726)	( 246,790)	( 252,253)
Tangible equity	\$ 73,044,460	\$ 77,723,897	\$ 79,776,886
Debt-equity ratio	110%	111%	116%

### (2) Financial instruments

#### A. Financial instruments by category

	June 30, 2020	December 31, 2019	June 30, 2019
<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	\$ -	\$ -	\$ 1,050
Financial assets at fair value through other comprehensive income - current			
Designation of equity instrument	29,407	25,935	19,777
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	25,659,380	25,501,222	26,502,692
Notes receivable, net	1,805,784	3,761,453	2,416,812
Accounts receivable (including related parties)	7,552,716	8,992,980	10,496,110
Guarantee deposits paid	48,757	53,066	71,688
Other financial assets	252,237	374,790	524,371
	<u>\$ 35,406,468</u>	<u>\$ 38,767,633</u>	<u>\$ 40,090,687</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<b><u>Financial liabilities</u></b>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 14,614,914	\$ 16,843,366	\$ 17,501,394
Notes payable	435,348	1,122,276	856,054
Accounts payable	5,315,416	7,793,330	8,173,295
Other accounts payables	8,102,749	5,587,574	9,255,617
Corporate bonds payable (including current portion)	17,000,000	17,000,000	21,800,000
Long-term borrowings (including current portion)	28,064,526	30,702,861	27,295,533
Guarantee deposits received	<u>239,750</u>	<u>248,381</u>	<u>259,401</u>
	<u>\$ 73,772,703</u>	<u>\$ 79,297,788</u>	<u>\$ 85,141,294</u>
Lease liabilities (including current portion)	<u>\$ 712,888</u>	<u>\$ 708,927</u>	<u>\$ 336,465</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, JPY, MXN and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 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
\$	152,092	29.630	\$ 4,506,486	1%	\$ 45,065	\$ -
	623,217	4.191	2,611,902	1%	26,119	-
	37,895	33.270	1,260,767	1%	12,608	-
	1,730,011	0.275	475,753	1%	4,758	-
	4,387	36.430	159,818	1%	1,598	-
	51,113	7.070	1,514,497	1%	15,145	-
	16,118	7.938	536,216	1%	5,362	-
	489,598	0.066	135,426	1%	1,354	-
	475,206	0.099	197,167	1%	1,972	-
	35,899	30.721	1,064,253	1%	10,643	-
	6,013	34.495	200,159	1%	2,002	-
	30,591	25,765.217	906,411	1%	9,064	-
	17,096	1.367	506,667	1%	5,067	-
	15,470	14,245.192	458,376	1%	4,584	-

(Foreign currency:  
functional currency)

Financial assets

Monetary items

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

June 30, 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
\$	16,112	29.630	\$ 477,399	1%	\$ 4,774	\$ -
	53,498	7.070	1,585,166	1%	15,852	-
	5,108	7.938	169,934	1%	1,699	-
	22,418	30.721	664,599	1%	6,646	-
	49,627	25,765.217	1,470,448	1%	14,704	-
	303,952	14,245.192	9,006,098	1%	90,061	-
	229,800	75.548	6,808,957	1%	68,090	-

(Foreign currency:  
functional currency)

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

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

**(Foreign currency:  
functional currency)**

**Financial assets**

Monetary items

USD : TWD

RMB : TWD

EUR : TWD

JPY : TWD

GBP : TWD

USD : RMB

EUR : RMB

JPY : RMB

GBP : RMB

RUB : RMB

USD : THB

EUR : THB

USD : VND

USD : CAD

USD : IDR

(Foreign currency:  
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			Effect on other comprehensive income
			Degree of variation	Effect on profit or loss		
\$ 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		-

June 30, 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
\$	146,620	31.060	\$ 4,554,017	1%	\$ 45,540	\$ -
	213,044	4.521	963,172	1%	9,632	-
	22,629	35.380	800,614	1%	8,006	-
	1,140,601	0.289	329,634	1%	3,296	-
	6,697	39.390	263,795	1%	2,638	-
	80,631	6.870	2,504,340	1%	25,043	-
	19,673	7.826	696,057	1%	6,961	-
	4,914	8.713	193,570	1%	1,936	-
	439,497	0.109	216,579	1%	2,166	-
	79,502	30.556	2,470,561	1%	24,706	-
	13,478	34.806	477,090	1%	4,771	-
	30,142	25,669.421	936,211	1%	9,362	-
	25,665	1.310	797,090	1%	7,971	-
	27,445	13,928.251	852,442	1%	8,524	-

**(Foreign currency:  
functional currency)**

Financial assets

Monetary items

USD : TWD

RMB : TWD

EUR : TWD

JPY : TWD

GBP : TWD

USD : RMB

EUR : RMB

GBP : RMB

RUB : RMB

USD : THB

EUR : THB

USD : VND

USD : CAD

USD : IDR

June 30, 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
\$	23,200	31.060	\$ 720,592	1%	\$ 7,206	\$ -
	101,609	6.870	3,155,901	1%	31,559	-
	14,710	7.826	520,460	1%	5,205	-
	83,885	30.556	2,606,764	1%	26,068	-
	33,753	25,669.421	1,048,368	1%	10,484	-
	14,956	1.310	464,496	1%	4,645	-
	298,087	13,928.251	9,258,582	1%	92,586	-
	231,049	68.992	7,176,428	1%	71,764	-

(Foreign currency:  
functional currency)

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : CAD

USD : IDR

USD : INR

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-months periods ended June 30, 2020 and 2019 amounted to \$1,149,062 thousand, \$183,362 thousand, (\$608,778) thousand and \$554,122 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 six-month periods ended June 30, 2020 and 2019 would have increased/decreased by \$876 thousand and \$780 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 six-month periods ended June 30, 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 June 30, 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 six-month periods ended June 30, 2020 and 2019 would have been \$29,737 thousand and \$39,027 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As at June 30, 2020, December 31, 2019 and June 30, 2019, the Group have no written-off financial assets that are still under recourse procedures.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable; accounts receivable that are significantly past due are assessed individually for their expected credit losses. As at June 30, 2020, December 31, 2019 and June 30, 2019, the provision matrix is as follows:

<u>June 30, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 6,034,111	\$ -
Up to 30 days	0.95%	976,440	9,276
31 to 90 days	3.68%	354,265	13,027
91 to 180 days	7.89%	109,330	8,626
Over 180 days	12.25%	100,170	12,271
Individual	100.00%	26,508	26,508
		<u>\$ 7,600,824</u>	<u>\$ 69,708</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>June 30, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,482,141	\$ -
Up to 30 days	0.31%	1,168,450	3,622
31 to 90 days	0.84%	473,412	3,977
91 to 180 days	1.58%	159,783	2,525
Over 180 days	2.10%	186,784	3,924
		<u>\$ 10,470,570</u>	<u>\$ 14,048</u>

viii. 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	30,141	32
Reversal of impairment loss	- (	1,332)
Write-offs	( 826)	( 32)
Effect of exchange rate changes	( 1,222)	37
At June 30	\$ 69,708	\$ 14,048

(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.

June 30, 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	\$ 10,673,351	\$ 3,415,732	\$ 671,072	\$ -	\$ 14,760,155
Notes and accounts payable	5,678,238	16	37,720	34,790	5,750,764
Other payables	7,960,641	1,169	109,928	31,011	8,102,749
Lease liability	35,264	33,166	86,909	557,549	712,888
Guarantee deposits received	-	28	335	239,387	239,750
Long-term borrowings	1,550,297	1,773,684	1,850,261	24,119,383	29,293,625
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

June 30, 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	\$ 9,545,350	\$ 5,142,974	\$ 3,087,935	\$ -	\$ 17,776,259
Notes and accounts payable	9,029,304	-	-	45	9,029,349
Other payables	8,994,953	197	136,095	124,372	9,255,617
Lease liability	25,751	24,766	58,749	227,199	336,465
Guarantee deposits received	4,448	-	-	254,953	259,401
Long-term borrowings	1,640,599	787,758	4,085,827	22,438,836	28,953,020
Bonds payable	5,018,300	-	-	17,385,750	22,404,050

(3) Fair value information

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

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

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

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

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



C. Financial instruments not measured at fair value

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

June 30, 2020				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,118,365	\$ -

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

June 30, 2019				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 21,800,000	\$ -	\$ 21,974,737	\$ -

- (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:

June 30, 2020				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ 29,407	\$ -	\$ 58,187	\$ 87,594

December 31, 2019				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
- Equity securities	\$ 25,935	\$ -	\$ 58,187	\$ 84,122
June 30, 2019				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Forward exchange contracts	\$ -	\$ 1,050	\$ -	\$ 1,050
Financial assets at fair value through other comprehensive income				
- Equity securities	19,777	-	58,187	77,964
	\$ 19,777	\$ 1,050	\$ 58,187	\$ 79,014

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

- 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.
- 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.
- 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 six-month periods ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the six-month periods ended June 30, 2020 and 2019.

(4) Assessment of impact of the COVID-19

Regarding the assessment of impact of the COVID-19, the Group was affected by the COVID-19 pandemic in the first half year of 2020. As a result, production of the Group's certain factories came to a halt and orders were delayed. As of June 30, 2020, all factories have resumed operations. Additionally, although the Group's sales orders from certain areas have declined because of the COVID-19 pandemic, overall business and finance were not significantly impacted based on the Group's assessment.

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(24) 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 six-month period ended June 30, 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 six-month periods ended June 30, 2020 and 2019 is as follows:

Six-month period ended June 30, 2020

	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 6,174,678	\$ 6,405,485	\$ 12,507,852	\$ 4,132,261	\$ 8,049,204	\$ 37,269,480
Revenue from inter -segment revenue	<u>3,892,244</u>	<u>584,577</u>	<u>258,160</u>	<u>584,041</u>	<u>2,256,771</u>	<u>7,575,793</u>
Total segment revenue	<u>\$ 10,066,922</u>	<u>\$ 6,990,062</u>	<u>\$ 12,766,012</u>	<u>\$ 4,716,302</u>	<u>\$ 10,305,975</u>	<u>\$ 44,845,273</u>
Segment income (loss)	<u>\$ 463,544</u>	<u>(\$ 82,689)</u>	<u>\$ 584,667</u>	<u>(\$ 83,303)</u>	<u>\$ 1,309,753</u>	<u>\$ 2,191,972</u>

Six-month period ended June 30, 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	\$ 7,264,388	\$ 8,169,557	\$ 17,696,436	\$ 6,103,847	\$ 10,376,658	\$ 49,610,886
Revenue from inter -segment revenue	<u>4,854,383</u>	<u>773,877</u>	<u>400,278</u>	<u>823,851</u>	<u>2,237,144</u>	<u>9,089,533</u>
Total segment revenue	<u>\$ 12,118,771</u>	<u>\$ 8,943,434</u>	<u>\$ 18,096,714</u>	<u>\$ 6,927,698</u>	<u>\$ 12,613,802</u>	<u>\$ 58,700,419</u>
Segment income (loss)	<u>\$ 1,257,033</u>	<u>\$ 109,389</u>	<u>\$ 1,768,243</u>	<u>(\$ 30,544)</u>	<u>\$ 1,615,694</u>	<u>\$ 4,719,815</u>

**(4) Reconciliation for segment income (loss)**

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

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Adjusted revenue from reportable segments	\$ 44,845,273	\$ 58,700,419
Adjusted revenue from other operating segments	<u>4,650,684</u>	<u>5,953,029</u>
Total operating segments	49,495,957	64,653,448
Elimination of inter-segment revenue	<u>( 7,917,143)</u>	<u>( 9,397,668)</u>
Total consolidated operating revenue	<u>\$ 41,578,814</u>	<u>\$ 55,255,780</u>

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

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Adjusted income from reportable segments before income tax	\$ 2,191,972	\$ 4,719,815
Adjusted loss from other operating segments before income tax	( 1,349,044)	( 593,871)
Total operating segments	842,928	4,125,944
Income from elimination of inter-segment revenue	13,777	29,850
Income from continuing operations before income tax	<u>\$ 856,705</u>	<u>\$ 4,155,794</u>

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Six-month period ended June 30, 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 six-month period ended June 30, 2020	Balance at June 30, 2020		Actual amount drawn down	Interest rate	Mature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Collateral	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)
						June 30, 2020	30, 2020						Operating capital	Operating capital	Item	Value	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 2,317,700	\$ 2,305,050	\$ 1,525,524	3.85%-4.75%	Note 4	Note 4	-	-	-	-	-	4,617,103	\$ 7,695,172
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,459,200	3,352,800	2,736,723	4.75%	Note 4	Note 4	-	-	-	-	-	4,617,103	7,695,172
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	864,800	544,830	347,853	4.85%	Note 4	Note 4	-	-	-	-	-	4,617,103	7,695,172
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	3,771,900	3,771,900	1,487,805	3.85%-4.75%	Note 4	Note 4	-	-	-	-	-	7,342,823	12,238,039
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	423,500	414,820	284,448	2.90063% ~3.113%	Note 4	Note 4	-	-	-	-	-	13,337,215	22,228,691
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	8,648	8,382	8,382	3.85%	Note 4	Note 4	-	-	-	-	-	26,759	107,037

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

(1) The Company is '0'.

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

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of above companies' net assets. Limit on loans granted by CHEN 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 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  
Six-month period ended June 30, 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 endorsement/ guarantee amount as of June 30, 2020	Outstanding endorsement/ guarantee amount at June 30, 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	\$ 36,334,349	\$ 3,307,750	\$ 3,262,350	\$ 1,267,206	\$ -	4.49	\$ 50,868,088	Y	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	36,334,349	8,775,153	8,562,853	7,963,864	-	11.78	50,868,088	Y	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	36,334,349	11,304,150	10,992,730	8,719,121	-	15.13	50,868,088	Y	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,782,953	1,945,800	-	-	-	-	22,228,691	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 endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at June 30, 2020.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at June 30, 2020.

\$ 50,868,088  
\$ 14,533,739  
\$ 36,334,349

CHENG SHIN RUBBER IND. CO., LTD.

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

June 30, 2020

Table 3

		Expressed in thousands of NTD (Except as otherwise indicated)					
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of June 30, 2020			
				Number of shares/ units	Ownership (%)		Footnote
					Book value	Fair value	
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	\$ 29,407	\$ 29,407	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	-	58,187	58,187	Note 2

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

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



CHENG SHIN RUBBER IND. CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Six-month period ended June 30, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)		Gain (loss) on disposal		Balance as at June 30, 2020	
				Number of shares	Amount	Number of shares	Amount	Selling price	Book value	disposal	shares	Amount	Amount
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Investments accounted for using the equity method	PT MAXXIS International Indonesia	79,997,000	\$ 2,461,355	29,998,875	\$ 910,166	- \$	- \$	- \$	- 109,995,875	\$ 3,371,521	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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  
Six-month period ended June 30, 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)	(1,634,305)	(20.45)	Collect within 90 days after shipment of goods	Same	Same	\$ 348,200	19.28
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(272,771)	(3.41)	Collect within 90 days after shipment of goods	Same	Same	60,140	3.33
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Subsidiary	(sales)	(104,753)	(1.31)	Collect within 60 days after shipment of goods	Same	Same	13,986	0.77
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(1,818,702)	(22.76)	Collect within 30 days	Same	Same	332,775	18.43
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(369,429)	(5.29)	Collect within 60-90 days after shipment of goods	Same	Same	319,037	19.93
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(807,435)	(48.17)	Collect within 60-90 days after shipment of goods	Same	Same	381,985	36.57
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(179,074)	(10.68)	Collect within 60-90 days after shipment of goods	Same	Same	88,870	8.51
CHENG SHIN RUBBER (ZHUANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(449,500)	(10.78)	Collect within 60-90 days after shipment of goods	Same	Same	165,810	54.48
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(527,201)	(25.58)	Collect within 60-90 days after shipment of goods	Same	Same	248,874	34.73
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(533,021)	(11.30)	Collect within 60-90 days after shipment of goods	Same	Same	117,513	11.40
PT MAXXIS International Indonesia	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(131,598)	(34.55)	Collect within 60-90 days after shipment of goods	Same	Same	44,836	36.26

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  
June 30, 2020

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 348,314	Note 4	-	-	\$ 75,923	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	334,971	Note 4	-	-	334,238	-
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary (Note 5)	109,200	Note 3	-	-	3,163	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	319,037	1.26	-	-	93,436	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	385,051	Note 4	-	-	182,169	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	248,874	4.09	-	-	175,145	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	165,810	1.90	-	-	68,720	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	117,513	3.41	-	-	31,774	-

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note 1: Subsequent collection is the amount collected as of August 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, endorsement/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

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

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

CHENG SHIN RUBBER IND. CO., LTD.  
Significant inter-company transactions during the reporting periods  
Six-month period ended June 30, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 1,634,305	Collect within 90 days after shipment of goods	3.93%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	348,200	Collect within 90 days after shipment of goods	0.23%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	272,771	Collect within 90 days after shipment of goods	0.66%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	1,818,702	The term is 30 days after monthly billing.	4.37%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	332,775	The term is 30 days after monthly billing.	0.22%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	369,429	Collect within 60-90 days after shipment of goods	0.89%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	319,037	Collect within 60-90 days after shipment of goods	0.21%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	284,448	Pay interest quarterly	0.19%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	807,435	Collect within 60-90 days after shipment of goods	1.94%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	381,985	Collect within 60-90 days after shipment of goods	0.25%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,525,524	Pay interest quarterly	0.99%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,736,723	Pay interest quarterly	1.78%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	347,853	Pay interest quarterly	0.23%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,487,805	Pay interest quarterly	0.97%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	449,500	Collect within 60-90 days after shipment of goods	1.08%

CHENG SHIN RUBBER IND. CO., LTD.  
Significant inter-company transactions during the reporting periods  
Six-month period ended June 30, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	527,201	Collect within 60-90 days after shipment of goods	1.27%
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	248,874	Collect within 60-90 days after shipment of goods	0.16%
6	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	533,021	Collect within 60-90 days after shipment of goods	1.28%

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  
Six-month period ended June 30, 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 June 30, 2020			Net profit (loss) of the investee for the six-month period ended June 30, 2020	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2020	Footnote
				Balance as at June 30, 2020	Balance as at December 31, 2019		Number of shares	Ownership (%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218		35,050,000	100.00	\$ 39,611,032	\$ 598,989	\$ 610,052	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073		72,900,000	100.00	25,145,534	609,758	615,203	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	10,244,336	205,309	199,248	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	2,740,239	47,932	47,925	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950		1,000,000	100.00	647,980	7,853	7,853	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	170,323	25,668	12,834	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	63,244	( 4,575)	( 4,575)	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	-	( 688,371)	( 690,888)	Subsidiary Note 3, Note 5
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	-	( 803,168)	( 803,168)	Subsidiary Note 3, Note 5
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000		10,000,000	100.00	416,940	97,079	97,079	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	27,312	2,040	2,040	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	11,245	( 2,214)	( 2,214)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS RUBBER JAPAN CO., LTD.	Japan	Import and export of tires	13,820	-		5,000	100.00	13,755	-	-	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	240	-		-	20.00	119	( 555)	( 111)	Note 3, Note 4
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-		226,801,983	100.00	31,549,228	591,567	591,567	Subsidiary Note 3

Table 8, page 1

CHENG SHIN RUBBER IND. CO., LTD.  
Information on investees  
Six-month period ended June 30, 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 June 30, 2020			Net profit (loss) of the investee for the six-month period ended June 30, 2020	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2020	Footnote
				Balance as at June 30, 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	24,956,253	610,782	610,782	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	10,654,556	205,392	205,392	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	7,170,928	( 83,303)	( 87,114)	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	3,480,603	288,741	286,492	Sub-subsidiary Note 3
CHENG SHIN RUBBER USA, INC.	MAXXIS INTERNATIONAL MEXICO S. de R.L. de C.V.	Mexico	Import and export of tires	948	-	-	-	80.00	476	( 555)	( 444)	Note 3, Note 4

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

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

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

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

Note 5: The Company continuously provides financial support the 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  
Six-month period ended June 30, 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)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for six-month period ended June 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Net income of investee as of June 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for six-month period ended June 30, 2020, (Note 2)	Book value of investments in Mainland China as of June 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2020	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,185,250	2	\$ -	\$ -	\$ 910,834	\$ 910,834	\$ 264,051	100.00	\$ 269,879	\$ 22,228,691	\$ 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	6,666,750	2	-	-	2,385,506	2,385,506	558,700	100.00	569,695	23,109,700	21,095,922	(Note 2、4、 6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Plastic machinery, molds and its accessory products 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	251,855 2,965,000	2 2	- -	- -	68,602 -	68,602 -	25,981 111,515	50.00 100.00	12,990 111,818	333,593 5,147,482	443,026 1,332,617	(Note 6、8) (Note 2、4、 6、8)
KUNSHAN MAXXIS TIRE CO., LTD TIANJIN TAFENG RUBBER IND CO., LTD.	Retail of accessories for rubber tires Warehouse logistics and after- sales service centre	20,955 533,340	2 2	- -	- -	- -	- -	1,971 19,617	100.00 100.00	1,971 19,617	38,561 728,788	- 757,407	(Note 6、8) (Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	3,851,900	2	-	-	-	-	46,295	100.00	46,297	12,249,634	4,014,294	(Note 2、3、 6、7)



CHENG SHIN RUBBER IND. CO., LTD.  
Information on investments in Mainland China  
Six-month period ended June 30, 2020

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

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

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 26.93: USD 1 and NTD 4.191: RMB 1 prevailing on June 30, 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.**

CHENG SHIN RUBBER IND. CO., LTD.  
 Ceiling on investments in Mainland China  
 Six-month period ended June 30, 2020

Table 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 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)	Expressed in thousands of NTD (Except as otherwise indicated)
Cheng Shin Rubber Ind. Co., Ltd.	\$	3,641,527	\$ 19,938,027	\$	-

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 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

June 30, 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 decide how to allocate the trust assets.

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