CHENG SHIN RUBBER IND. CO., LTD.

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Annual Report 2018

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CHENG SHIN RUBBER IND. CO., LTD.

2018 Annual Report

<u>Notice to readers</u>

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

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Headquarters, Branches and Plants

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Overseas Securities Exchange: None.
Corporate Website：http://www.cst.com.tw

Contents

I. Letter to Shareholders

In 2018, the escalation of trade conflicts between China and the US adversely impacted the global economy. Political and economic uncertainties remained high due to the retaliatory tariffs and trade policies, resulting in the slowdown of global economic growth. In China, there has been a polarizing trend in the tire industry—while industry leaders continued to thrive, other companies either shut down or filed for bankruptcy, which lead the competition to being increasingly aggressive. For CST, revenue growth from our factories in India and Indonesia was weaker than expected; Tianjin Tafeng transitioned into a logistics and service center for the Group in the northern region. These factors together with currency depreciation contributed to our NT$109.2 billion consolidated operating revenue in 2018, a 2.75% decline from the previous year.

However, there is an opportunity in every crisis, and it is imperative for us to continue seeking opportunities to break through before the turnaround. Our technologies are well-accepted from within the industry and we have earned customers' trust by demonstrating our products' qualities, evidenced by the recognition and awards received from numerous tire magazines and test reviews in Taiwan and abroad. The MAXXIS proving ground in Kunshan, China is a world-leading facility where various testing of tire performance, durability, noise and safety are conducted. Many automobile manufacturers use the facility for the R&D and testing of new vehicles, which gives us a chance to pitch for orders. Within the company, we have continued to enhance our organizational and management capabilities, strengthen talent development, and share success stories— leading the way to transforming adversity into advantage and creating revenue growth.

Our strategy remains to focus on the following areas: driving the tire repair market (RE) with the vehicles assembly factories (OE), and promoting the collaboration between vehicles assembly factories (OE) with the tire repair market (RE). We also incorporates the concept of driving sales by marketing into our strategy. B We will continue to deeply understand and respond to the needs of customers and formulate new market strategies to branch out to new or undeveloped markets to fulfill our vision in becoming the top five companies in the tire industry by 2026 and to create new momentum for the Group.

1.1 Results of Operations in 2018

(1) Results of operations based on our business plan for 2018

1. Sales and Production

(pcs. in thousands)

Products	2018 Production	2018 Sales	2017 Sales	% Change
PCR	40,562	42,511	43,833	-3.02%
TBR	4,705	4,665	4,793	-2.67%
MC	36,021	35,491	41,227	-13.91%
BC	69,430	71,994	87,037	-17.28%
TUBE	118,264	118,032	131,194	-10.03%
OTHER TIRES	21,567	20,684	17,356	19.17%

2. Operation Summary

IFRS Consolidated

in NT$1000

Item	2018	2017	% Change
Net Sales	109,221,209	112,309,166	-2.75%
Cost of Goods Sold	84,898,267	86,631,096	-2.00%
Operating Expenses	16,907,753	17,279,578	-2.15%
Operating Profit	7,415,189	8,398,492	-11.71%
Net Profit	3,574,638	5,602,025	-36.19%

IFRS Individual

in NT$1000

Item	2018	2017	% Change
Net Sales	19,374,623	19,437,442	-0.32%
Cost of Goods Sold	14,887,361	14,399,280	3.39%
Operating Expenses	3,777,633	3,612,552	4.57%
Operating Profit	648,205	1,338,775	-51.58%
Net Profit	3,520,320	5,541,785	-36.48%

(2) Revenue Forecast and Realization

The sales revenue in 2018 totaled NT$109.2 billion, a realization of 88.5% of the sales forecast, which was NT$123.4 billion.

(3) Financial Position and Profitability Analysis
IFRS Consolidated

in NT$1000

Item			2018	2017	% Change
Income Statement	Sales Revenue		109,221,209	112,309,166	-2.75%
	Gross Profit		24,322,942	25,678,070	-5.28%
	Net Profit		3,574,638	5,602,025	-36.19%
Profitability	Return on Assets (ROA) (%)		2.83	3.84	-26.30%
	Return on Equity (ROE) (%)		4.39	6.55	-32.98%
	As a % of Paid-in Capital	Operating Profit	22.88	25.91	-11.69%
		Pre-tax Profit	18.23	25.86	-29.51%
	Net Profit Margin (%)		3.27	4.99	-34.47%
	Earnings Per Share (NT$)		1.09	1.71	-36.26%

IFRS Individual

in NT$1000

Item			2018	2017	% Change
Income Statement	Sales Revenue		19,374,623	19,437,442	-0.32%
	Gross Profit		4,487,262	5,038,162	-10.93%
	Net Profit		3,520,320	5,541,785	-36.48%
Profitability	Return on Assets (ROA) (%)		3.18	4.79	-33.61%
	Return on Equity (ROE) (%)		4.36	6.53	-33.23%
	As a % of Paid-in Capital	Operating Profit	2.00	4.13	-51.57%
		Pre-tax Profit	15.08	21.60	-30.19%
	Net Profit Margin (%)		18.17	28.51	-36.27%
	Earnings Per Share (NT$)		1.09	1.71	-36.26%

(4) Research and Development

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

1.2 Outline of 2019 Business Plan

(1) Business Strategies

- Continued revenue growth
- Strengthening organizational capabilities
- Enhancing R&D and technological capabilities
- Expanding manufacturing facilities
- Reinforcing environmental management and workplace health and safety management

(2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Item	2019 Volume Forecast
	Sales
PCR	37,826
TBR	5,184
MC	56,586
BC	62,259
TUBE	129,366
OTHERS	30,061
TOTAL	321,282

IFRS Individual

(in pcs. in thousands)

Item	2019 Volume Forecast
	Sales
PCR	5,619
TBR	287
MC	6,762
BC	7,575
TUBE	5,092
OTHERS	5,645
TOTAL	30,980

*This forecast is based on the assessment made during the sales meeting held on January 30, 2019.

(3) Key Production and Distribution Policy

Customer satisfaction being our top priority, we put ourselves in our customers' shoes to look at the business from their points of view in order to better understand their needs. In addition, we aim to develop new products to solve their pain points, thereby creating value for our customers. The production, distribution and development teams will work together to meet customers' demands.

1.3 Future Development Strategies

(1) Continuing to develop products from all lines and formulating different sales models tailored to local markets based on the existing business.

(2) Promoting production process rationalization and flexibility to harmonize the production and distribution and to reach the most profitable business scale; implementing comprehensive quality management to achieve the goal of delivering top-quality products.

(3) Optimizing quality and developing private-label products to increase market share and to establish complete global distribution channels and brand management strategies.

(4) Continuously conducting R&D activities to maintain a leading position in manufacturing technology in the market and to take full advantage of the economics of large-scale production.

1.4 Impact From External Competition and Overall Business Environment

Competitions from second movers have been a great challenge to Cheng Shin, which include Chinese tire makers opening their plants in the US. In response to these challenges, we have recently planning a global strategy for the products deliveries to automobile manufacturers. With our accumulated experience in the field, it affords us the opportunity to form business relationships with more automobile manufacturers, thereby increasing our business size and revenues.

Our existing volume of procurement has been affected by huge currency volatility in emerging markets due to political instability in these regions. Additionally, some tire manufacturers began to build factories locally and expanded their production capacity to join the local supply chain to gain competitive advantage. These factors together with fluctuations of raw material prices in 2018 impacted Cheng Shin's business planning in the tire industry.

We closely monitor the fluctuation in market supplies and demands and make price adjustments when appropriate. We also proactively share market intelligence with regional distributors to replace less competitive products with high value added products by capacity-efficient mass productions to respond to the increasing market demands and changing challenges.

As the environment in 2019 and the next three to five years will change more dramatically, we need to quickly improve our adaptability, core competencies and competitive advantages. Only when we elevate our ability and competitiveness to be among the best of the world will we be able to thrive in this sophisticated and ever-changing market. In the future, we will be building our core competencies by strengthening our technological, operational and sales, manufactural and managerial capabilities.

1.5 Impact of Regulatory Environment

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

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

As environmental regulations become more stringent (e.g., air pollution control act and water pollution charges), business operating costs increase accordingly. While focusing on our core business value and developing new products, we also dedicate our efforts to environmental protection and research of green products. We have made great strides in our product development with increasing technical cooperation with multiple raw material suppliers, including Degussa and ExxonMobil. With the evolving of times and technology, we have included “durability and fuel efficiency”, “safety and comfort” and “low rolling resistance” as the main features of our products to reduce carbon emissions from vehicles.

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

Sincerely yours,

Lo, Tsai-Jen
Chairman

II. Company Profile

2.1 Date of Incorporation

January 1, 1967

2.2 Company History

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

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

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

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

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

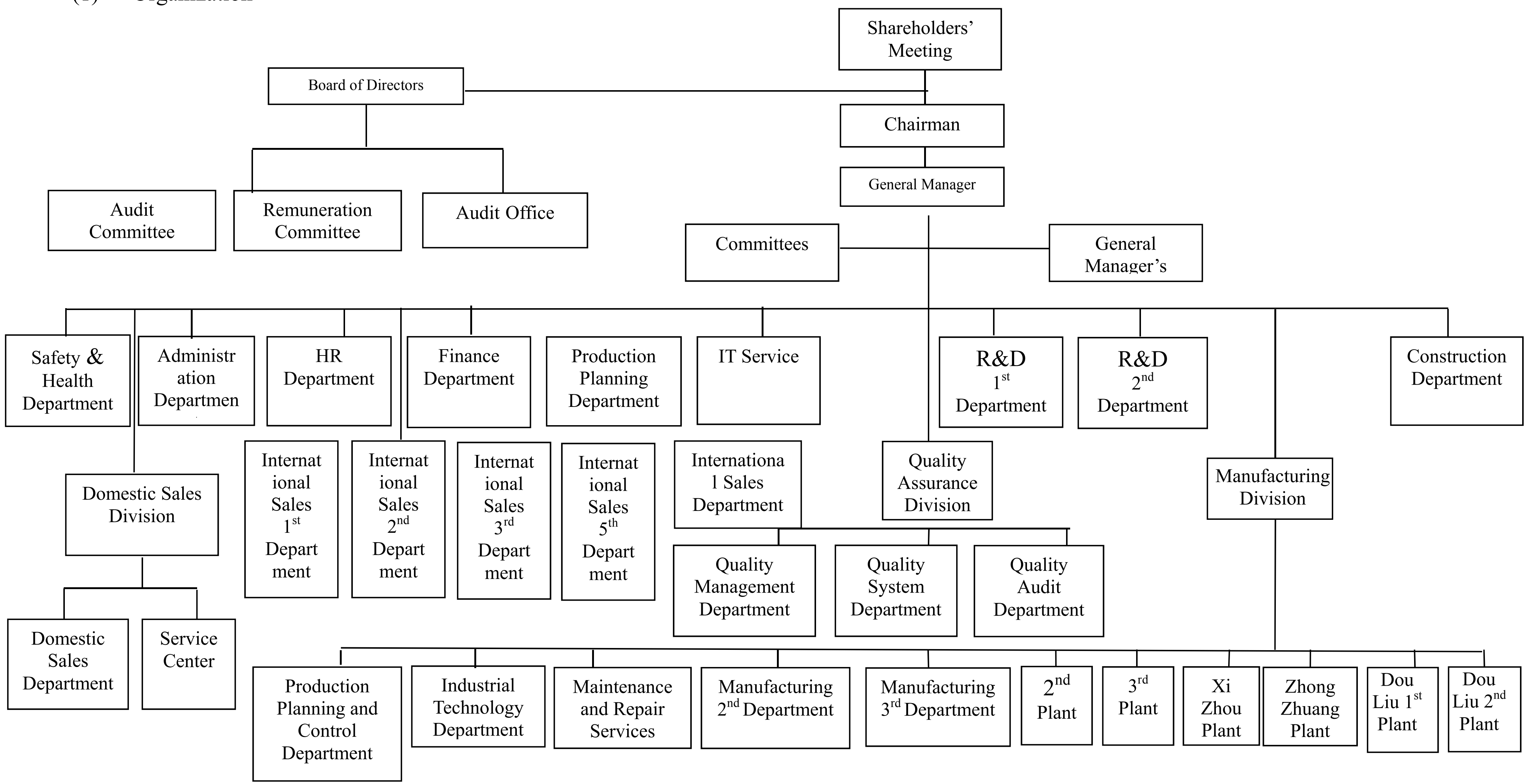
	US$18,000,000 in the capital increase of the Cheng Shin Tire (Xiamen) Co., Ltd. via subsidiary, MAXXIS International Co., Ltd. On July 19, the Board of Directors approved the establishment of the Remuneration Committee of the Company. On October 20, the Investment Commission approved the Company’s indirect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

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

III. Corporate Governance Report

3.1 Organization

(1) Organization



(2) Major Department Functions

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

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

3.2 Directors, Independent Directors and Management Team

(1) Directors and Independent Directors

April 16, 2019

Title & Name	Gender	Nationality/ Country of Origin	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within the second degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman Lo, Tsai-Jen	Male	Republic of China	2017. 06.15	3	2014. 06.17	283,225,502	8.74%	283,225,502	8.74%	27,996,793	0.86%	0	0%	Graduated from the Department of Marketing and Materials Management, Newark College of Engineering	Chairman	Director	Chen, Yun-Hwa Chen, Shiu-Hsiung Chiu-Li-Ching	Within the second degree of kinship; within the second degree of kinship; spouse
Director Xie Shun Investment Corporation, represented by Chen, Shiu-Hsiung	-	Taipei	2017. 06.15	3	2017. 06.15	15,580,000	0.48%	15,580,000	0.48%	0	0%	0	0%	NA	NA	NA		
	Male	Republic of China	2017. 06.15	3	2017. 06.15	57,819,456	1.78%	67,819,456	2.09%	62,945,516	1.94%	31,280,000	0.97%	Graduated from Department of Chemistry, Shizuoka University	General Manager	Director	Chen, Yun-Hwa Lo, Tsai-Jen Chiu-Li-ching Cheng, Han-Chi	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the first degree of kinship
Director Jiu Shun Investment Corporation, represented by Chen, Yun-Hwa	-	Taipei	2017. 06.15	3	2017. 06.15	13,391,000	0.41%	13,391,000	0.41%	0	0%	0	0%	NA	NA	NA		
	Male	Republic of China	2017. 06.15	3	2017. 06.15	40,570,531	1.25%	120,570,531	3.72%	82,492,442	2.55%	13,391,000	0.41%	Honorary Doctor of Management, National Yunlin University of Science and Technology	NO	Director	Chen, Shiu-Hsiung Lo, Tsai-Jen Chiu-Li-ching	Within the second degree of kinship; within the second degree of kinship; within the second degree of kinship; within the second degree of kinship
Director Hong Jing Investment Corporation, represented by Chiu, Li-Ching	-	Changhua County	2017. 06.15	3	2017. 06.15	32,672,000	1.01%	33,292,000	1.03%	0	0%	0	0%	NA	NA	NA		
	Female	Republic of China	2017. 06.15	3	2017. 06.15	27,996,793	0.86%	27,996,793	0.86%	283,225,502	8.74%	33,292,000	1.03%	Graduated from Department of Economics, National Taiwan University	NO	Director	Lo, Tsai-Jen Chen, Yun-Hwa Chen, Shiu-Hsiung	Spouse; within the second degree of kinship; within the second degree of kinship

Director Min Xin Investment Corporation,	-	Taipei City	2017. 06.15		2017. 06.15	6,425,000	0.20%	6,425,000	0.20%	0	0%	0	0%	NA	NA	NA		
represented by Cheng, Han-Chi	Female	Republic of China	2017. 06.15	3	2017. 06.15	6,534,867	0.20%	6,534,867	0.20%	88,921	0.00%	6,425,000	0.20%	Master of Accounting Science, University of Illinois at Urbana-Champaign	NO	Director	Chen, Shiu-Hsiung	within the first degree of kinship
Director Tseng, Shung-Chu	Male	Republic of China	2017. 06.15	3	2017. 06.15	21,688,580	0.67%	22,488,580	0.69%	0	0%	0	0%	Executives Program, Department of Business Administration, National Chengchi University	Chairman of Merida Industry Co., Ltd; Chairman of Taiwan Bicycle Association	NO	NO	NO
Director Horning Yih Investment Corporation,	-	Changhua County	2017. 06.15	3	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
represented by Lin, Hung-Yu	Male	Republic of China	2017. 06.15	3	2008. 06.13	433	0%	433	0%	7,553	0%	0	0%	Graduated from the Department of Chemical Engineering, National Taipei Institute of Technology	Deputy General Manager	NO	NO	NO
Director Horning Yih Investment Corporation,	-	Changhua County	2017. 06.15	3	2008. 06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
represented by Lee, Chin-Chang	Male	Republic of China	2017. 06.15	3	2008. 06.13	24,874	0%	24,874	0%	725	0%	0	0%	Department of Mechanical Engineering, Nanya Institute of Technology	Deputy General Manager	NO	NO	NO
Independent Director Hsu, Ente	Male	Republic of China	2017. 06.15	3	2014. 06.17	0	0%	0	0%	0	0%	0	0%	PhD in Accounting, National Taiwan University	Independent Director and Member of Remuneration Committee of Healthconn Corporation; Independent Director and Member of Remuneration Committee of Mobiletron Co., Ltd. and YungShin Global Holding	NO	NO	NO

Independent Director Too, Jui-Rze	Male	Republic of China	2017. 06.15	3	2014. 06.17	0	0%	0	0%	0	0%	0	0%	PhD in Chemical Engineering, Kansas State University	NO	NO	NO	NO
Independent Director Chen, Shui-Chin	Male	Republic of China	2017. 06.15	3	2017.0 6.15	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, National Chung Cheng University	Independent Director, Member of Audit Committee, and Member of Remuneration Committee of Merida Industry Co., Ltd., Asia Optical Co., Inc., and San Neng Group Holdings; Member of Remuneration Committee of Acelon Chemicals & Fiber	NO	NO	NO

Major Shareholders of the Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders
Xie Shun Investment Corporation	Chen, Han-Hsin (0.59%); Chen, Po-Chia (1.19%); Cheng, Han-Chi (0.59%)
Jiu Shun Investment Corporation	Chen, Li-Chen (0.33%); Chen, Chi-Ying (0.32%); Chen, Ping-Hao (0.72%)
Hong Jing Investment Corporation	Luo, Yuan-Yu (44.95%); Lo, Yuan-Long (1.75%)
Min Xin Investment Corporation	Cheng, Han-Chi (89.33%)
Horning Yih Investment Corporation	Luo, Ming-Han (20%); Lo, Tsai-Jen (15%); Lo, Ming-I (12.5%); Lo, Min-Ling (12.5%); Luo, Jye (10%); Chen, Yun-Hwa (10%); Chen, Shiu-Hsiung (10%)

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

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

Chen, Yun-Hwa (Representative of Jiu Shun Investment Corporation)	N	N	Y	V				V		V		V		N/A
Chiu, Li-Ching (Representative of Hong Jing Investment Corporation)	N	N	Y	V				V	V	V		V		N/A
Cheng, Han-Chi (Representative of Min Xin Investment Corporation)	N	N	Y	V		V		V	V	V		V		N/A
Tseng, Shung-Chu	N	N	Y	V	V	V	V	V		V	V	V	V	N/A
Lee, Chin-Chang (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V		V	V	V		N/A
Lin, Hung-Yu (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V	V	V	V	V		N/A
Hsu, En-De	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	3
Too, Jui-Rze	Y	Y	N	V	V	V	V	V	V	V	V	V	V	0
Chen, Shuei-Jin	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	3

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within

the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2: If the Company's independent director or independent supervisor is concurrently serving as an independent director or independent supervisor of another company, they shall explain their positions in the other companies.

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

April 16, 2019

Title	Name	Gender	Nationality	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Managers who are Spouses or Within the second degree of Kinship			Employee Stock Options
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager (Taiwan)	Lo, Tsai-Jen	Male	ROC	2016/11/09	283,225,502	8.74%	27,996,793	0.86%	0	0%	Department of Marketing and Materials Management, Newark College of Engineering	N	Chairman General Manager	Lo, Tsai-Jen Chen, Shiu-Hsiung	Same person; Second-degree relative	N
General Manager (Xiamen)	Chen, Shiu-Hsiung	Male	ROC	1997/04/01	67,819,456	2.09%	62,945,516	1.94%	31,280,000	0.97%	College of Chemical Industry, Shizuoka University	N	Chairman and General Manager	Lo, Tsai-Jen	Second-degree relative of spouse; Second- degree relative of spouse	N
Deputy General Manager	Hsu, Chih-Ming	Male	ROC	2012/04/01	844	0%	4,665,356	0.14%	0	0%	PhD in Electrical Engineering, National Tsing Hua University	N	General Manager	Chen, Shiu-Hsiung	First-degree relative of spouse	N
Deputy General Manager	Lin, Hung-Yu	Male	ROC	2007/02/01	433	0%	7,553	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N	N
Deputy General Manager	Lee, Chin-Chang	Male	ROC	2007/02/01	24,874	0%	725	0%	0	0%	Department of Mechanical Engineering, Nanya Junior College	N	N	N	N	N
Deputy General Manager	Peng Wen-Hsing	Male	ROC	2007/02/01	4,326	0%	0	0%	0	0%	Department of Mechanical Engineering, Lunghwa Junior College	N	N	N	N	N
Deputy General Manager	Huang Chieh-Hsiang	Male	ROC	2008/07/01	233,322	0%	0	0%	0	0%	Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd.	N	N	N	N	N
Deputy General Manager	Lin, Yu-Yu	Male	ROC	2012/08/01	2,242	0%	2,793	0%	0	0%	Department of Industrial Engineering, National Taipei Junior College	N	N	N	N	N
Deputy General Manager	Liao, Cheng-Yao	Male	ROC	2013/08/01	400	0%	0	0%	0	0%	Department of English Studies, National Taichung Business College	N	N	N	N	N
Deputy General Manager	Lee, Hung-Ko	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Chin Yi Junior College	N	N	N	N	N
Deputy General	Liu,	Male	ROC	2016/07/01	4,326	0%	0	0%	0	0%	Master, Department of Business Management,	N	N	N	N	N

Manager	Chao-Sheng										National Yunlin University of Science & Technology					
Deputy General Manager	Lai, Kuo-Ti	Male	ROC	2016/07/01	2,438	0%	0	0%	0	0%	Department of Accounting Statistics, Tamsui Institute of Business Administration	N	N	N	N	N
Deputy General Manager	Lo, Yung-Li	Male	ROC	2018/09/01	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N
Senior Manager	Lin, Chen-Chieh	Male	ROC	1994/04/01	4,997	0%	22,987	0%	0	0%	Department of Industrial Engineering, Chun Yuan Christian University	N	N	N	N	N
Senior Manager	Wei, Chi-Chiang	Male	ROC	1998/09/01	0	0%	0	0%	0	0%	Department of Chinese Literature, National Chengchi University	N	N	N	N	N
Senior Manager	Ho, Chin-Fang	Male	ROC	2008/07/01	0	0%	0	0%	0	0%	Department of Chemical Engineering Technicality, National Taipei Institute of Technology	N	N	N	N	N
Senior Manager	Lin, Chin-Chuan	Male	ROC	2010/05/01	0	0%	0	0%	0	0%	Master, Department of Mechanical Engineering, National Chiao Tung University	N	N	N	N	N
Senior Manager	Chang, Chuan-Shun	Male	ROC	2010/05/01	0	0%	0	0%	0	0%	Department of Industrial Management, National Chin Yi Junior College	N	N	N	N	N
Senior Manager	Mao, Yu-Fu	Male	ROC	2010/05/01	0	0%	0	0%	0	0%	Department of International Business, Fu Jen Catholic University	N	N	N	N	N
Senior Manager	Huang, Kuo-Tsai	Male	ROC	2010/04/01	60,195	0%	33,243	0%	0	0%	Department of Chemistry, National Chung Hsing University	N	N	N	N	N
Senior Manager	Huang, Yang-Hsun	Male	ROC	2010/04/01	0	0%	0	0%	0	0%	Master, Department of Political Science, National Taiwan University	N	N	N	N	N
Senior Manager	Chen, Ying-Kuang	Male	ROC	2010/09/13	27,884	0%	4,604	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N	N
Senior Manager	Chang, Ghi-Jung	Male	ROC	2012/08/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Feng Chia University	N	N	N	N	N
Senior Manager	Chang Chin-Lu	Male	ROC	2012/08/01	0	0%	1,000	0%	0	0%	Department of Mechanical Engineering, Oriental Industrial College	N	N	N	N	N
Senior Manager	Liu, Ching-Chung	Male	ROC	2012/08/01	0	0%	396	0%	0	0%	Department of Industrial Engineering, Feng Chia University	N	N	N	N	N
Senior Manager	Lo, Chen-Jung	Male	ROC	2012/08/01	189	0%	0	0%	0	0%	Department of Electrical Engineering, Chienkuo Junior College	N	N	N	N	N

Senior Manager	Chen, Shu-Yu	Male	ROC	2013/08/01	0	0%	0	0%	0	0%	Master, Food & Chemical Engineering, Da Yeh University	N	N	N	N	N
Senior Manager	Chiang, Kui-Yung	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National United University	N	N	N	N	N
Senior Manager	Chang, Chin-Ming	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Industrial Engineering, Nan Kai University of Technology	N	N	N	N	N
Senior Manager	Hu, Ming-Te	Male	ROC	2016/07/01	10,000	0%	4,320	0%	0	0%	Diploma in Electrical Engineering, Zhen Del High School	N	N	N	N	N
Senior Manager	Ting, Tso-Lin	Male	ROC	2018/09/01	0	0%	0	0%	0	0%	Department of Spanish, Tamkang University	N	N	N	N	N
Chief Financial Officer	Lo, Yung-Li	Male	ROC	2010/07/19	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N
Chief Accounting Officer	Chang, Ya-Ching	Female	ROC	2017/11/09	1,000	0%	0	0%	0	0%	Department of Accounting, Providence University	N	N	N	N	N

Note: Deputy General Manager Huang, Chung-Jen retired on March 30, 2018; Deputy General Manager Weng, Ming-Chun retired on April 29, 2018. Deputy General Manager Lo, Yung-Li and Senior Manager Ting, Tso-Lin came onboard on September 1, 2018.

(4) Remuneration of Directors (Including Independent Directors), Supervisors, General Managers, and Deputy General Mangers

1.Remuneration of Directors (Including Independent Directors)

December 31, 2018

Unit: in NT$1000

Title	Name	Remuneration								Total Remuneration (A+B+C+D) to Net Income After Tax Ratio (%)		Relevant Remuneration Received by Directors Who are Also Employees												Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax Ratio (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Pension (B)		Bonus to Directors (C)		Business Expense Allowances (D)				Salary, Bonuses, and Allowances (E)		Pension (F)		Profit Sharing- Employee Bonus (G)				Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)				
		The company	All companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company		Companies in the financial statements		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	
																Cash	Stock	Cash	Stock							
Chairman	Lo, Tsai-Jen																									
Director	Xie Shun Investment Corporation, represented by Chen, Shiu-Hsiung																									
Director	Jiu Shun Investment Corporation, represented by Chen, Yun-Hwa																									
Director	Hong Jing Investment Corporation, represented by Chiu, Li-Ching	3,600	3,600	0	0	66,473	66,473	330	330	1.99%	1.97%	33,613	33,613	0	0	356	0	356	0	0	0	0	0	2.96%	2.92%	0
Director	Min Xin Investment Corporation, represented by Cheng, Han-Chi																									
Director	Tseng, Shung-Chu																									
Director	Horning Yih Investment Corporation, represented by Lee, Chin-Chang																									

Director	Horning Yih Investment Corporation, represented by Lin, Hung-Yu																									
Independent Director	Hsu, En-De																									
Independent Director	Too, Jui-Rze																									
Independent Director	Chen, Shuei-Jin																									

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

Table of Range of Remuneration

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

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

2.Remuneration of the General Manager and Deputy General Manager

December 31, 2018

Unit: in NT$1000

Title	Name	Salary(A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing-Employee Bonus (D)				Total amount of A, B, C and D to after-tax net income ratio (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation from any Invested Company Other Than the Company's Subsidiary
		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company		Companies in the financial statements		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	
								Cash	Stock	Cash	Stock							
General manager (Taiwan)	Lo, Tsai-Jen	29,866	29,866	15,708	15,708	42,314	42,314	1,156	0	1,156	0	2.53%	2.49%	0	0	0	0	0
General manager (Xiamen)	Chen, Shiu-Hsiung																	
Deputy General Manager	Lin, Hung-Yu																	
Deputy General Manager	Weng, Ming-Chun																	
Deputy General Manager	Huang, Chung-Jen																	
Deputy General Manager	Peng Wen-Hsing																	
Deputy General Manager	Lee, Chin-Chang																	
Deputy General Manager	Huang, Chieh-Hsiang																	
Deputy General Manager	Hsu, Chih-Ming																	
Deputy General Manager	Lin, Yu-Yu																	

Deputy General Manager	Liao, Cheng-Yao																	
Deputy General Manager	Lee, Hung-Ko																	
Deputy General Manager	Liu, Chao-Sheng																	
Deputy General Manager	Lai, Kuo-Ti																	
Deputy General Manager	Lo, Yung-Li																	

Note: Deputy General Manager Huang, Chung-Jen retired on March 30, 2018; Deputy General Manager Weng, Ming-Chun retired on April 29, 2018. Deputy General Manager Lo, Yung-Li came onboard on September 1, 2018.

Table of Range of Remuneration

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

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

(5) Officers Receiving Employee Bonus Distribution

December 31, 2018
Unit: in NT$1000

Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Total Amount to After-Tax Net Income Ratio (%)
General Manager	Lo, Tsai-Jen	0	2,756	2,756	0.078%
General manager	Chen, Shiu-Hsiung				
Deputy General Manager	Lin, Hung-Yu				
Deputy General Manager	Peng, Wen-Hsing				
Deputy General Manager	Lee, Chin-Chang				
Deputy General Manager	Huang Chieh-Hsiang				
Deputy General Manager	Hsu, Chih-Ming				
Deputy General Manager	Lin, Yu-Yu				
Deputy General Manager	Liao, Cheng-Yao				
Deputy General Manager	Lee, Hung-Ko				
Deputy General Manager	Liu, Chao-Sheng				
Deputy General Manager	Lai, Kuo-Ti				
Deputy General Manager	Lo, Yung-Li				
Senior Manager	Lin, Chen-Chieh				
Senior Manager	Wei, Chi-Chiang				
Senior Manager	Ho, Chin-Fang				
Senior Manager	Lin, Chin-Chuan				
Senior Manager	Chang, Chuan-Shun				
Senior Manager	Mao, Yu-Fu				
Senior Manager	Huang, Kuo-Tsai				
Senior Manager	Huang, Yang-Hsun				
Senior Manager	Chen, Ying-Kuang				
Senior Manager	Chang, Ghi-Jung				
Senior Manager	Chang Chin-Lu				
Senior Manager	Liu, Ching-Chung				
Senior Manager	Lo, Chen-Jung				
Senior Manager	Chen, Shu-Yu				
Senior Manager	Chiang, Kui-Yung				
Senior Manager	Chang, Chin-Ming				
Senior Manager	Hu, Ming-Te				
Senior Manager	Ting, Tso-Lin				
Chief Financial Officer	Lo, Yung-Li				
Chief Accounting Officer	Chang, Ya-Ching				

Note 1: Deputy General Manager Lo, Yung-Li and Senior Manager Ting, Tso-Lin came onboard on September 1, 2018.

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

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

Unit: in NT$1000; %

Year/Item	Net income	Total remuneration of Directors, General Managers and Deputy General Managers to net profit after tax ratio
2018 the Company	3,520,320	4.53%
2018 consolidated financial statements	3,574,638	4.46%
2017 the Company	5,541,785	3.62%
2017 consolidated financial statements	5,602,025	3.58%

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

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

3.3 Implementation of Corporate Governance

(1) Board of Directors

1.A total of 6 (A) meetings of the board of directors were held in 2018 (as of December 31, 2018). The attendance of directors is as follows:

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

Other mentionable items:

1. If any of the following events occurred, the dates of the meetings, sessions, summary of proposals, opinions of all the independent directors and the company's responses should be specified:
   (1) Circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Date	Proposal	Independent Director's Opinion	The Company's Response
January 24, 2018 (5th meeting of the 10th Board)	(1) Officers' year-end bonus and profit distribution plans of the Company (2) Proposal to increase the capital of PT. Maxxis International Indonesia (3) Proposal to increase the capital of Maxxis Rubber India Private Limited (4) Proposal of maximum loan balance of the Company	None	N/A
March 20, 2018 (6th meeting of the 10th Board)	(1) 2017 director and employee profit sharing plans of the Company (2) Discussion of the Company's 2017 Business Report, Consolidated Financial Statements and Individual Financial	None	N/A

	Statements (3) Approval of the Company's 2017 profit distribution (4) Proposal of the date and location of the 2018 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2018 Annual General Meeting (6) Auditor independence evaluation report (7) Review of the effectiveness of the Company's 2017 internal control system and Internal Control Statement (8) Discussion of the proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets (9) Proposal to release the directors of the Company from non-compete restrictions (10) Proposed evaluation plan for the adoption of IFRS 16—Leases (11) Proposal to set up a company for the sales operations in Europe (12) Proposal of maximum loan balance of the Company (13) Proposal of endorsement and guarantee of obligations provided by the Company		
May 10, 2018 (7th meeting of the 10th Board)	(1) Ratification of the Company's Q1 2018 Consolidated Financial Statements (2) Proposal of the offering of unsecured corporate bonds of 2018 (3) Ratification of appointment and removal of personnel (4) Proposal of maximum loan balance of the Company (5) Proposal of endorsement and guarantee of obligations provided by the Company	None	N/A
June 27, 2018 (8th meeting of the 10th Board)	(1) Proposal of ex-dividend date (2) 2017 director profit sharing plans of the Company	None	N/A
August 9, 2018 (9th meeting of the 10th Board)	(1) Ratification of the Company's Q2 2018 Consolidated Financial Statements (2) Employee job grade promotion of the Company (3) Proposal of maximum loan balance of the Company (4) Proposal of endorsement and guarantee of obligations provided by the Company	None	N/A
November 8, 2018 (10th meeting of the 10th Board)	(1) Ratification of the Company's Q3 2018 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal to set up a company for the sales operations in Mexico (4) Proposal of maximum loan balance of the Company	None	N/A

(2) Except as otherwise disclosed above, any other resolutions of the board of directors' meetings to which an independent director has expressed objection or reservation and recorded or declared in writing: None.

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

3. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status:
   (1) The Company has independent directors on the Board and an audit committee in place, and holds Board meetings and Audit Committee meetings on a regular basis. We also invite accountants/auditors to sit in on the Board meetings to help the directors have a better understanding of the global market, industry trend, and financial, accounting and tax regulations, thereby benefiting the management and operations of the Company.
   (2) The Company has amended the Company's Rules for Election of Directors, Rules and Procedures for Board Meetings, and adopted corporate governance rules, which are made available on the corporate website and on the Market Observation Post System (MOPS).
   (3) The Company discloses information in respect of directors' continuing education, Board meeting attendance, and remuneration of directors on MOPS .
   (4) The Company posts important matters resolved by the board of directors, Board attendance, and director profiles (including independent directors) on the corporate website.

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

Note 2:

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

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

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

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

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

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

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

(2) Audit committee

A total of 5 (A) meetings of the Audit Committee were held in 2018 (as of December 31, 2018). The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Independent Director	Hsu, En-De	4	1	80%	N/A
Independent Director	Too, Jui-Rze	5	0	100%	N/A
Independent Director	Chen, Shuei-Jin	5	0	100%	N/A

Other mentionable items:

1. If any of the following events occurred, the dates of the meetings, sessions, summary of proposals, opinions of all the independent directors and the company's responses should be specified:
   (1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Date	Proposal	Audit Committee Resolution	The Company's Response
January 24, 2018 (5th meeting of the 10th Board)	(1) Implementation status of the 2017 audit plan of the Company (2) Proposal to increase the capital of PT. Maxxis International Indonesia (3) Proposal to increase the capital of Maxxis Rubber India Private Limited	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on January 24, 2018
March 20, 2018 (6th meeting of the 10th Board)	(1) Discussion of the Company's 2017 Business Report, Consolidated Financial Statements and Individual Financial Statements (2) Approval of the Company's 2017 profit distribution (3) Auditor independence evaluation report (4) Review of the effectiveness of the Company's 2017 internal control system and Internal Control Statement (5) Discussion of the proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets (6) Proposed evaluation plan for the adoption of IFRS 16—Leases (7) Proposal to set up a company for the sales operations in Europe (8) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on March 20, 2018
May 10, 2018 (7th meeting of the 10th Board)	(1) Ratification of the Company's Q1 2018 Consolidated Financial Statements (2) Proposal of the offering of unsecured corporate bonds of 2018 (3) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on May 10, 2018
August 9, 2018 (9th meeting of the 10th Board)	(1) Ratification of the Company's Q2 2018 Consolidated Financial Statements (2) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on August 9, 2018
November 8, 2018 (10th meeting of the 10th Board)	(1) Ratification of the Company's Q3 2018 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal to set up a company for the sales operations in Mexico	Approved by the unanimous decision of the Audit Committee members present	Approved by the unanimous decision of the directors present at the Board meeting on November 8, 2018

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

2. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of the proposal, and causes of abstention should be specified: None
3. Communication between independent directors, internal chief audit officer and CPAs (which should include the important matters, methods, and results regarding the Company's finance and operations):

(1) Summary of communication between independent directors and internal Chief Audit Officer in 2018:

Date	Discussion Points	Method	Results
January 24, 2018	(1) Report of internal audit findings (2) Discussion on the implementation of the 2017 audit plan	Presentation	Report acknowledged. No further opinions were given.
March 20, 2018	(1) Report of internal audit findings (2) Discussion on the review of effectiveness of the Company's 2017 internal control system and Internal Control Statement	Presentation	Report acknowledged. No further opinions were given.
May 10, 2018	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
August 9, 2018	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.
November 8, 2018	Report of internal audit findings	Presentation	Report acknowledged. No further opinions were given.

(2) Summary of communication between independent directors and CPAs in 2018:

Date	Discussion Points	Method	Results
January 24, 2018	(1) The roles and responsibilities of the auditor in charge/governance unit (2) Audit plan (3) Preliminary view on key audit matters (4) Application of the concept of materiality (5) Communication of audit schedule (6) International taxation environment and tax governance of cross-border companies	Presentation	Report acknowledged. No further opinions were given.
March 20, 2018	(1) Communication with the governance unit as well as the basis and opinion of the financial report audit (2) Material findings during the audit (3) Auditor independence (4) Accounting and auditing regulation updates and adaptations	Presentation	Report acknowledged. No further opinions were given.

May 10, 2018	(1) Material findings during the audit	Presentation	Report acknowledged. No further opinions were given.
August 9, 2018	(1) Material findings during the audit (2) Highlights of the latest Company Act amendments	Presentation	Report acknowledged. No further opinions were given.
November 8, 2018	(1) Material findings during the audit	Presentation	Report acknowledged. No further opinions were given.

Note:

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

(3) Corporate Governance Implementation Status, Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles according to Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established Corporate Governance Best Practice Principles, which is disclosed on the Market Observation Post System and our corporate website, in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.	None
2. Shareholding structure & shareholders' interests (1) Does the company establish an internal operating procedure to handle shareholders' suggestions, inquiries, disputes and litigations and implement these procedures? (2) Does the company possess the list of its major shareholders as well as the ultimate beneficial owners of those shares? (3) Does the company establish and execute the risk management and firewall mechanism between affiliated companies? (4) Does the company establish internal rules against insiders trading on undisclosed information?	 V V V V		(1) For ensuring shareholder's interests, the Company has appointed dedicated staff to handle the suggestions, inquiries and disputes of shareholders. (2) The Company provides a shareholder list via a shareholder service agency, and monitors the declaration system of shareholding changes of insiders. (3) The personnel, assets and financial management responsibilities of the Company and its affiliated companies are clearly separated. In addition to the subsidiary oversight procedures established and adopted by the Company, the internal auditors regularly monitor the implementation of such procedures. (4) The Company has established the internal rules, Management Procedures for Preventing Insider Trading, and disclosed the rules on its corporate website.	None
3. Composition and responsibilities of the Board of Directors (1) Does the board develop and implement a diversity guideline for the composition of its members?	 V		(1) The Corporate Governance Best Practice Principles of the Company requires that Board composition should take into consideration gender equality, and	(1) None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			the members of the Board shall be equipped with sufficient knowledge, skills and competency to perform their duties. Currently, there are 11 directors serving on the Board, including two female directors. Their areas of expertise include business, finance, and accounting.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) The Company currently has no other functional committees.	(2) The Company will establish other functional committees depending on future operation situation, scale and demand.
(3) Does the company establish a standard to measure the performance of the board and perform the evaluation annually?		V	(3) The Company has a sound audit system which is duly implemented. Thus, the Company has not established any rules and procedures for evaluating the Board's performance.	(3) The company has a sound audit system which is duly implemented. Therefore, the Company has not established any rules and procedures for evaluating the Board's performance. However, the Company will establish those rules and procedures if such needs arise in the future.
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Company submitted the proposal to the Board of Directors on March 21, 2019, and the evaluation of its CPA's independence was approved with the below items: (a) The CPAs of the Company have not worked in the Company during the two years before providing audit services. (b) The CPAs of the Company do not hold any shares of the Company. (c) The CPAs of the Company and the Company have no loan relationship. (d) The CPAs of the Company and the Company do	(4) None.

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			not have any joint investments or profit sharing. (e) The CPAs of the Company do not hold any concurrent position in the Company nor receive any fixed salary. (f) The CPAs of the Company do not participate in the decision-making process in a management function of the Company. (g) The CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company. (h) The CPAs of the Company do not receive any business-related commissions from the Company. (i) The CPAs of the Company have signed the payment amount and method of the service fees in advance. (j) The CPAs of the Company do not charge fees on the condition that certain findings or results are achieved.	
4. Has the TWSE/TPEx listed company established a department or position which is responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information necessary to carry out their duties, coordinating board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information and preparing minutes of the board meetings and shareholders' meetings)?	V		The Company has established a department to handle corporate governance related matters, and appointed Deputy General Manager Lo, Yung-Li from the Finance Department as the chief corporate governance officer on March 21, 2019. The functions of the department are as follows: 1. Inquire the opinions of the directors prior to a board meeting for the purpose of planning and drafting the meeting agenda, and notify all the directors of the meeting at least 7 days before the meeting and provide them with appropriate information regarding the meeting so that the	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			directors may be aware of the proposals. If any of the proposals involve stakeholders that require recusal, a reminder shall be given to such persons prior to the meeting. 2. Register the date of the shareholders annually as required by the law, prepare and file meeting notice, handbook and minutes within the prescribed period, and file for change of information when the Articles of Incorporation is amended or after a re-election of directors. 3. Promote the quality of corporate governance practices for the sustainable development of the Company by formulating guidelines based on the indicators provided by the corporate governance evaluation system, thereby building a culture of corporate governance.	None
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		The Company has a "Corporate Social Responsibility" section and a "Stakeholders" section on our corporate website, and has been publishing and filing the corporate social responsibility report every year. In addition, we also post the corporate social responsibility activities on our Facebook page (https://www.factbook.com/MaxxisTaiwan/) and YouTube channel (https://www.youtube.com/channel/UCp4E54RFmqpXH0EdCdipNvQ) in order to increase communications and interactions with stakeholders. Moreover, e-mail accounts have been created on the website for banks that we have regular transactions with, as well as other creditors, employees, customers and suppliers; we maintain open communication channels and respect their lawful rights.	None
6. Does the company appoint a professional shareholder	V		The Company designates Yuanta Securities Co., Ltd. to	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
service agency to handle shareholder affairs?			handle shareholder affairs.	
7. Information Disclosure (1) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	V V		(1) The Company has set up a corporate website, which is maintained and updated by designated staff members and discloses information regarding the Company's financial and business information for the public and shareholders' reference. (2) The Company has established a spokesperson system to ensure information that likely affects shareholders and stakeholders' decisions are properly disclosed in a timely and proper manner. We also have designated staff members to maintain our corporate website in order to provide up-to-date investor information, such as audio, video and text files of the investor conferences, financial statements, and annual reports in both Chinese and English.	None
8. Is there any other important information which facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of insurance for directors and supervisors)?	V		(1) Employee benefits and welfare (a) The Employee Welfare Committee meets regularly and adopts and implements benefits and allowance programs. It is our commitment to look after the welfare of our employees. We also partner with various stores near our offices to provide special offers or employee discounts. Furthermore, we have set up a Food Committee to help our employees maintain a healthy lifestyle and to enhance our food safety management. (b) We also offer a variety of welfare programs to our employees, including: • Mandatory insurance coverage • Regular physical examinations, health education and tips, and consolation payment	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			to hospitalized employees • Recreation and fitness facilities and sports events • Convenience stores in the factories, company uniforms, free parking, and employee housing • Our overseas offices also offer free meals, pre-paid round trip plane tickets to Taiwan and rides to and from the airport. (c) Onsite medical consultation: once a month, we have doctors and nurses onsite to provide employees health and medical services. (2) Status of directors' training records: Please refer to page 64-66 of this annual report. (3) Director attendance at the Board meetings: the Company complies with the relevant regulations and achieves the quorum required by the law. Please refer to page 35 of this annual report. (4) The implementation status of risk management policy and risk evaluation standards: For the operational risks the Company may face, we implement thoroughly at the system level, and design emergency response mechanisms for specific situations. (5) The implementation status of consumer protection or client policy: the Company has an after-sales service department, and dedicated customer service area (website: http://www.cst.com.tw); nationwide distributor network to provide consumer related consultation and appeal channels. (6) The implementation status of directors' abstention in proposals involving a conflict of interest: the directors of the Company uphold the principle of high self-discipline; if the directors have a conflict	

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			of interest in the proposals listed by the board of directors which would result in damages to the Company, such directors shall abstain from voting on the proposal. Please refer to page 37 of this annual report. (7) Director liability insurance and social responsibilities: the Company has added a clause to the Articles of Incorporation in accordance with Articles 39 and 50 of Corporate Governance Practice Principles which provides that the Company shall purchase liability insurance to cover the liabilities incurred by the directors under the law while carrying out the duties during their tenures. The above matter has been reported to the Board of Directors on March 21, 2019. (8) Corporate Social Responsibilities: in addition to focusing on the business development, the Company has also made long-term investment in corporate social responsibilities such as consumer rights and public interest, and give back to the society as it sees fit.	
9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement: (Not applicable to the companies not on the to-be-evaluated list) The Company received a score of 77.15 in the 5th Annual Corporate Governance Evaluation released in April 2019, which was in the first 21-35 percentile among listed companies. Last year, we completed the continuing education of all directors, as well as disclosure of the English version of the quarterly financial statements, annual report and shareholders meeting handbook, and we also enhanced our corporate social responsibility practices. Under our corporate governance blueprint, we will continue working towards strengthening the following two areas: "Putting Corporate Social Responsibility into Practice" and "Enhancing Board Composition and Function" in order to enhance the overall level of our corporate governance.				

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

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

2. Composition of the remuneration committee of the Company:

   The remuneration committee of the Company was established on July 19, 2011. As of March 31, 2019, information of the remuneration committee members are as follows:

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

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

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company or subsidiary appointed according to the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse,

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

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

3. Operation Status of the Remuneration Committee

The tenure of the current remuneration committee members is from August 10, 2017 to June 14, 2020. A total of 4 (A) Remuneration Committee meetings were held in 2018. The titles and attendance record of the Remuneration Committee members were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Convener	Hsu, En-De	4	0	100%	-
Committee Member	Chen, Shuei-Jin	4	0	100%	-
Committee Member	Lin, Chieh-Chung	4	0	100%	-
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, summary of the proposal, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion shall be specified: None. 2. Resolutions of the remuneration committee objected to or subject to a qualified opinion by the members and recorded or declared in writing, the date of the meeting, session, content of the proposal, the opinion of all members of the remuneration committee and the Company’s response to the members’ opinion shall be specified: None.					

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

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

(5) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy or system and examine the results of its implementation?	V		(1) The Company established a “Dedicated Department for Corporate Social Responsibilities” in 2015, assigning the Planning Department as the dedicated department, and adopted the Corporate Social Responsibility Best Practice Principles. The Planning Department is responsible for the planning of corporate social responsibility strategies and system, and the review of implementation results regarding the above strategies and system based on the Best Practice Principles in order to promote duly implementation.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company regularly offers educational trainings on corporate social responsibility to advocate the policies and systems related to social responsibility and the implementation results of environmental education.	None
(3) Does the company establish exclusively (or concurrently) a dedicated department and does the board authorize any senior management member to take charge of proposing and implementing the corporate social responsibility policies and report the implementation results to the board?	V		(3) The Company has established and promoted a dedicated department for corporate social responsibility, and has been publishing CSR Reports every year. A report on the content and plans of the 2017 CSR Report, as well as CSR activities planning for 2018 were submitted at the meeting of the board of directors on May 10, 2018.	None
(4) Does the company establish a reasonable salary remuneration policy and integrate the employee performance evaluation system with	V		(4) The Company has established a reasonable salary remuneration policy and has regularly held educational training programs for the employees to enhance their understanding of corporate morals. The Company has also made rewards and disciplinary recommendations based on the employees’	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
its corporate social responsibility policy, as well as establish an effective rewards and disciplinary policy?			evaluation results in order to inspire employees to grow along with the Company.	
2. Sustainable Environment Development (1) Does the company endeavor to raise the efficiency of using all resources and use renewable materials which have low impact on the environment?	V		(1) Since a tire's fuel efficiency is highly relevant to our environment, we use light-weight designs and implement material simplification to reduce the weight of tires and the amount of semi-finished materials when developing new products. These design methods not only enhance the fuel-efficiency of tires, but are also highly effective in reducing the waste produced during the manufacturing process. In light of these benefits, we have been promoting low rolling resistance tires and increasing production efficiency in our product development, thereby making contribution to environment sustainability. The materials we use fully comply with EU regulations and the requirements of major car assembly factories on environmental protection, and all of our manufacturers are required to submit third-party testing reports from REACH and ROHS. In addition, we only use eco-friendly process oils with reduced aromatic hydrocarbons, and any raw material (e.g., process oil, synthetic rubber) used in the production process should be accompanied by a third-party-issued PAHs testing report.	None
(2) Does the company establish proper environmental management systems based on the characteristics of its industry?	V		(2) The Company received ISO-14001: 2015 Environmental Management System Conversion Certification at the end of 2017. Through actions, we meet the expectations and demands of our stakeholders. Energy saving, recycling, operating safety and pollution prevention are the Company's core principles. The Company also promotes the 5S management activities comprehensively and regularly examines the environmental performance of each department. The Health and Safety Department is responsible for	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			the implementation of environmental management policy, and each year, an external audit is conducted to ensure the effectiveness of our management system.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish and implement company strategies for energy conservation and carbon reduction and greenhouse gas reduction?	V		(3) 1. Both the Company's main plant and Dou Liu plant have received the Energy Efficiency and Carbon Reduction Marks from the Environmental Protection Administration. In March 2017, Dou Liu 2nd plant became the 78th factory (and the first in the rubber product manufacturing industry) in Taiwan to have received the Clean Production Evaluation System Certification from the Industrial Development Bureau. In July 2018, we underwent a follow-up audit by the Industrial Development Bureau. 2. Under the Greenhouse Gas Reduction and Management Act, the Company's main plant is the only manufacturing facility that is required to conduct greenhouse gas emission inspection and registration (with an annual fossil fuel emission of more than 25,000 t-CO2e). In 2018, the Company participated in the greenhouse gas emission reduction initiative promoted by the Industrial Development Bureau, and received a certificate from a third-party validation and verification agency, AFNOR Asia. The agency verified the greenhouse gas emission from the main plant in the last three years: 83,399.892 t-CO2e in 2017, which was 1.1% lower than 2016; 84,343.194 t-CO2e in 2016, which was 5.7% lower than in 2015; 89,484.065 t-CO2e in 2015, which was 5.9% less than in 2014. We have been consistently reducing our greenhouse gas emission and will continue our efforts going forward. 3. Energy conservation: The Company has established an energy management organization to annually set up energy conservation goals and action plans. Currently, the Company follows the energy-efficient settings recommended by the Ministry of Economic Affairs, which is	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			aimed to reduce energy use by 1% from a year before. The energy conservation measures taken by the Company include replacing old models of motors with energy-efficient motors, selecting energy-efficient light fixtures, recovering waste heat from the water heating system, and replacing the AC systems. In 2018, we invested NT$1,475,000 in energy conservation measures and reduced 440,000 kWh of power consumption; this year, we aim to reduce power usage by 950,000 kWh.	
3. Maintaining Public Welfare (1)Does the company establish appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) 1. The Work Rules of the Company specifically provide that the Company is prohibited from hiring someone who is under the age of 15 as an employee. From 2014 to 2018, the Company did not hire any underage workers, and we have not received any reports of child labor. Under the Labor Standards Act in Taiwan, forced labor is prohibited; the same applies to expatriate employees. One of the items under our annual raw material supplier audit also prohibit suppliers from hiring child labor, and their employee recruiting and hiring process should comply with the Labor Standards Act. In 2018, there were no violations by our suppliers. 2. In order increase employee productivity, improve working conditions and promote labor-management harmony, the Company has established a labor union in accordance with local regulations. Based on the collective bargaining agreement signed by the Company and the labor union, all employees are protected by the said agreement.	None
(2) Does the company set up an employee complaint mechanism or communication channel and handle the complaints appropriately?	V		(2) The Company has set up an employee suggestion box in the factories and an employee grievance system and mechanism on the corporate intranet as a channel for employees to voice their opinions. The suggestions and complaints submitted are strictly handled by the Human Resources Department to effectively address and resolve the issues. The Company	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			requires that all the operating activities to be in compliance. From 2014 to 2018, there were no incidents reported which involved the violation of working conditions or human rights, such as violation of the right to freedom of assembly, discrimination, child labor, and sexual harassment. Employees are empowered to file a complaint with the Human Resources Department when encountering any of the above issues. In the event of a labor-management dispute, the local government can provide mediation upon request.	
(3)Does the company provide its employees with a safe and healthy working environment and organize educational training programs on the issues of safety and health for its employees on a regular basis?	V		(3)1. The safety devices of the machinery and equipment are inspected by the operators daily before operation. Dangerous machinery and equipment are routinely inspected each year. The health and safety officers daily perform onsite inspection and conduct auditing from time to time, and write up a checklist of safety improvements in the case of any violations. Every six months, the Company conducts an assessment on the operating environment. 2. Each new employee is required to participate in a general health and safety educational training; an advanced training is also provided based on the type of machinery and equipment he/she will be operating once he/she arrives at the operating site. The Learning and Development Division under the HR Department have trainings and seminars regarding health and safety from time to time for employees to participate in. Regulations related to health and safety, environmental protection, training information, and SDS downloads are also made available by the Safety & Health Department on the Company's intranet. 3. Each year in July, we offer health checkups to our employees pursuant to the Labor Health Protection Act at selected hospitals. Employee health checkups include general (for all employees) and specialized health checks (for employees who work in hazardous environment). From 2016 to 2018, the number of employees who received specialized health	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			checks were 1,733, 1,615 and 1,904. Employees with abnormality found in their chest X-ray, or cholesterol level, blood pressure or blood sugar level above normal range will be notified for a follow-up appointment.	
(4)Does the company set up a regular communication channel with employees and inform employees, in a reasonable manner, of any significant operational changes which may have an impact on them?	V		(4) The Company has internal web pages and individual emails for employees which provide them with information from every department, announcements and communication platforms among employees. We have also established a communication mechanism between employees and the Company through the coordination from within and across different departments, management meetings and a complaint system.	None
(5)Does the company provide its employees with effective career development training programs?	V		(5) The Company is dedicated to creating a continuous and abundant learning environment. Each year, its employees participate in educational training regarding vocational development for enhancing their capabilities in respect of career development. Please refer to the relevant items of educational training and required hours on page 126 of the annual report.	None
(6)Does the company establish any consumer protection policies and complaint procedures regarding research and development, purchase, production, operation and service processes?	V		(6) The Company has a "Stakeholders" section as well as a post-sale service department and a customer service web page on our website (http://www.cst.com.tw). The Company's distributors nationwide also provide consumers with consultation and complaint channels.	None
(7)Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) Automotive markets around the world have tire labeling requirements in order to help consumers pick out tires that are suitable for their use. Our products are sold around the world and are in compliance with applicable product labeling regulations in the countries/regions of distribution. Due to environmental and safety considerations, each region and country have adopted tire labeling regulations, mainly governing rolling noise, wet grip capacity, and rolling resistance of the tires. For passenger car, light truck and truck/bus tires, manufacturers must put a sticker on the tire tread that includes information of the tire's level of rolling noise, wet grip, and rolling resistance. Our tires sold to all the regions and countries are in	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			compliance with applicable regulations. The Company has disclosed its advertisement and labelling information of the products and services on the corporate website, and all the certifications and awards received for regulatory compliance can be found in the "About Maxxis" section (http://www.cst.com.tw).	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before building business relationships with them?	V		(8) The Company has a rigorous review process for suppliers, which include product verification, qualification review and on-site visits. Depending on the evaluation results, the suppliers would receive a rating of A, B+, B, or C, a total of 4 different evaluation ratings. In the environmental aspect, the Company places particular emphasis on compliance with EU chemical safety and material composition regulations (e.g., IMDS and REACH). In the labor and human rights aspect, we strictly prohibit suppliers from hiring child labor and place emphasis on labor safety, health and environment. In the second half of 2018, we joined the Responsible Business Alliance (RBA), conducting reviews based on the evaluation items required by all the international treaties of RBA and Taiwan's Labor Standards Act. In addition to this review process, raw material suppliers are required to provide quality laboratories or third-party inspection reports for each batch of goods. After entering the factory, the Company will conduct batch inspections or random inspections to ensure the quality of raw materials.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause material impact on the environment and society?	V		(9) The Company specifies damages and termination clauses in contracts with the suppliers regarding the suppliers' breach of their social responsibilities and ethical operations. If a breach occurs by any of the suppliers, the Company will no longer do business with the supplier.	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The Company has disclosed its CSR reports on the corporate website and made reporting on MOPS regarding the Company's implementation of social responsibilities.	None

5. If the Company has established the corporate social responsibility best practice principles according to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies (the "Principles"), please describe any discrepancy between the Principles and their implementation: The Company has adopted and implemented the Corporate Social Responsibility Best Practice Principles. There is no discrepancy between our corporate social responsibility practices and the Principles.

6. Other important information which facilitates a better understanding of the company's corporate social responsibility implementation：

Since the incorporation of the Company, not only do we focus on developing our core business, we also actively participate in charity events to make social contribution. The Company's social engagement include delivering meals to the underprivileged community, low-income families and seniors living alone; donating luggage carts to airports in Taipei, Taichung, Kaohsiung, as well as Kinmen and Matsu ports; offering scholarships and other forms of financial aid to encourage students to continue their studies. Our involvement also extends to community park bench donation and blood drives. The Company continues to sponsor sports events in Taiwan every year, such as co-hosting the National Table Tennis Tournament with Taiwan Cooperative Financial Holding Co., Ltd., co-sponsoring the National Team Tennis Tournament with First Financial Holding Co., and promoting cycling events, including organizing bicycle carnivals, sponsoring the Changhua Classic 100K, and Climbing Taiwan cycling event, which are the most anticipated events of the year by cycling enthusiasts around the country.

7. If the corporate social responsibility reports were verified by external certification institutions, please provide a brief description here: None.

(6) Ethical Corporate Management and Measures

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies and Programs				None
(1) Has the company stipulated its ethical corporate management policies and procedures in its guidelines and public documents, as well as the commitment from its board to implement the policies?	V		(1) The Ethical Corporate Management Best Practice Principles and Corporate Governance Best Practice Principles have been adopted by the Company, which provide guidelines on business conduct for the Board and management to implement ethical corporate management.	
(2) Has the company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, disciplinary measures for violation, rules of appeals, and committed to implementing the policies?	V		(2) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, into its Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting policies and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management.	
(3) Has the company adopted appropriate precautions against the activities listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies or other activities with high risk of unethical conducts?	V		(3) The Company believes that a culture of ethical corporate management is one of the keys to the Company's sustainability and success. Its Ethical Corporate Management Best Practice Principles and other internal rules provide guidelines for the conduct of directors, managers and employees of	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties.	
2. Implementation of ethical corporate management				None
(1) Does the company evaluate the ethical records of business counterparties and include clauses stipulating ethical conduct in business contracts?	V		(1) The Company has included clauses related to ethical conducts in the contractual agreements with its business counterparties, which allow the Company to terminate agreements and claim for damages or terminate partnerships due to the counterparties' violations of the clauses.	
(2) Has the company established a business unit, which is supervised by the Board and is exclusively or concurrently dedicated to business ethics and integrity, to report to the Board on implementation status?		V	(2) The Company has not yet established any business unit dedicated to business ethics and integrity.	It will be established as the Company deems fit.
(3) Has the company established policies to prevent conflicts of interest, provided appropriate communication channels and implemented the policies?	V		(3) The Company has a "Stakeholders" section on the corporate website providing a platform for its stakeholders to express their opinions and complaints.	None
(4) Has the company established an effective accounting system and internal control system to facilitate ethical corporate management, which are audited by either internal auditors or certified public accountants on a regular basis?	V		(4) The internal auditors are appointed and authorized under the rules of the Company and revise the internal control system from time to time in accordance with applicable laws and regulations, implement the system under the law and regulations and routinely submit audit reports to the Board for review.	None
(5) Does the company regularly hold internal and external trainings on business ethics?	V		(5) The Company provided 1,740 hours of business ethics training to the employees in 2018, which	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			included awareness campaigns and written tests. Employee participation and performance in the training courses are taken into account during the annual evaluation.	
3. Grievance System (1) Has the company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?	V		(1) The Company has established a grievance system and whistleblowing procedures both on its intranet and on its website providing a channel for its employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the Company.	None
(2) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	V		(2) The Company's Workplace Rules stipulate the whistleblowing procedures and confidentiality measures, which enhance its code of conduct and ethics.	
(3) Does the company have proper measures in place to protect whistleblowers from reprisals?	V		(3) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any employee in violation of the Company's ethical standards will be subject to disciplinary actions according to the Company's rewards and disciplinary system.	
4. Enhancing Information Disclosure (1) Has the company disclosed its ethical corporate management policies and results of implementation on the company's website and the Market Observation Post System?	V		(1) The Company has made available its Ethical Corporate Management Best Practice Principles, corporate culture, missions and value and other information on its website and the Market	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			Observation Post System.	

5. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies ("Best Practice Principles"), please describe any discrepancy between the policies and its practices:
The Company has adopted the Ethical Corporate Management Best Practice Principles and implement its ethical corporate management accordingly. There is no discrepancy between our practices and the Best Practice Principles.

6. Other important information which facilitates a better understanding of the Company's ethical corporate management practices:
The Company has made available on its website the Ethical Corporate Management Best Practice Principles, Rules and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business.

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

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

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

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

(9) Director Training Records

Title	Name	Dates		Organizer	Course Title/Subject	Hours
		From	To			
Director	Lo, Tsai-Jen	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director Representative of Corporate Shareholder	Chen, Yun-Hwa	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director Representative of Corporate Shareholder	Chen, Shiu-Hsiung	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director Representative of Corporate Shareholder	Chiu, Li-Ching	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
		November 9, 2018	November 9, 2018	Taiwan Corporate Governance Association	The Roles of the Board in Promoting Risk Management of Cross-Border Business	3

		November 9, 2018	November 9, 2018	Taiwan Corporate Governance Association	Company Act Amendment and its Implications for Corporations in Taiwan	3
Director Representative of Corporate Shareholder	Cheng, Han-Chi	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director Representative of Corporate Shareholder	Lee, Chin-Chang	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director Representative of Corporate Shareholder	Lin, Hung-Yu	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Director	Tseng, Shung-Chu	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
		November 9, 2018	November 9, 2018	Taiwan Corporate Governance Association	The Roles of the Board in Promoting Risk Management of Cross-Border Business	3
		November 9, 2018	November 9, 2018	Taiwan Corporate Governance Association	Company Act Amendment and its Implications for Corporations in Taiwan	3
Independent Director	Hsu, En-De	April 13, 2018	April 13, 2018	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulation	3
		June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		July 16, 2018	July 16, 2018	Taiwan Corporate Governance Association	Company Act Trends and Insider Trading Prevention	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Independent Director	Too, Jui-Rze	June 27, 2018	June 27, 2018	Taiwan Corporate	Strategy Planning and Execution	3

				Governance Association		
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3
Independent Director	Chen, Shuei-Jin	June 27, 2018	June 27, 2018	Taiwan Corporate Governance Association	Strategy Planning and Execution	3
		July 13, 2018	July 13, 2018	Securities & Futures Institute	Legal Compliance of Equity Transfer by Insiders of Listed and Public Non-listed Companies	3
		November 8, 2018	November 8, 2018	Taiwan Corporate Governance Association	Development of Retail Sales Channels in China: Practice and Case Study	3

(10) Manager Training Records

Title	Name	Dates		Organizer	Course Title/Subject	Hours
		From	To			
Chief Accounting Officer	Chang, Ya-Ching	October 4, 2018	October 5, 2018	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	12
		October 15, 2018	October 15, 2018	Taiwan Accounting Research and Development Foundation	Internal Audit and Internal Control Practices Based on the Accounting Treatment for Revenues Under the Latest IFRS 15	6

(11) Disclosure matters of the status of Internal Control

1. Internal Control Statement

Cheng Shin Rubber Ind. Co., Ltd.
Statement of Internal Control

March 21, 2019

Based on the self-evaluation of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”)'s internal control system as of December 31, 2018, we hereby state that:

1. The Company understands that the Board and management of the Company are responsible for establishing, implementing and maintaining adequate internal control. The Company has established an effective internal control system which aims to reasonably assure the operational results and effectiveness (including profitability, performance and assets security, etc.), the reliability, timeliness and transparency of its report and the compliance with applicable laws and regulations.
2. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Besides, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system in accordance with the criteria effectiveness assessment of internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The criteria listed in the Framework divides the internal control system into five components based on management control process. The five components are i) Control environment, ii) Risk assessment, iii) Control activities, iv) Information and communication, and v) Monitoring. Each component comprises of several elements. For more information, please refer to the Framework.
4. We have assessed the design and operating effectiveness of the Company’s internal control system based on the criteria listed in the Framework.
5. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2018, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations and the status of goal achievement, reliability, timeliness and transparency of reporting, and compliance with applicable laws and regulations.
6. This statement will be included as an integral part of the Annual Report and the prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement has been unanimously approved by the Board of Directors on March 21, 2019, with 11 directors present at the meeting.

Cheng Shin Rubber Ind. Co., Ltd.

Lo, Tsai-Jen
Chairman

Lo, Tsai-Jen
General Manager

2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: N/A

(12) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements: None.

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

1.Shareholder Resolutions and Implementation Status

Item	Date	Proposal	Resolution	Implementation Status
2018 Annual General Meeting	June 14, 2018	Approval of 2017 Business Report and Financial Statements	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,456,673,619 votes (698,850,303 of which were cast electronically), accounted for 95.88% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 422,500 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 104,877,758 • Spoilt votes: 0	The 2017 Business Report and Financial Statements have been announced as approved by the shareholders' meeting.
		Approval of 2017 Profit Distribution Plan	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,460,917,243 votes (703,093,927 of which were cast electronically), accounted for 96.05% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 580,830 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 100,475,804 • Spoilt votes: 0	The cash dividends were paid to the shareholders at NT$1.8 per share on August 17, 2018.
		Discussion of the proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,461,138,890 votes (703,315,574 of which were cast electronically), accounted for 96.06% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 352,098 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 100,484,889 • Spoilt votes: 0	The amended Procedures for the Acquisition and Disposal of Assets have been announced as approved by the shareholders' meeting.
		Proposal to release the new directors of the Company from non-compete restrictions	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,371,753,628 votes (613,940,312 of which were cast electronically), accounted for 92.57% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 658,811 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 189,563,438 • Spoilt votes: 0	Announced as approved by the shareholders' meeting

2.Major Board Resolutions

Date	Resolutions	Commentary
January 24, 2018	(1) Officers' year-end bonus and profit distribution plans of the Company (2) Implementation of the Company's 2017 audit plan (3) Proposal to participate in the capital increase of PT. Maxxis International Indonesia (4) Proposal of the capital increase to Maxxis Rubber India Private Limited (1) Proposal of maximum loan balance of the Company	Approved by the unanimous decision of the directors presented
March 20, 2018	(1) 2017 director and employee profit distribution plans of the Company (2) Discussion of the Company's 2017 business report, consolidated financial statements and separate financial statements (3) The Company's 2017 profit distribution plan (4) Proposal of the date and location of the 2018 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2018 Annual General Meeting (6) Auditor independence evaluation report (7) Review of the effectiveness of the Company's 2017 Internal Control System and Internal Control Statement (8) Proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets (9) Proposal to release directors of the Company from non-compete restrictions (10) Evaluation of the adoption and implementation of IFRS 16—Leases (11) Proposal to set up a company for the sales operations in Europe (12) Proposal of maximum loan balance of the Company (13) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors presented
May 10, 2018	(1) Ratification of the Company's Q1 2018 Consolidated Financial Statements (2) Proposal of the offering of unsecured corporate bonds of 2018 (3) Ratification of appointment and removal of personnel (4) Proposal of maximum loan balance of the Company (5) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors presented
June 27, 2018	(1) Proposal to set the ex-dividend date (2) 2017 director profit sharing plans of the Company	Approved by the unanimous decision of the directors presented
August 9, 2018	(1) Ratification of the Company's Q2 2018 Consolidated Financial Statements (2) Proposed pension payment made to Deputy General Managers Weng, Ming-Chun and Huang, Chung-Jen (3) Employee job grade promotion of the Company (4) Proposal of maximum loan balance of the Company (5) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors presented
November 8, 2018	(1) Ratification of the Company's Q3 2018 Consolidated Financial Statements (2) Proposal to adopt the Company's 2019 audit plan (3) Proposal to set up a company for the sales operations in Mexico (4) Proposal of maximum loan balance of the Company	Approved by the unanimous decision of the directors presented
January 16, 2019	(1) Officers' year-end bonus and profit distribution plans of the Company	Approved by the unanimous decision of the directors presented

March 21, 2019	(1) 2018 director and employee profit distribution plans of the Company (2) Discussion of the Company's 2018 business report, consolidated financial statements and separate financial statements (3) The Company's 2018 profit distribution plan (4) Proposal of the date and location of the 2019 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2019 Annual General Meeting (6) Review of the effectiveness of the Company's 2018 Internal Control System and Internal Control Statement (7) Appointment of Chief Corporate Governance Officer (8) Proposal to appoint and replace external auditors (9) Auditor independence evaluation report (10) Proposal to adopt the Standard Operating Procedure for Processing Director Requests (11) Proposed amendments to the Company's Rules Governing Fund Lending and Endorsement and Guarantee (12) Proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets (13) Proposed amendments to the Company's Corporate Governance Best Practice Principles (14) Proposal of maximum loan balance of the Company (15) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors presented

(14) Major issues of record or written statements made by any director or supervisor dissenting to major resolutions passed by the Board during the current fiscal year and as of the date of the Annual Report: none

(15) Summary of resignation and removal of key individuals involved in the financial reporting of the Company, including chairman, general manager, head of accounting, head of finance, head of internal audit, and head of research and development departments, during the current fiscal year and as of the date of the Annual Report: none

3.4 Accounting Fees

(1) Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Commentary
PricewaterhouseCoopers Taiwan	Grace Hung	Steven Go	January 1, 2018 to December 31, 2018	

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

	Items / Fee Range	Audit Fees	Non-audit Fees	Total Fees
1	Under NT$2,000,000			
2	NT$2,000,000 - NT$3,999,999			
3	NT$4,000,000 - NT$5,999,999		NT$4,840,000	
4	NT$6,000,000 - NT$7,999,999	NT$7,000,000		
5	NT$8,000,000 - NT$9,999,999			
6	NT$10,000,000 and above			NT$11,840,000

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

The audit fees are NT$7,000,000 and the non-audit fees are NT$4,840,000. The non-audit fees mainly include fees for tax consulting of country-by-country reporting, auditing of corporate bond issuance, auditing of the establishment and capital increase of subsidiary factories, English translations of the annual report, meeting handbook and financial statements, and transfer pricing.

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

3.Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 15% or more:

N/A.

3.5 Change of Auditors: none

(1) Information of Predecessor Auditor: N/A

(2) Information of Successor Auditor: N/A

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

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

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

Title	Name of Director or Major Shareholder	2018		2019 (As of April 16, 2019)	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Chairman/President/ Major Shareholder	Lo, Tsai-Jen	0	0	0	0
Director	Xie Shun Investment Corporation	0	0	0	0
Director Representative/General Manager	Chen, Shiu-Hsiung	10,000,000	0	0	0
Director	Jiu Shun Investment Corporation	0	0	0	0
Director Representative	Chen, Yun-Hwa	0	0	0	0
Director	Hong Jing Investment Corporation	620,000	0	0	0
Director Representative	Chiu, Li-Ching	0	0	0	0
Director	Min Xin Investment Corporation	0	0	0	0
Director Representative	Cheng, Han-Chi	0	0	0	0
Director	Tseng, Shung-Chu	800,000	0	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lee, Chin-Chang	0	0	0	0
Director	Horning Yih Investment Corporation	0	0	0	0
Director Representative/Deputy General Manager	Lin, Hung-Yu	0	0	0	0
Independent Director	Hsu, En-De	0	0	0	0
Independent Director	Too, Jui-Rze	0	0	0	0
Independent Director	Chen, Shuei-Jin	0	0	0	0
Deputy General Manager	Lee, Chin-Chang	0	0	0	0
Deputy General Manager	Lin, Hung-Yu	0	0	0	0
Deputy General Manager	Peng, Wen-Hsing	0	0	0	0
Deputy General Manager	Huang, Chieh-Hsiang	0	0	0	0

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

Note: Deputy General Manager Lo, Yung-Li
and Senior Manager Ting, Tso-Lin came onboard on September 1, 2018.

(2) Transfer of Shares

Shares transferred to related parties: None

(3) Pledged Shares

Shares pledged to related parties: None

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

(1) Relationship Among Top Ten Largest Shareholders

Name (Note 1)	Share Ownership		Share Ownership of Spouses and Children who are Minors		Shares Held under Nominee Accounts		Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship		Commentary
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Luo, Ming-Han	370,176,378	11.42%	0	0%	0	0%	Luo, Jye, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Lo, Ming-I, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Lo, Tsai-Jen	283,225,502	8.74%	27,996,793	0.86%	0	0%	Luo, Jye, Chen, Shiu-Hsiung, Luo, Ming-Han, Lo, Ming-I, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Luo, Jye	224,163,978	6.92%	0	0%	0	0%	Lo, Ming-I, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Ming-Han, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Luo, Yuan-Yu	138,052,547	4.26%	0	0%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Ming-I, Chen, Yun-Hwa, Chen, Shiu-Hsiung, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Chen, Yun-Hwa	120,570,531	3.72%	82,492,443	2.54%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Ming-I, Luo, Yuan-Yu, Chen, Shiu-Hsiung, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Lo, Ming-I	82,492,443	2.54%	120,570,531	3.72%	13,391,000	0.41%	Luo, Ming-Han, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-
Chen, Shiu-Hsiung	67,819,456	2.09%	62,945,516	1.94%	0	0%	Luo, Ming-Han, Lo, Ming-I, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-Ling	Relative within the second and third degree of kinship	-

Fubon Life Insurance Co., Ltd.	63,125,000	1.95%	0	0%	0	0%	N/A	N/A	-
Lo, Ming-Ling	62,945,516	1.94%	67,819,456	2.09%	31,280,000	0.97%	Luo, Ming-Han, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Jye, Chen, Yun-Hwa, Luo, Yuan-Yu, and Lo, Ming-I	Relative within the second and third degree of kinship	-
Cathay Life Insurance Co., Ltd.	40,963,446	1.26%	0	0%	0	0%	N/A	N/A	-

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

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

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

3.9 Share Ownership in Affiliated Companies

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

Affiliated Companies (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managers and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	%	Shares	%	Shares	%
Maxxis International Co., Ltd.	35,050,000	100%	0	0%	35,050,000	100%
CST Trading Ltd.	72,900,000	100%	0	0%	72,900,000	100%
Cheng Shin Rubber USA, Inc.	1,800,000	100%	0	0%	1,800,000	100%
Maxxis Trading Ltd.	237,811,720	100%	0	0%	237,811,720	100%
New Pacific Industry Company Limited	5,000,000	50%	0	0%	5,000,000	50%
Cheng Shin Rubber Canada, Inc.	1,000,000	100%	0	0%	1,000,000	100%
Maxxis Tech Center Europe B.V.	1,000,000	100%	0	0%	1,000,000	100%
PT MAXXIS International Indonesia	79,997,000	99.99625%	3,000	0.00375%	80,000,000	100%
Maxxis Rubber India Private Limited	549,995,541	99.9992%	4,459	0.0008%	550,000,000	100%
Maxxis Trading Company Limited	10,000,000	100%	0	0%	10,000,000	100%
PT. MAXXIS TRADING INDONESIA	999,000	99.9%	1000	0.1%	1,000,000	100%
Maxxis Europe B.V.	500,000	100%	0	0%	500,000	100%

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

Note 2: These are the figures as of December 31, 2018.

IV. Capitalization

4.1 Capital and Shares

(1) Source of Capital

Month/Year	Issue Price/Par Value (NT$)	Authorized Capital		Paid-in Capital		Commentary		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Other
August 1988	10	162,509,490	1,625,094,900	162,509,490	1,625,094,900	Capital increase from retained earnings	None	-
August 1989	10	203,136,863	2,031,368,630	203,136,863	2,031,368,630	Capital increase from retained earnings	None	-
August 1990	10	243,764,236	2,437,642,360	243,764,236	2,437,642,360	Capital increase from retained earnings	None	-
May 1991	10	263,265,375	2,632,653,750	263,265,375	2,632,653,750	Capital increase from retained earnings	None	Jing (80) Shang No.118965 dated September 7, 1991
July 1992	10	315,918,450	3,159,184,500	315,918,450	3,159,184,500	Capital increase from retained earnings	None	Jing (81) Shang No.118426 dated August 31, 1992
July 1993	10	363,306,218	3,633,062,180	363,306,218	3,633,062,180	Capital increase from retained earnings	None	Jing (82) Shang No.115285 dated August 13, 1993
July 1994	10	421,435,213	4,214,352,130	421,435,213	4,214,352,130	Capital increase from retained earnings	None	Jing (83) Shang No.112989 dated September 2, 1994
August 1995	10	501,507,903	5,015,079,030	501,507,903	5,015,079,030	Capital increase from retained earnings	None	Jing (84) Shang No.111207 dated August 16, 1995
August 1996	10	551,658,693	5,516,586,930	551,658,693	5,516,586,930	Capital increase from retained earnings	None	Jing (85) Shang Zi No.111479 dated August 12, 1996
July 1997	10	606,824,562	6,068,245,620	606,824,562	6,068,245,620	Capital increase from retained earnings	None	Jing (86) Shang Zi No.111867 dated July 18, 1997
December 1998	10	679,643,509	6,796,435,090	679,643,509	6,796,435,090	Capital increase from retained earnings	None	Jing (87) Shang Zi No.087142412 dated December 29, 1998
August 1999	10	747,607,860	7,476,078,600	747,607,860	7,476,078,600	Capital increase from retained earnings	None	Jing (88) Shang Zi No.088127496 dated August 4, 1999
August 2000	10	784,988,253	7,849,882,530	784,988,253	7,849,882,530	Capital increase from retained earnings	None	Jing (89) Shang Zi No.089127105 dated August 1, 2000
August 2001	10	836,012,489	8,360,124,890	836,012,489	8,360,124,890	Capital increase from	None	Jing (90) Shang Zi No.09001288800

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

As of April 16, 2019

(In shares)

Type of Shares	Authorized Capital			Commentary
	Outstanding Shares	Unissued Shares	Total	
TWSE Listed Common Stock	3,241,415,536	0	3,241,415,536	-

(2) Shareholder Structure

As of April 16, 2019

Shareholder structure / Numbers	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Natural Persons	Individuals	Total
Number of Shareholders	8	26	349	612	95,532	96,527
Number of Shares	110,152,380	2248,760,946	402,404,532	379,094,374	2,101,003,304	3,241,415,536
Share Ownership %	3.40%	7.67%	12.41%	11.70%	64.82%	100.00%

(3) Share Ownership Distribution

As of April 16, 2019

At Par Value NT$10

Share Ownership by Range			Number of Shareholders	Number of Shares	Share Ownership %
1	-	999	17,607	5,187,891	0.16%
1,000	-	5,000	56,249	124,823,215	3.85%
5,001	-	10,000	11,314	88,135,085	2.72%
10,001	-	15,000	3,742	47,515,483	1.47%
15,001	-	20,000	2,472	44,999,555	1.39%
20,001	-	30,000	1,877	47,577,805	1.47%
30,001	-	40,000	893	31,741,403	0.98%
40,001	-	50,000	546	25,249,366	0.78%
50,001	-	100,000	958	67,739,466	2.09%
100,001	-	200,000	371	50,920,760	1.57%
200,001	-	400,000	194	53,623,657	1.65%
400,001	-	600,000	64	32,150,608	0.99%
600,001	-	800,000	40	27,687,025	0.85%
800,001	-	1,000,000	27	24,390,255	0.75%
1,000,001 and above			173	2,569,673,962	79.28%
Total			96,527	3,241,415,536	100.00%

Note: The Company has not issued preferred shares.

(4) Major Shareholders

As of April 16, 2019

Name	Number of Shares	Share Ownership %
Luo, Ming-Han	370,176,378	11.42%
Lo, Tsai-Jen	283,225,502	8.74%
Luo, Jye	224,163,978	6.92%
Luo, Yuan-Yu	138,052,547	4.62%
Chen, Yun-Hwa	120,570,531	3.72%
Lo, Ming-I	82,492,443	2.54%
Chen, Shiu-Hsiung	67,819,456	2.09%
Fubon Life Insurance Co., Ltd.	63,125,000	1.95%
Lo, Ming-Ling	62,945,516	1.94%
Cathay Life Insurance Co., Ltd.	40,963,446	1.26%

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

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

In Shares or NT$

Item			2017	2018	2019 (As of March 31, 2019)
Market Price per Share (Note 1)	Highest Price		67.10	53.20	44.75
	Lowest Price		50.40	37.70	40.15
	Average		60.69	46.29	42.79
Net Value per Share (Note 2)	Before Distribution		25.36	24.43	25.21
	After Distribution		25.36	24.43	-
Earnings per Share	Weighted Average of Shares		3,241,415,536	3,241,415,536	3,241,415,536
	Earnings per Share (Note 3)	Before Adjustment	1.71	1.09	0.32
		After Adjustment	1.71	1.08	-
Dividend per Share	Cash Dividend		1.80	1.1(Note 8)	-
	Stock Dividend	Paid out of Retained Earnings	-	-	-
		Paid out of Capital Surplus	-	-	-
	Accrued Unpaid Dividends (Note 4)		-	-	-
Return on Investment	P/E Ratio (Note 5)		35.49	42.86	-
	Price/Dividend Ratio (Note 6)		33.72	42.08	-
	Cash Dividend Yield (Note 7)		2.97%	2.38%	-

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

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

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

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

Note 5: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

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

(6) Dividend Policy and Implementation

Our dividend policy is as follows:

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

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

2. Proposed Dividend Payment by the Shareholders' Meeting

   After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from previous year(s), was NT$31,540,074,908 in the 2018 Fiscal Year. It is proposed that NT$3,565,557,090 of cash dividends be paid to the shareholders (at NT$1.1 per share) in accordance with the Articles of Incorporation of the Company.

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

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

(8) Employee Bonus and Director Remuneration

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

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

   Employee bonus shall be paid in the form of stocks or cash, and director and supervisor remuneration shall be paid in the form of cash. The payout shall be approved by more than one half of the directors present at the Board meeting attended by at least two-thirds of all directors, and shall be reported at the shareholders' meeting.

   Individuals eligible to receive stock or cash bonus in the preceding paragraph include employees of the Company's subsidiaries who meet certain criteria, which shall be discussed and decided by the Board of Directors.

2. The Basis of the Estimate of Employee Bonus and Director Remuneration, the Basis of Calculating Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate:

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

3. Distribution of Employee Bonus Recommended by the Board

   (a) The amount of employee cash bonus and director remuneration. In the event that the amount of the actual payment of employee cash bonus and director and supervisor remuneration deviates from the estimate in the fiscal year where such payment is recognized as an expense, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed.

   The Company has allocated NT$101,254,000 as employee cash bonus and NT$74,978,000 as director remuneration in 2018. Comparing the revenues and profitability of the Company in 2018 to those in 2017 and taking into account the amount of payout in 2017, the proposal was reviewed by the Remuneration Committee and the Board has passed a resolution and recommends that NT$101,254,000 to be paid out as employee cash bonus and NT$66,473,000 as director remuneration. Deviation between the estimate and actual payment amount will be recognized as profit (loss) in the 2019 Fiscal Year.

   (b) Proposed employee stock bonus in percentage of after-tax earnings and total employee bonus in Fiscal Year 2018:

   The Company's 2018 profit distribution plan has been approved by the Board of Directors and no employee stock bonus was declared.

   (c) The estimated earnings per share is NT$1.09 after the employee bonus and director remuneration are paid out.

4.Employee Remuneration and Director and Supervisor Remuneration in the 2017 Fiscal Year

The following summarizes the employee remuneration and director and supervisor remuneration in the 2016 Fiscal Year:

Items	Approved Distribution (NT$)	Deviation	Reason for Deviation
Employee remuneration	145,330,295	—	N/A
Director and supervisor remuneration	107,617,083	—	N/A

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

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

4.2 Corporate Bonds

Type of Bonds	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2014	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2017	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018
Issuance Date	July 18, 2014	September 26, 2016	August 10, 2017	July 25, 2018
Denomination	NT$1 million	NT$1 million	NT$1 million	NT$1 million
Location of Issuance and Transaction	N/A	N/A	N/A	N/A
Issue Price	At Par	At Par	At Par	At Par
Total Amount	NT$4.8 billion	NT$5 billion	NT$7 billion	NT$5 billion
Interest Rate	1.4%	0.71%	1.03%	0.87%
Maturity	5 Years Maturity Date: July 18, 2019	5 Years Maturity Date: September 26, 2021	5 Years Maturity Date: August 10, 2022	5 Years Maturity Date: July 25, 2023
Guarantor	None	None	None	None
Trustee	Mega International Commercial Bank	Mega International Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriter	N/A	Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.	Capital Securities Co., Ltd.
Legal Counsel	N/A	N/A	N/A	N/A
Auditor	Grace Hung and WU, DER-FENG, PricewaterhouseCoopers Taiwan	Grace Hung and WU, DER-FENG, PricewaterhouseCoopers Taiwan	Grace Hung and WU, DER-FENG, PricewaterhouseCoopers Taiwan	Grace Hung and WU, DER-FENG, PricewaterhouseCoopers Taiwan
Repayment	Repayment in lump sum at maturity	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date	50% of the principal will be paid in the end of the fourth year and the remaining 50% will be paid in the end of the fifth year from the issue date
Outstanding Principal	NT$4.8 billion	NT$5 billion	NT$7 billion	NT$5 billion
Redemption or Early Repayment Clauses	None	None	None	None
Restrictive Clauses	None	None	None	None
Credit Rating	twA (Taiwan Ratings Corporation, February 21, 2014)	twA (Taiwan Ratings Corporation, February 25, 2016)	twA+ (Taiwan Ratings Corporation, February 21, 2017)	twA+ (Taiwan Ratings Corporation, February 27, 2018)

Type of Bonds		Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2014	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2017	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2018
Other Rights of Bondholders	Amount of Common Shares, GDRs or Other Securities Converted, Exchanged or Subscribed as of the date of the publication of the Annual Report	N/A	N/A	N/A	N/A
	Regulations of Issuance and Conversion/Exchange/Subscription	N/A	N/A	N/A	N/A
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue		N/A	N/A	N/A	N/A
Custodian		N/A	N/A	N/A	N/A

4.3 Preferred Shares: None

4.4 Global Depository Receipts (GDR): None

4.5 Employee Stock Options and Restricted Stocks for Employee: None

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

4.7 Financing Plans and Implementation

(1) Financing Plans

1.First Offering of Unsecured Ordinary Bonds of 2014

(a) Date of approval and approval document number: Jin Guan Zheng Fa Zi No. 1030021640 issued by the Financial Supervisory Commission dated June 6, 2014

(b) Funds required for the project: NT$4,800,000,000

(c) Source of financing: First offering of unsecured ordinary bonds of NT$4,800,000,000

(d) Purpose of financing and progress of use:

in NT$1000

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use		
			2014		2015
			Q3	Q4	Q1
Paying off Liabilities (improving financial structure)	Q3 to Q4 2014	$ 3,473,799	$ 2,651,133	$822,666	-
Strengthening the Operating Capital	Q3 2014	$ 1,326,201	$ 1,326,201	-	-
Total		$ 4,800,000	$ 3,977,334	$822,666	-

2.First Offering of Unsecured Ordinary Bonds of 2016

(a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10500276052 issued by the Taipei Exchange dated September 20, 2016

(b) Funds required for the project: NT$5,000,000,000

(c) Source of financing: First offering of unsecured bonds of NT$5,000,000,000

(d) Purpose of financing and progress of use:

in NT$1000

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

3.First Offering of Unsecured Ordinary Bonds of 2017

(a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10600213862 issued by the Taipei Exchange dated August 7, 2017

(b) Funds required for the project: NT$7,000,000,000

(c) Source of financing: First offering of unsecured bonds of NT$7,000,000,000

(d) Purpose of financing and progress of use:

in NT$1000

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

4.First Offering of Unsecured Ordinary Bonds of 2018

(a) Date of approval and approval document number: Zheng Gui Zhai Zi No. 10700196832 issued by the Taipei Exchange dated July 24, 2018

(b) Funds required for the project: NT$5,000,000,000

(c) Source of financing: First offering of unsecured bonds of NT$5,000,000,000

(d) Purpose of financing and progress of use:

in NT$1000

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

(1) Implementation Status

1. Status of Funds Used and Implementation

(a) First Offering of Unsecured Ordinary Bonds of 2014

Project Item	Implementation Status		December 31, 2014	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Paying off Liabilities (improving financial structure)	Fund Used	Proposed	$3,473,799	Project Completed
		Used	$3,473,799	
	Status (%)	Proposed	100%	
		Used	100%	
Strengthening the Operating Capital	Fund Used	Proposed	$1,326,201	Project Completed
		Used	$1,326,201	
	Status (%)	Proposed	100%	
		Used	100%	

in NT$1000

(b) First Offering of Unsecured Ordinary Bonds of 2016

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

in NT$1000

(c) First Offering of Unsecured Ordinary Bonds of 2017

in NT$1000

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

(d) First Offering of Unsecured Ordinary Bonds of 2018

in NT$1000

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

V. Operational Overview

5.1 Business Activities

(1) Business Scope

1.Principal Businesses Activities

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

2.Revenues by Product Category

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

in NT$1000

Major Products	2018	
	Revenues	%
PCR	49,036,793	44.90%
TBR	24,048,643	22.02%
MC	11,872,087	10.87%
BC	8,718,418	7.98%
TUBE	4,806,817	4.40%
Other tires	12,474,769	11.42%
Other products	890,374	0.81%
Return, allowance, freight and insurance costs and others	-2,626,692	-2.40%
Total	109,221,209	100%

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

4.New Products in Development

- Product development of MAXXIS innovative PCR/LTR
- Technology research project of various energy-efficient tires
- Product development of automobile spare tires
- Product development of High Performance motorcycle tires
- Product development of radial motorcycles
- Product development of High Performance bike tires
- Product development of innovative ATVs
- Product development of new generation of bus series
- Product development of new generation of drive shaft series

(2) Industry Overview

1.Industry Situation and Development

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

2.Relationship Among the Supply Chain

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

Upstream: capital-intensive raw material industry.

Midstream: technology-intensive processing industry.

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

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

Diagram of Relationship Among Tire Industry in Taiwan

Upstream

- Raw Rubber (Malaysia, Thailand, Indonesia and other countries in Southeast Asia)
- Synthetic Rubber (TSRC Corporation and other companies)
- Tire Cords (Formosa Taffeta Co., Ltd.)
- Carbon Black (China Synthetic Rubber Corp. and other companies)
- Steel Wire and Steel Wire Cords (KISWIRE CORD LTD. and other companies)
- Chemicals (Trump Chemicals Co., Ltd. and other companies)
- Valve (Rim Master Industrial Co., Ltd. and other companies)

→

Midstream

Tire Industry	
Tires for Trucks and Automobiles	Cheng Shin, Nankang, Federal, Bridgestone Taiwan, Hwa Fong and Kenda
Tires for Motorcycles	Cheng Shin, Nankang, Kenda and Hwa Fong
Tires for Bikes	Cheng Shin, Kenda and Hwa Fong
Others	Others

→

Downstream

Downstream Applications

1. Tire market for race cars.
2. Overseas tire distributors.
3. Overseas OE car assembling factories.
4. Domestic tire distributors.
5. Domestic OE car and motorcycle assembling factories.
6. Domestic and overseas car transportation market.

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

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

(3) Overview on Technology, Research and Development

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

in NT$1000

Item \ Year	2018	As of March 31, 2019
Costs of Research and Development	5,329,277	1,287,721
Net Operation Income	109,221,209	26,800,257
Percentage	4.88%	4.80%

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

2.Technology and Products Successfully Developed

- Product development of light automobile spare tires
- Product development of motorcycle race tires
- Technology research of high wind pressure bike tires
- Product development project of tires for other vehicles
- Technology research project and product development of TBR
- Technology research project of various energy saving tires
- Product development of new MAXXIS PCR

(4) Long Term and Short Term Business Development Plan

1.Short Term Business Development Plan

(a) Conducting business on the current business basis, continuously developing products for all series and developing sales models which are suitable to different local markets.

(b) Carrying out a reasonable and flexible production procedure in order to reach the most proper operational business scale between production and sale; carrying out quality management in all aspects and striving for the goal of best quality.

2.Long Term Business Development Plan

(a) Continuously enhancing quality and developing private brands and increasing market share in order to establish globally complete distribution channels and brand management strategy.

(b) Continuously conducting research and development activities, maintaining the market leading position of manufacture technology and fully taking advantage of economies of scale for mass production.

5.2 Market and Sales Overview

(1) Market Analysis

1.Analysis of Overseas Market

(a) Distribution Regions: market analysis is made based on our distribution regions—North America, Central and South America, Europe, Middle East and Africa, Asia, and Oceania.

(b) Market Shares: Our revenue has remained at the top in Taiwan and we are the largest tire manufacturer in the Chinese-speaking region. Both of the world-renowned tire magazines, Tyres & Accessories and Tire Business, reported us as the 9th largest global tire manufacturer.

(c) Future Market Supply and Demand and Prospect

Cheng Shin's unceasing efforts in new product development have enabled us to continue as the No.1 brand in the China tire market with recognition. In 2016, our HP5 tires were ranked 3rd in a European Magazine tire test, ahead of several major global tire brands, and were ranked No.1 in the comprehensive performance assessment in an Australian Magazine tire test. We have been adding new specifications to the RFTs (Run Flat Tires), which are sold to more than 30 countries from our facilities in China. Our MS1 tires featuring comfort not only won 2017 China Tire of the Year but also surpassed those from several well-known manufacturers in the field test. Our high performance VS5 tires greatly expected by the market were highly acclaimed in the public field test in Spain and excelled those from the leading brands on the market in each performance assessment. The products provided by Cheng Shin demonstrate the upgrade of quality as well as the world-class standard in performance.

Cheng Shin has long been proactively sponsoring various sports and race car events globally. In 2019, it will even act as the official tire supplier of the MXGP FIM Motocross World Championship held by the FIM (International world Federation) and this cooperation will greatly benefit Maxxis' brand reputation in the world and elevate Maxxis' professionalism and excellent quality in the consumers' understanding. In the 2019 Dakar Rally, Maxxis' ATV tire, M8060, will be used by the world-class contestants with the goal to excel at this international event. In 2018, Maxxis' drift tire, VR-1, contributed to the ultimate success of the DRS team at the China Drift Championship (CDC).

The Company has also dedicated itself to developing better products. AT700 won the first place together with other competitors for its fantastic performance in the Australian 4X4 magazine evaluation contest. The summer tire, HP5, took the third place with its great performance after the evaluation was conducted by AUTO ZEITUNG, a German auto magazine.

We have also made some breakthroughs in the development of our overseas market. Toyota's best-selling model Corolla Altis manufactured in Taiwan features Cheng Shin MAXXIS tires. These cars have been distributed to the Middle East regions and received recognition from local car owners. As the automotive industry in India is viewed as a potentially lucrative market, we continue to supply our Cheng Shin MAXXIS tires to the top three automotive factories in India, TATA, Maruti Suzuki and Mahindra & Mahindra for their car models, with an aim to enhance brand image and boost presence. While continuing to supply spare tires for Toyota vehicles assembled in North America, we have also successfully completed our spare tire development project for some of the best-selling car models of Subaru, becoming part of Subaru's supply chain in North America. In Mexico, several best-selling Nissan car models are equipped with Cheng Shin MAXXIS tires as well.

We have sold our products in over 180 countries worldwide. In addition to our strategic mapping of the overseas repairs market, we actively expand our distribution channels and locations. With the rapid growth of emerging markets and sustained economy recovery in the North America region, the global automotive industry is thriving and the demands for vehicle tires are boosting. Since the financial crisis, the automotive industry has been growing at a steady pace, further fueling the strong demands in certain markets, such as China, Brazil, India, Mexico, and the Middle East. As a result, major tire manufacturers around the world continue to invest in building new facilities to meet the anticipated demands in these markets.

With respect to our global strategy, we have offices set up in Dubai, Japan, Panama, etc. and we plan to assign staff to countries including Mexico and Saudi Arabia to strengthen development of local markets and enhance customer satisfaction. Our existing offices in other countries have proven to be beneficial to the local market development.

The participation in production of factories in Douliou Taiwan, Chongqing and Xiamen Jimei in China has made Cheng Shin's global presence more integrated and the Group's global allocation of sales and internal resources more efficient. The internationally regulated trial-run facility in Shanghai is by far the most comprehensive tire test facility in Asia, which highlighted Cheng Shin's efforts to stand out in the industry. With regard to our comprehensive plan in Asia, our factory in India, which started manufacturing in August 2017, mainly aims at India's sales volume of 18 million motorcycles per year. Its production directly supplies motorcycle tires to assembly factories and will then explore India's automobile and truck tire market. Our factory in India produces 6 million motorcycle tires annually at the first phase. After the expansion completed at the third phase, the annual production volume will increase to 18 million tires. Moreover, in 2018 the tires have been sold at more than 1000 retailers, making it a great milestone. In Indonesia, since the commencement of the building of manufacturing facilities in 2016, we have been sending employees from different departments to be stationed at the factories to provide support. Our sales team has also been in close contact with local distribution networks to ensure smooth launching upon the completion of construction. The Indonesia facilities have successfully begun production in October 2017. At present, the maximum annual production volume is expected to reach 6 million tires and will go up to 12 million tires in the future. This mainly aims at the growth of ASEAN regional market. Our strategy to focus on markets in India and Indonesian is expected to boost the future growth of our Group. Going forward, we will continue to recruit local technicians and sales force in India and Indonesia to increase the brand's local exposure and support customer services with an aim to demonstrate our 100% service quality.

(d) Competitive Edge

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

Our new brand "PRESA" introduced through a differentiated distribution network from MAXXIS has secured a leading position in the market and continues to gain market share. We also introduced different products under the PRESA brand, such as LTR and TBR, to cater to market demands.

In 2018, Cheng Shin is recognized as one of the Top 10 Global Brands in Taiwan for the 16th consecutive year, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and Interbrand, a global brand consultancy. MAXXIS's brand value is estimated to be USD 299 million. Cheng Shin adopts a global diversified brand-name strategy for its Cheng Shin, MAXXIS and PRESA brand names with respect to different cultures. Marketed with English brand names andincorporate elements of the western cultures to cater to western consumers. Not only has Cheng Shin been widely known as tire brands in the Greater China region, but it also has been recognized as the best-selling brand under a well-known trademark in China. We aim to raise the brand name recognition in the market in the future by participating in auto shows in Taiwan and overseas routinely, and sponsor major sports events to grow consumers' appreciation of our brand names with a diversified strategy.

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

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

(e) Advantages and Disadvantages for Developmental and Action Plans

<u>Advantages</u>

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

The additional production capacity will help us cater to the rising tire demand and increase Cheng Shin's market share. Under the CEPT (Common Effective Preferential Tariff) Scheme of ASEAN, regional growth strengthened. The geographic advantages of our facilities in Indonesia, Thailand and Vietnam readily support the demand of the emerging markets and enable us to provide more competitive products to the consumers manufacturing locally. With collaborations with global automakers, we have made significant progress in promoting our tires for some of the best-selling car models around the world. Recently, we have successfully entered the supply chain of General Motors and Nissan in Mexico. Evidenced steps taken by Cheng Shin towards increasing the product exposure and market share in new markets.

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

Disadvantages

Cheng Shin is facing competition challenges from the second movers, including Chinese tire manufactures' establishment in the US. With such challenges, we launched plans of delivery strategies for global automobile manufacturers. Based on our delivery experiences, we hope to form business relationships with more major automobile brands and raise our group's scale and sales volume.

As the volume of procurement was affected by volatile currency fluctuation due to political instability in certain emerging markets, and that some tire manufacturers begin to build factories and expand their production capacity to join the local supply chain, posing a challenge to our competitiveness. Further with the fluctuation of raw material prices in 2018, impacted Cheng Shin's planning in the tire industry.

We monitor the fluctuation in market demand closely and adjust prices when deemed appropriate. We share market intelligence with regional distributors proactively to replace less competitive products with capacity-efficient mass productions having higher added values to adapt the increasing market demands and ever changing competitive environment.

We anticipate more drastic changes to come in the upcoming three to five years, we must swiftly enhance our adaptability, ability and competitiveness. Only when we grasp the world-class ability and competitiveness will we be able to adapt to the complicated and ever-changing market. Thus, we will build our ability with technology, operation and sales, productivity, and management in the future.

Achieving globalization and strengthen the sales and technology support of each region, so that our global headquarters and business units of different regions can closely cooperate with each other, and further enhance the connection to the region with localization of manufacturing.

2.Analysis of Domestic Market

(a) 2018 Domestic Market Overview

2018 was a year full of changes in the global politics and economies. How should the companies react since the global trade war has officially begun? The non-stop political conflicts in Taiwan have caused market instability and reduced the consumers' purchasing power, making the market competition even more fierce compared to the past. Furthermore, the market changes include the popularity of the China brands and lower pricing by the major brands threatens the Company's market position and lead to impacts on different levels.

As for the Taiwan car market, two trends brought our attention: First, the market share of SUV is growing rapidly, creating greater changes in the SUV tire market. In 2018, we launched the sale of HPM3 with integration of Full-Silica technology. For the tread pattern design, the four U-shaped wide grooves enables water to be evacuated effectively and enhance resistance to sideslip even on wet and slippery roads. The slits on the inside and outside tire ribs are used concurrently to avoid the watery film. This combination has made the slogan "When it comes to brakes, even one centimeter makes a difference" a reality. We have confidently increased the sale and presented a satisfying customer value proposition (CVP). The other trend is that market shares of domestic cars and imported cars have gradually matchup. As the amount of imported cars increases, the demand for OE units decreases and we further need to substitute with RE units to promote OE. We are prepared adopt this change and promote the high performance tire model, namely VS5, to cater the imported car owners. We will proactively set up a direct communication platform for our customers to strengthen the sales efficiency and respond to the swift changes of the market.

(b) 2019 Visions

In this drastic changing world, if a company changes too little, it will not be able to evolve with the challenges. The changes are filled with crisis and yet opportunities, pending on a company's reaction. Changes and breakthroughs, and how to stay in the market have become the crucial to all the industries, including the car and tire industries. The management must not only understand the market, grasp the market changes, cultivate the ability to look holistically and broadly, think deeply. With only the professional manager's expertise, prudence, and innovated approach looking forward, shall we find a correct and wining key strategy and accomplish extraordinary business.

Bearing the belief to clinch Top 5 in 2026, MAXXIS realizes it is time to change in order to survive. As long as the change is correct, the Company will leap to the top. Drinking the water while remembering where it comes from. When pursuing business growth, Cheng Shin shall continue to fulfill its corporate social responsibility by making contributions to the society. The Company will uphold the positive energy and the brand's core idea to utilize substantial influences and acted as a role model to contribute the beautiful world with love and care and initiate a new start in 2019.

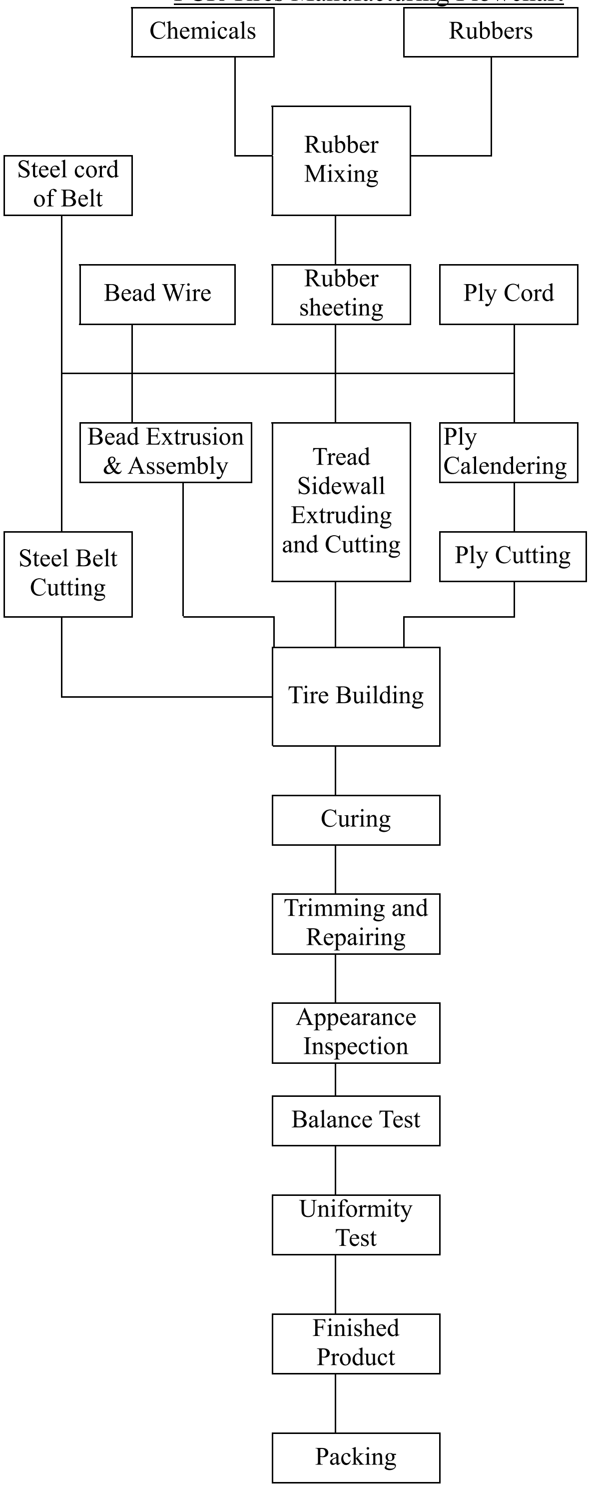
(2) Key Functions and Manufacturing Process of Core Products

Core Products: tires

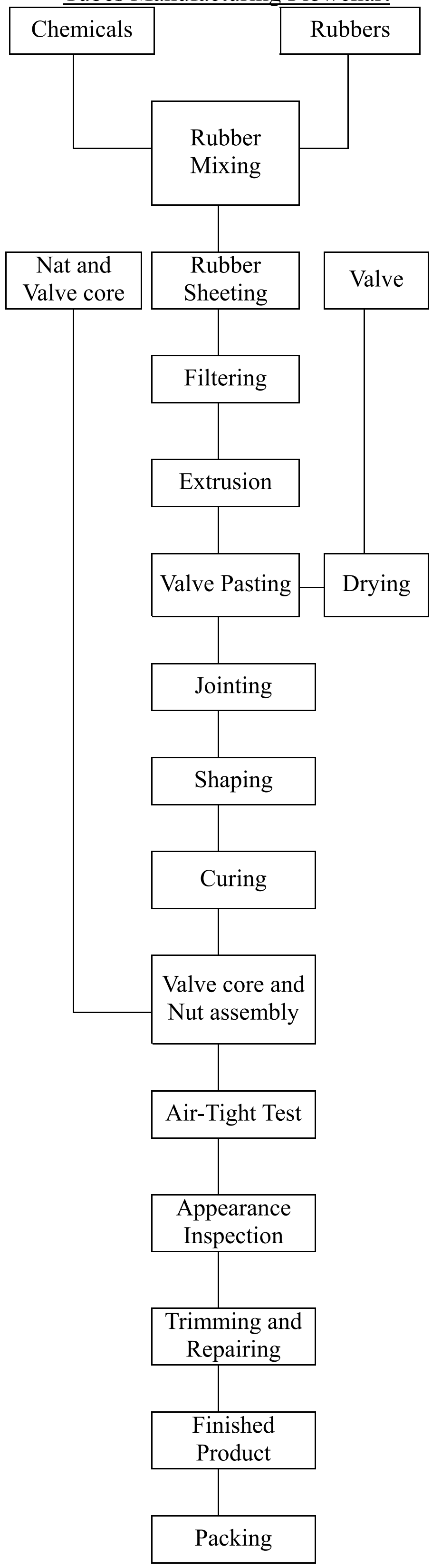
Functions: transportation

Manufacturing Process:

PCR Tires Manufacturing Flowchart



Tubes Manufacturing Flowchart



(3) **Supply of Key Materials**

Materials	Quantity (ton)	Suppliers
Raw Rubber	197,450	SRI TRANG AGRO IND, PLC, etc.
Synthetic Rubber	261,294	TSRC Corporation, etc.
Tire Cords	31,283	FORMOSA TAFFETA Co., Ltd. , etc.
Carbon Black	186,288	Linyuan Advanced Materials Technology Co., Ltd., etc.
Steel Wire and Steel Wire Curtain Cloth	89,501	KISWIREARCELORMITTAL LTD, etc.
Chemicals	102,591	Sun Beam Tech Industrial Co., Ltd., etc.
Tire Valves	144,405,000	Rim Master Industrial Co., Ltd., etc.

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

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

in NT$1000

Item	2017				2018				As of March 31, 2019			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Supplied Amount	68,460,834	100.00	-	Net Supplied Amount	61,334,811	100.00	-	Net Supplied Amount	14,282,100	100.00	-

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

in NT$1000

Item	2017				2018				As of March 31, 2019			
	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Dstb. Amount	112,309,166	100.00	-	Net Dstb. Amount	109,221,209	100.00	-	Net Dstb. Amount	26,800,257	100.00	-

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

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

Unit in Thousands; in NT$1000

Year / Production Volume/Value / Major Products	2017			2018		
	Production Capacity	Production Volume	Value of Production	Production Capacity	Production Volume	Value of Production
Radial cover - car	54,561	42,442	36,429,572	54,648	40,562	35,571,161
Radial cover - truck	6,292	4,901	20,059,305	5,679	4,705	19,239,682
Motorcycle cover	73,083	41,296	8,909,375	73,111	36,021	8,261,321
Bicycle cover	106,038	92,545	8,101,255	71,463	69,430	6,701,771
Inner tube	164,808	130,228	3,236,035	161,463	118,264	3,454,520
Other tires	23,298	18,675	9,733,218	31,456	21,567	9,417,832
Other products (Note)	-	-	568,314	-	-	4,745,479
TOTAL	428,080	330,087	87,037,074	397,820	290,549	87,391,766

Note: Other products: rubber and tire related industrial products

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

Unit in Thousands; in NT$1000

Year / Sales Volume/Value / Major Products	2017				2018			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Radial cover - car	27,143	31,052,901	16,690	18,291,352	26,829	31, 067,040	15,682	17,969,752
Radial cover - truck	4,127	20,775,777	666	3,338,478	4, 097	21,241,625	569	2,807,018
Motorcycle cover	34,379	9,176,304	6,848	3,614,189	28,376	8,146,966	7,116	3,725,121
Bicycle cover	65,845	6,101,317	21,192	2,911,852	51,909	5,481,156	20,086	3,237,261
Inner tube	76,708	3,127,242	54,486	1,984,283	68,540	3,020,058	49,492	1,786,759
Other tires	10,592	7,683,302	6,764	5,206,310	13,795	7,172,144	6, 887	5,302,626
Other products (Note)	-	911,615	-	495,959	-	803,042	-	87,332
Sales return and allowances	-	-1,203,741	-	-170,945	-	-2,343,639	-	-136,119
Transaction and insurance costs	-	-1,586,817	-	-203,173	-	-1,395,791	-	-179,170
Others	-	-	-	802,961	-	-	-	1,428,028
TOTAL	218,794	76,037,900	106,646	36,271,266	193,546	73,192,601	99,832	36,028,608

Note: Other products: rubber and tire related industrial products

Others: operating revenue not attributable to tire manufacturing business

5.3 Employee Composition Analysis within the Most Recent Two Years

Year		2017	2018	As of March 31, 2019
Number of Staff	Technician	5,628	6,014	5,829
	Administration	2,802	2, 882	3,069
	Factory Workers	22,403	20,344	22, 011
	Total	30,833	29,240	30,909
Average Age		32	33	33
Average Seniority		6	6	6
Distribution of Academic Degrees	Ph.D.	20	18	19
	Masters	747	795	802
	Bachelors (community college)	7,905	8,021	8298
	High School Diploma	10,300	9,634	10,134
	Others	11,861	10,772	11,656

5.4 Environmental Related Expenditure

The Company is not subject to any material loss or sanction as a result of environmental pollution issues in the latest year and as of the date of the Annual Report.

Any circumstances to which the EU RoHS is applicable: N/A

5.5 Labor

(1) Current Material Labor Related Agreements and Implementation

1.Key Employee Benefits

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

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

Statutory benefits:	social insurance, public holidays, healthcare, pension, and employee benefits.
Living benefits:	meals, uniform, housing, parking, store discounts, and leisure center.
Holiday activities:	bonus and/or gifts for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival, year-end bonus, year-end party allowance, field trip

allowance, and family day.

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

Maternity/paternity leave: we also provide maternity/paternity benefits to our employees pursuant to the law. In 2018, the number of employees applied for maternity/paternity leave is as follows:

Item	Male	Female	Total
Employees applied for maternity/paternity leave in 2018	17	20	37
Employees expected to be on maternity/paternity leave in 2018(A)	12	11	23
Employees returning from maternity/paternity leave in 2018(B)	10	11	21
Rate of returning to work (B/A)	83.3%	100%	91.3%

2.Employee Education and Training

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

In 2018, we offered 2,477 classes by job functions and 69 classes by job levels, and 189 classes in other different categories for a total of 84,451 hours. Based on the employee job levels, the training for the managerial employees is 16.5 hours per person on the average while that for the non-managerial ones is 12.5 hours per person.

(a) New employee training: aimed to provide new employees with an orientation to the Company and corporate culture to help them adapt to the new environment and fit into the culture of the organization.

(b) Training by job function: professional skills training courses designed to cater to different job functions, such as production management, research and development, and quality assurance, which are aimed to provide employees with a comprehensive training at each stage of their career development, and help them achieve self-realization and reach their potential through work.

(c) Training by job level: a series of topical courses designed for different job levels to improve employees' management skills and efficiency.

(d) Project-based programs: a variety of project-based programs designed to meet the employees' learning needs in different areas based on the annual training target.

(e) Personal development: we provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws and regulations.

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

3.Retirement Systems

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

(a) Former pension system: The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up the deficiency in one single appropriation before the end of March in the following year. As of December 31, 2018, the amount of pension funds recognized by the Company under the former pension system was NT$29,727,000.

(b) New pension system: The new pension system is available to all employees who came onboard as of July 1, 2005. If an employee chooses to be subject to the new pension system, the Company will appropriate a set amount of pension funds into such employee's personal bank account (appropriation by the Company). Alternatively, the employee may appropriate 1-6% as pension funds to his/her personal bank account (appropriation by the employees). As of December 31, 2018, the amount of pension funds recognized by the Company under the new person system was NT$145,048,000.

4.Employee Satisfaction: The Company conducts employee satisfaction survey regularly. The survey includes the following areas: corporate system and culture, work environment, educational training, salary and benefits. The employee satisfaction survey is one of the many measures we've taken to receive employee feedbacks. We take the results of the survey as a point of reference to improve company policies. The average score on the employee satisfaction survey in 2018 was 72, in which we scored the highest on "employee relationships" at 82, indicating harmony between our employees.

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

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

5.6 Material Contracts: None

VI. Financial Highlights and Analysis

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

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

Expressed in Thousand New Taiwan Dollars

Years / Description		Financial data over the past 5 years					Financial information as of March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		55,176,245	52,347,130	58,153,934	66,663,624	63,023,450	62,438,383
Real estate, plants and equipment		109,430,271	106,476,804	103,156,284	105,007,683	103,254,578	103,861,596
Intangible assets		-	-	10,824	110,233	237,050	270,894
Other assets		5,263,851	7,134,288	6,843,684	7,302,715	8,247,690	8,143,193
Total assets		169,870,367	165,958,222	168,164,726	179,084,255	174,762,768	174,714,066
Current liabilities	Before distribution	40,585,092	37,390,371	39,786,698	42,078,364	44,487,184	43,556,367
	After distribution	50,309,338	47,114,617	49,510,944	47,912,912	-	-
Non-current liabilities		40,728,250	38,615,267	40,108,640	54,114,588	50,457,578	48,809,820
Total liabilities	Before distribution	81,313,342	76,005,638	79,895,338	96,192,952	94,944,762	92,366,187
	After distribution	91,037,588	85,729,884	89,619,584	102,027,500	-	-
Equity belonging to the parent company proprietor		87,763,394	89,161,137	87,493,251	82,205,292	79,193,782	81,701,447
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	51,849,891	54,875,387	58,334,342	54,168,622	51,927,349	52,974,788
	After distribution	42,125,645	45,151,141	48,610,096	48,334,074	-	-
Other equity		3,446,772	1,819,019	(3,307,822)	(4,430,061)	(5,200,298)	(3,740,072)
Treasury stocks		-	-	-	-	-	-
Non-controlled equity		793,631	791,447	776,137	686,011	624,224	646,432
Total equity	Before distribution	88,557,025	89,952,584	88,269,388	82,891,303	79,818,006	82,347,879
	After distribution	78,832,779	80,228,338	78,545,142	77,056,755	-	-

Note : Financial information regarding the first quarter of 2019 follows IFRS and has been verified by independent auditors.

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

Expressed in Thousand New Taiwan Dollars

Descriptions \ Year		Financial data over the past 5 years				
		2014	2015	2016	2017	2018
Current assets		15,519,993	14,386,034	17,330,482	19,434,044	19,892,507
Real estate, plants and equipment		17,296,891	16,761,445	16,052,715	15,747,604	16,326,183
Intangible assets		-	-	-	94,890	70,740
Other assets		88,671,730	91,303,809	89,435,797	85,207,137	82,548,279
Total assets		121,488,614	122,451,288	122,818,994	120,483,675	118,837,709
Current liabilities	Before distribution	7,831,311	5,490,673	9,408,116	7,778,876	13,044,084
	After distribution	17,555,557	15,214,919	19,132,362	13,613,424	-
Non-current liabilities		25,893,909	27,799,478	25,917,627	30,499,507	26,599,843
Total liabilities	Before distribution	33,725,220	33,290,151	35,325,743	38,278,383	39,643,927
	After distribution	43,449,466	43,014,397	45,049,989	44,112,931	-
Profit and/or loss that belongs to the parent company proprietor		87,763,394	89,161,137	87,493,251	82,205,292	79,193,782
Share capital		32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	51,849,891	54,875,387	58,334,342	54,168,622	51,927,349
	After distribution	42,125,645	45,151,141	48,610,096	48,334,074	-
Other equity		3,446,772	1,819,019	(3,307,822)	(4,430,061)	(5,200,298)
Treasury Stock		-	-	-	-	-
Non-controlled equity		-	-	-	-	-
Total equity	Before distribution	87,763,394	89,161,137	87,493,251	82,205,292	79,193,782
	After distribution	78,039,148	79,436,891	77,769,005	76,370,744	-

Note : Financial information regarding the fourth quarter of 2018 follows IFRS and has been verified by independent auditors.

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

Expressed in Thousand New Taiwan Dollars

Year / Descriptions	Financial data over the past 5 years					Financial information as of March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenues	129,014,062	116,726,293	117,387,519	112,309,166	109,221,209	26,800,257
Gross operating profit	35,900,504	35,557,792	36,289,109	25,678,070	24,322,942	5,792,338
Operating profit and/or loss	21,189,739	18,620,380	18,671,413	8,398,492	7,415,189	1,665,895
Non-operating revenues and expenditures	81,057	(1,144,177)	(776,427)	(16,623)	(1,505,548)	65,744
Net profit before tax	21,270,796	17,476,203	17,894,986	8,381,869	5,909,641	1,731,639
Net profit this term of continuing operation	16,111,617	12,839,214	13,346,481	5,602,025	3,574,638	1,054,270
Loss of the discontinued operation	-	-	-	-	-	-
Net profit this term	16,111,617	12,839,214	13,346,481	5,602,025	3,574,638	1,054,270
Other consolidated profit and/or loss this term(Net amount after tax)	2,770,166	(1,719,409)	(5,305,431)	(1,255,864)	(813,387)	1,475,603
Net consolidated profit and/or loss this term	18,881,783	11,119,805	8,041,050	4,346,161	2,761,251	2,529,873
Net profit that belongs to the parent company proprietor	16,015,591	12,776,655	13,250,903	5,541,785	3,520,320	1,047,439
Net profit that belongs to non-controlled equity	96,026	62,559	95,578	60,240	54,318	6,831
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	18,673,535	11,121,989	8,056,360	4,436,287	2,823,038	2,507,665
Consolidated profit and/or loss that belongs to non-controlled equity	208,248	(2,184)	(15,310)	(90,126)	(61,787)	22,208
Earnings per share (EPS)	4.94	3.94	4.09	1.71	1.09	0.32

Note : Financial information regarding the first quarter of 2019 follows IFRS and has been verified by independent auditors.

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

Expressed in Thousand New Taiwan Dollars

Year / Descriptions	Financial data over the past 5 years				
	2014	2015	2016	2017	2018
Operating revenues	23,639,942	21,348,480	20,637,507	19,437,442	19,374,623
Gross operating profit	6,989,114	7,284,573	6,748,196	5,038,162	4,487,262
Operating profit and/or loss	3,037,576	3,186,455	2,845,044	1,338,775	648,205
Non-operating revenues and expenditures	15,464,226	12,229,973	12,795,689	5,663,820	4,238,255
Net profit before tax	18,501,802	15,416,428	15,640,733	7,002,595	4,886,460
Net profit this term of continuing operation	16,015,591	12,776,655	13,250,903	5,541,785	3,520,320
Loss of the discontinued operation	-	-	-	-	-
Net profit this term	16,015,591	12,776,655	13,250,903	5,541,785	3,520,320
Other consolidated profit and/or loss this term(Net amount after tax)	2,657,944	(1,654,666)	(5,194,543)	(1,105,498)	(697,282)
Net consolidated profit and/or loss this term	18,673,535	11,121,989	8,056,360	4,436,287	2,823,038
Net profit that belongs to the parent company proprietor	16,015,591	12,776,655	13,250,903	5,541,785	3,520,320
Net profit that belongs to non-controlled equity	-	-	-	-	-
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	18,673,535	11,121,989	8,056,360	4,436,287	2,823,038
Consolidated profit and/or loss that belongs to non-controlled equity	-	-	-	-	-
Earnings per share (EPS)	4.94	3.94	4.09	1.71	1.09

Note : Financial information regarding the fourth quarter of 2018 follows IFRS and has been verified by independent auditors.

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

CPA	Year	Opinions on the audit
Hung, Shu Hua Wu, Der Feng	2014	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2015	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2016	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2017	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2018	Clean opinion after amendment

6.2 Analyses of finance over the past five years

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

Descriptions / Year		Financial analyses over the past 5 years					Financial information as of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	47.87	45.80	47.51	53.71	54.33	52.87
	Long-term working capital to real estate, plants and equipment ratio	111.66	114.59	119.10	126.04	121.82	121.74
Solvency	Current ratio	135.95	140.00	146.16	158.43	141.67	143.35
	Quick ratio	91.12	101.65	106.58	107.13	94.83	97.12
	Interest coverage multiplicity	1930	1869	1945	735	403	453
Manageability	Accounts receivable turnover rate(Number of time)	9.53	8.44	9.37	9.27	8.77	8.46
	Average cash collection days	38.31	43.23	38.94	39.36	41.61	43.13
	Inventory turnover rate(Number of time)	5.61	5.43	5.98	5.23	4.40	4.43
	Accounts payable turnover rate(Number of time)	11.08	10.65	10.33	9.58	8.98	9.21
	Average days required for sales	65.06	67.17	61.08	69.74	83.00	82.44
	Real estate, plants and equipment turnover rate (Number of time)	1.21	1.08	1.12	1.08	1.05	1.04
	Aggregate total asset turnover rate(Number of time)	0.78	0.70	0.70	0.65	0.62	0.61
Profitability Asset return ratio (%)	Asset return ratio (%)	10.27	8.12	8.45	3.84	2.83	3.26
	Equity return ratio (%)	19.19	14.38	14.98	6.55	4.39	5.20
	Ratio of net profit before tax to paid-in capital (%)	65.62	53.92	55.21	25.86	18.23	21.37
	Net profitability (%)	12.49	11.00	11.37	4.99	3.27	3.93
	Earnings per share (EPS)(NT$)	4.94	3.94	4.09	1.71	1.09	0.32

Cash flow	Cash flow ratio(%)	63.08	73.38	68.55	21.14	33.39	42.83
	Cash flow adequacy ratio(%)	78.65	89.80	117.44	101.61	90.11	95.23
	Cash reinvestment ratio(%)	8.20	8.80	8.54	-0.37	3.97	8.01
Leverage	Operating Leverage	1.49	1.61	1.62	2.38	2.65	2.90
	Financial Leverage	1.06	1.05	1.05	1.18	1.32	1.38

Note : Financial information regarding the first quarter of 2019 follows IFRS and has been verified by independent auditors.

Analysis if difference reaches 20%：

1.Increase in Net profitability：due to increase in Profit and/or loss after tax.

2. Increase in Cash flow ratio：due to increase in Cash flow in operating activities.

3. Increase in Cash reinvestment ratio：due to increase in Cash flow in operating activities.

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

Descriptions	Year	Financial analyses over the past 5 years				
		2014	2015	2016	2017	2018
Financial structure（%）	Liabilities to assets ratio	27.76	27.19	28.76	31.77	33.36
	Long-term working capital to real estate, plants and equipment ratio	635.76	677.91	689.87	702.03	635.14
Solvency	Current ratio	198.18	262.01	184.21	249.83	152.50
	Quick ratio	168.74	220.54	161.29	200.17	124.74
	Interest coverage multiplicity	5228	4178	4456	2171	1466
Manageability	Accounts receivable turnover rate(Number of time)	7.82	7.72	8.07	6.94	6.70
	Average cash collection days	46.69	47.25	45.26	52.62	54.50
	Inventory turnover rate(Number of time)	7.64	6.72	7.27	5.55	4.36
	Accounts payable turnover rate(Number of time)	14.66	12.79	14.19	12.38	11.06
	Average days required for sales	47.75	54.29	50.23	65.80	83.76
	Real estate, plants and equipment turnover rate(Number of time)	1.37	1.27	1.29	1.23	1.19
	Aggregate total asset turnover rate(Number of time)	0.19	0.17	0.17	0.16	0.16
Profitability	Asset return ratio (%)	14.14	10.73	11.05	4.79	3.18
	Equity return ratio (%)	19.23	14.44	15.00	6.53	4.36
	Ratio of net profit before tax to paid-in capital (%)	57.08	47.56	48.25	21.60	15.08
	Net profitability (%)	67.75	59.85	64.21	28.51	18.17
	Earnings per share (EPS)(NT$)	4.94	3.94	4.09	1.71	1.09
Cash flow	Cash flow ratio(%)	173.36	214.59	105.33	96.82	55.46
	Cash flow adequacy ratio(%)	77.16	90.18	99.78	95.15	91.27
	Cash reinvestment ratio(%)	3.16	1.64	0.15	-1.78	1.19
Leverage	Operating Leverage	1.53	1.51	1.55	2.25	3.44
	Financial Leverage	1.13	1.13	1.14	1.34	2.23

Note : Financial information regarding the fourth quarter of 2017 follows IFRS and has been verified by independent auditors.

Analysis if difference reaches 20%：

1.Decrease in Current ratio：due to increase in Current .portion of long-term liabilities.

2. Decrease in Quick ratio：due to increase in Current .portion of long-term liabilities y.

3. Decrease in Interest coverage multiplicity：due to decrease in Net profit before income tax.

4. Decrease in Inventory turnover rate：due to increase in Inventory.

5. Increase in Average days required for sales：due to increase in Inventory.
6. Decrease in Asset return ratio：due to decrease in Profit and/or loss after tax.
7. Decrease in Equity return ratio：due to decrease in Profit and/or loss after tax..
8. Decrease in Ratio of operating profit to paid-in capital：due to decrease in Operating profit.
9. Decrease in Ratio of net profit before tax to paid-in capital：due to decrease in Net profit before tax.
10. Decrease in Net profitability：due to decrease in Profit and/or loss after tax.
11. Decrease in Earnings per share (EPS)：due to decrease in Profit and/or loss after tax.
12. Decrease in Cash flow ratio：due to increase in Current portion of long-term liabilities.
13. Increase in Cash reinvestment ratio：due to decrease in Cash dividend and Cash flow in operating activities.
14. Increase in Operating Leverage：due to decrease in Operating interests.
15. Increase in Financial Leverage：due to decrease in Operating interests.

Formula to calculate the financial analyses:

1. Financial structure

(1)Liabilities to assets ratio＝Total liabilities／Aggregate total of assets.

(2)Long-term working capital to real estate, plants and equipment ratio＝（Aggregate total of equity＋Non-current liabilities）／ Real estate, plants and equipment, net..

2. Solvency

(1)Current ratio ＝Current assets／Current liabilities.

(2)Quick ratio ＝（Current assets－Inventory－Expenses paid in advance）／Current liabilities.

(3)Interest coverage multiplicity＝Net profit before income tax, interest and expenses／Interest expenditures this term.

3. Manageability

(1)Accounts receivable(including notes receivables from operating activities and accounts receivable) turnover rate＝ Net sales／Average balance of accounts receivable(including notes receivables from operating activities and accounts receivable) in various terms.

(2)Average cash collection days＝365／Accounts receivable turnover rate.

(3)Inventory turnover rate＝Sales costs／Average amount of inventory.

(4)Accounts payable (including notes payable from operating activities and accounts payable) turnover rate＝ Sales costs／Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.

(5)Average days required for sales＝365／Inventory turnover rate.

(6)Real estate, plants and equipment turnover rate＝ Net sales／Average real estate, plants and equipment, net..

(7)Aggregate total asset turnover rate＝ Net sales／Average aggregate total of assets.

4. Profitability

(1)Asset return ratio ＝〔Profit and/or loss after tax＋Interest expenses×（１－Tax rate）〕／ Average aggregate total of assets.

(2)Equity return ratio ＝Profit and/or loss after tax／Average aggregate total of equity.

(3)Net profitability ＝Profit and/or loss after tax／ Net sales.

(4)Earnings per share (EPS)＝（Profit and/or loss belonging to parent company proprietor －Preferred shares dividend）／Weighted average number of outstanding shares.

5. Cash flow

(1)Cash flow ratio＝Cash flow in operating activities／Current liabilities.

(2) Net cash flow adequacy ratio＝Cash flow in operating activities over the past five years／(Capital expenditure＋Amount of inventory increase ＋Cash dividend) over the past five years.

(3)Cash reinvestment ratio＝(Cash flow in operating activities－Cash dividend)／(Gross property, plant, and equipment ＋Long-term investment ＋Other assets＋operating fund).

6. Leverage:

(1)Operating Leverage＝(Operating revenues, net－Variable operating costs and expenses) ／ Operating interests.

(2) Financial Leverage＝Operating interests ／ (Operating interests－Interest expenses).

6.3 Review Report Issued by the Supervisors' over the Financial Statements of the Latest Year

Audit Committee's Report

To the 2019 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

許恩得

Hsu, En-De
Chairman of the Audit Committee

Dated: March 21, 2019

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18004382

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to the "other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(30). For the year ended December 31, 2018, the sales revenue amounted to NT$109,221,209 thousand.

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

How our audit addressed the matter

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

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

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

<u>Description</u>

For the accounting policy on property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As of December 31, 2018, the unfinished construction and equipment under acceptance amounted to NT$8,005,642 thousand.

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

<u>How our audit addressed the matter</u>

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$4,628,825 thousand and NT$4,390,772 thousand, representing 3% and 2% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and the total liabilities of NT$1,799,837 thousand and NT$1,820,861 thousand, both constituting 2% of the consolidated total liabilities as of December 31, 2018 and 2017, respectively, and total operating revenues of

NT$5,257,000 thousand and NT$5,198,435 thousand, both representing 5% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

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

Hung, Shu-Hua

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2019

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 27,809,496	16	$ 30,918,463	17
1110	Financial assets at fair value through profit or loss - current	6(2)	3,243	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	22,886	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	69,188	-
1150	Notes receivable, net	6(4)	2,673,543	1	2,298,485	1
1170	Accounts receivable, net	6(4) and 12(4)	9,861,931	6	9,852,585	6
1180	Accounts receivable - related parties	7	47,976	-	119,288	-
130X	Inventories, net	6(5)	19,362,229	11	19,184,340	11
1410	Prepayments		1,474,843	1	2,400,926	1
1470	Other current assets	8	1,767,303	1	1,820,349	1
11XX	**Current Assets**		63,023,450	36	66,663,624	37
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	58,187	-	-	-
1523	Available-for-sale financial assets - noncurrent	12(4)	-	-	58,187	-
1550	Investments accounted for under equity method	6(6)	152,614	-	171,020	-
1600	Property, plant and equipment, net	6(7)	103,254,578	59	105,007,683	59
1760	Investment property, net	6(8)	584,244	-	612,656	-
1840	Deferred income tax assets	6(25)	1,526,629	1	1,076,959	1
1900	Other non-current assets	6(9)	6,163,066	4	5,494,126	3
15XX	**Non-current assets**		111,739,318	64	112,420,631	63
1XXX	**Total assets**		$ 174,762,768	100	$ 179,084,255	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)(28)	$ 15,569,136	9	$ 18,508,493	10
2120	Financial liabilities at fair value through profit or loss - current	12(4)	-	-	408	-
2130	Contract liabilities - current	6(20) and 12(5)	747,071	-	-	-
2150	Notes payable		623,415	-	822,160	1
2170	Accounts payable		8,953,202	5	8,511,030	5
2200	Other payables	6(11)	6,200,869	4	7,022,033	4
2230	Current income tax liabilities	6(25)	775,306	-	1,277,640	1
2300	Other current liabilities	6(12)(13)(14)(28), 7 and 12(5)	11,618,185	7	5,936,600	3
21XX	**Current Liabilities**		44,487,184	25	42,078,364	24
	Non-current liabilities					
2530	Corporate bonds payable	6(13)(28)	17,000,000	10	16,800,000	9
2540	Long-term borrowings	6(14)(28) and 7	28,965,884	16	32,659,178	18
2550	Provisions for liabilities - noncurrent		134,287	-	122,071	-
2570	Deferred income tax liabilities	6(25)	1,341,768	1	1,348,631	1
2600	Other non-current liabilities	6(15)	3,015,639	2	3,184,708	2
25XX	**Non-current liabilities**		50,457,578	29	54,114,588	30
2XXX	**Total Liabilities**		94,944,762	54	96,192,952	54
	Equity					
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(16)	32,414,155	19	32,414,155	18
	Capital surplus	6(17)				
3200	Capital surplus		52,576	-	52,576	-
	Retained earnings	6(18)				
3310	Legal reserve		14,834,946	8	14,280,767	8
3320	Special reserve		4,430,061	3	3,307,822	2
3350	Unappropriated retained earnings		32,662,342	19	36,580,033	20
	Other equity interest	6(19)				
3400	Other equity interest		(5,200,298)	(3)	(4,430,061)	(2)
31XX	**Equity attributable to owners of the parent**		79,193,782	46	82,205,292	46
36XX	**Non-controlling interest**		624,224	-	686,011	-
3XXX	**Total equity**		79,818,006	46	82,891,303	46
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 174,762,768	100	$ 179,084,255	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
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Sales revenue**	6(20) and 7	$ 109,221,209	100	$ 112,309,166	100
5000	**Operating costs**	6(5)	(84,898,267)	(78)	(86,631,096)	(77)
5900	**Net operating margin**		24,322,942	22	25,678,070	23
	Operating expenses	7				
6100	Selling expenses		(8,007,567)	(7)	(8,497,746)	(8)
6200	General and administrative expenses		(3,570,909)	(3)	(3,690,739)	(3)
6300	Research and development expenses		(5,329,277)	(5)	(5,091,093)	(5)
6000	**Total operating expenses**		(16,907,753)	(15)	(17,279,578)	(16)
6900	**Operating profit**		7,415,189	7	8,398,492	7
	Non-operating income and expenses					
7010	Other income	6(21)	1,109,954	1	1,722,315	1
7020	Other gains and losses	6(22)	(829,831)	(1)	(454,136)	-
7050	Finance costs	6(23)	(1,792,314)	(1)	(1,292,476)	(1)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(6)	6,643	-	7,674	-
7000	**Total non-operating income and expenses**		(1,505,548)	(1)	(16,623)	-
7900	**Profit before income tax**		5,909,641	6	8,381,869	7
7950	Income tax expense	6(25)	(2,335,003)	(2)	(2,779,844)	(2)
8200	**Profit for the year**		$ 3,574,638	4	$ 5,602,025	5

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(15)	$ 29,288	-	$ 19,804	-
8316	Unrealized loss on valuation of equity instruments at fair value through profit or loss	6(3)(19)	(4,633)	-	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)	891	-	304	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	20,036	-	(3,367)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		45,582	-	16,741	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	(1,246,718)	(1)	(1,492,148)	(1)
8362	Unrealized loss on valuation of available-for-sale financial assets		-	-	(9,226)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(19)	-	-	727	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss that will not be reclassified to profit or loss	6(19)(25)	387,749	-	228,042	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(858,969)	(1)	(1,272,605)	(1)
8300	**Other comprehensive loss for the year**		($ 813,387)	(1)	($ 1,255,864)	(1)
8500	**Total comprehensive income for the year**		$ 2,761,251	3	$ 4,346,161	4
	Profit, attributable to:					
8610	Owners of the parent		$ 3,520,320	4	$ 5,541,785	5
8620	Non-controlling interest		54,318	-	60,240	-
			$ 3,574,638	4	$ 5,602,025	5
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 2,823,038	3	$ 4,436,287	4
8720	Non-controlling interest		(61,787)	-	(90,126)	-
			$ 2,761,251	3	$ 4,346,161	4
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(26)	$ 1.09		$ 1.71	
9850	**Diluted earnings per share**	6(26)	$ 1.08		$ 1.71	

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
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital surplus		Retained earnings			Other equity interest					
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2017													
Balance at January 1, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ -	$ 50,452	$ 87,493,251	$ 776,137	$ 88,269,388
Profit for the year		-	-	-	-	-	5,541,785	-	-	-	5,541,785	60,240	5,602,025
Other comprehensive loss for the year	6(19)	-	-	-	-	-	16,741	(1,113,380)	-	(8,859)	(1,105,498)	(150,366)	(1,255,864)
Total comprehensive income		-	-	-	-	-	5,558,526	(1,113,380)	-	(8,859)	4,436,287	(90,126)	4,346,161
Appropriation and distribution of 2016 earnings	6(18)												
Legal reserve		-	-	-	1,325,090	-	(1,325,090)	-	-	-	-	-	-
Special reserve		-	-	-	-	703,659	(703,659)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(9,724,246)	-	-	-	(9,724,246)	-	(9,724,246)
Balance at December 31, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 14,280,767	$ 3,307,822	$ 36,580,033	($ 4,471,654)	$ -	$ 41,593	$ 82,205,292	$ 686,011	$ 82,891,303
Year ended December 31, 2018													
Balance at January 1, 2018		$ 32,414,155	$ 9,772	$ 42,804	$ 14,280,767	$ 3,307,822	$ 36,580,033	($ 4,471,654)	$ -	$ 41,593	$ 82,205,292	$ 686,011	$ 82,891,303
Effect of retrospective application and retrospective restatement	12(4)	-	-	-	-	-	22,740	-	18,853	(41,593)	-	-	-
Balance after restatement on January 1, 2018		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292	686,011	82,891,303
Profit for the year		-	-	-	-	-	3,520,320	-	-	-	3,520,320	54,318	3,574,638
Other comprehensive loss for the year	6(19)	-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)	(116,105)	(813,387)
Total comprehensive income		-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038	(61,787)	2,761,251
Appropriation and distribution of 2017 earnings	6(18)												
Legal reserve		-	-	-	554,179	-	(554,179)	-	-	-	-	-	-
Special reserve		-	-	-	-	1,122,239	(1,122,239)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)	-	(5,834,548)
Balance at December 31, 2018		$ 32,414,155	$ 9,772	$ 42,804	$ 14,834,946	$ 4,430,061	$ 32,662,342	($ 5,214,518)	$ 14,220	$ -	$ 79,193,782	$ 624,224	$ 79,818,006

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,909,641	$ 8,381,869
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(24)	12,107,067	11,539,729
Depreciation on investment property	6(8)(24)	24,395	12,308
Amortization expense	6(24)	68,823	25,859
Rental expenses for land use right	6(9)	85,596	86,624
Expected reversal of credit impairment loss recognised in profit or loss		(2,352)	-
Provision for bad debt expense	12(4)	-	4,808
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(6,643)	(7,674)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(22)	(4,703)	(2,538)
Loss on disposal of property, plant and equipment	6(7)(22)	55,917	29,237
Interest expense	6(7)(23)	1,792,314	1,292,476
Interest income	6(21)	(319,105)	(265,335)
Loss on disposal of investments accounted under equity method	6(22)	2,654	-
Gain on disposal of investments	6(22)	-	(19,828)
Deferred government grants revenue		(124,878)	(330,449)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		41,698	-
Notes receivable, net		(375,058)	(853,146)
Accounts receivable		(7,138)	473,193
Accounts receivable - related parties		71,312	10,445
Inventories		(177,889)	(5,228,854)
Prepayments		222,772	(603,439)
Other current assets		(52,809)	(359,541)
Other non-current assets		(107,282)	(2,778)
Changes in operating liabilities			
Contract liabilities-current		(115,875)	-
Notes payable		(198,745)	338,515
Accounts payable		442,172	250,638
Other payables		(375,935)	(1,183,978)
Other current liabilities		86,673	(332,185)
Accrued pension liabilities		(17,589)	(5,671)
Other non-current liabilities		39,018	10,723
Cash inflow generated from operations		19,064,051	13,261,008
Interest received		327,488	267,855
Dividends received		9,841	15,000
Interest paid		(1,738,341)	(1,239,501)
Income tax paid		(2,836,232)	(3,408,985)
Income tax refunded		27,754	-
Net cash flows from operating activities		14,854,561	8,895,377

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Net changes in financial liabilities at fair value through profit or loss		$ 1,024	$ 2,946
Proceeds from disposal of available-for-sale financial assets		-	82,818
Proceeds from disposal of investments accounted under equity method		20,582	-
Acquisition of property, plant and equipment	6(7)(27)	(12,492,803)	(13,923,156)
Payment for capitalized interests	6(7)(23)	(118,717)	(23,870)
Proceeds from disposal of property, plant and equipment		305,011	132,815
Acquisition of investment properties	6(8)	(1,216)	-
Acquisition of intangible assets		(180,871)	(22,984)
Decrease in refundable deposits		89,820	35,192
Increase in land use right		-	(192,971)
Net cash flows used in investing activities		(12,377,170)	(13,909,210)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(28)	25,820,195	30,124,923
Decrease in short-term loans	6(28)	(28,940,895)	(24,097,520)
Proceeds from issuing bonds	6(13)(28)	5,000,000	7,000,000
Repayments of bonds	6(13)(28)	(1,900,000)	(1,900,000)
Proceeds from long-term loans	6(28)	5,321,446	17,491,609
Repayments of long-term loans	6(28)	(5,803,107)	(10,720,689)
Increase (decrease) in guarantee deposits received		3,598	(9,634)
Increase in other payables to related parties	6(28) and 7	2,280	169,005
(Decrease) increase in other non-current liabilities		(2,083)	4,531
Cash dividends paid	6(18)	(5,834,548)	(9,724,246)
Net cash flows (used in) from financing activities		(6,333,114)	8,337,979
Effect of exchange rate changes on cash and cash equivalents		746,756	(1,299,229)
Net (decrease) increase in cash and cash equivalents		(3,108,967)	2,024,917
Cash and cash equivalents at beginning of year	6(1)	30,918,463	28,893,546
Cash and cash equivalents at end of year	6(1)	$ 27,809,496	$ 30,918,463

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 21, 2019.

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact is detailed as follows:

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

(i) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as other current liabilities), but were previously presented as other current liabilities in the balance sheet. As of January 1, 2018, the balance amounted to $84,699 thousand.

(ii) Under IFRS 15, liabilities in relation to the customer loyalty programme are recognized as contract liabilities, but were previously presented as deferred revenue (shown as other current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to $51,432 thousand.

(iii) Under IFRS 15, liabilities are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as other current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to $811,514 thousand.

ii. Please refer to Note 12(5) for disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

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

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

IFRS 16, 'Leases'

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' will be increased by $5,020,043 thousand and other current assets will be decreased by $5,020,043 thousand.

(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
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendment to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

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

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017	Description
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	-	-	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT.MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	Note 6
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	-	Note 7
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	-	-	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	

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

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

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

Note 4: On January 1, 2016, the shareholders during their meeting resolved for the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of June, 2017, the liquidation was completed.

Note 5: On December 21, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CIAO SHIN CO., LTD. As of September, 2017, the liquidation was completed.

Note 6: In May 2017, the Group established subsidiary, PT. MAXXIS TRADING INDONESIA, in Indonesia, remitted out investment in the amount of USD 1,000 thousand in October 2017, and acquired 100% equity interest. The subsidiary was included in the consolidated entities in 2017.

Note 7: In May 2018, the Group established a subsidiary, Maxxis Europe B.V, in the Netherlands, remitted out investment in the amount of EUR 500 thousand in October 2018, and acquired 100% equity interest. The subsidiary was included in the consolidated entity in 2018.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

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

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

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

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

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

(9) Notes and accounts receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Lease receivables/ leases (lessor)

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

(a) Buildings：5 ~ 60 years
(b) Machinery and equipment：15 years
(c) Test equipment：5 years
(d) Transportation equipment：6 years
(e) Office equipment：5 years
(f) Other assets：3 ~ 5 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 55 years.

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

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

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

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

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

(22) Bonds payable

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

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Non-hedging derivatives

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

(26) Provisions

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

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees', directors' and supervisors' remuneration

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

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(29) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

Sales of goods

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

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

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

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

(32) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 3,127	$ 3,104
Checking deposit	1,546,296	1,776,577
Demand deposits	18,982,403	17,646,021
Time deposits	7,277,670	11,492,761
	$ 27,809,496	$ 30,918,463
Interest rate range		
Time deposits	1.76%~4.20%	0.01%~4.58%

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 and financial liabilities at fair value through profit or loss

Items	December 31, 2018
Current items:	
Financial assets held for trading	
Forward foreign exchange contracts	$ 3,243

A. For the year ended December 31, 2018, the Company recognised net gain of $4,703 thousand on financial assets held for trading.

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

	December 31, 2018	
Derivative instruments	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2018/11/2~
USD enchange to NTD	USD 18,000 thousand	2019/1/12

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 and liability at fair value through profit or loss is provided in Note 12(2).

D. Information on financial liabilities at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 8,665
Valuation adjustment	14,221
Total	$ 22,886
Non-current items:	
Equity instruments	
Unlisted stocks	$ 58,187

A. The Group has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $81,073 thousand as at December 31, 2018.

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

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 4,663)

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

D. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 2,682,820	$ 2,307,762
Less: Loss allowance	(9,277)	(9,277)
	$ 2,673,543	$ 2,298,485
Accounts receivable	$ 9,877,274	$ 9,870,136
Less: Loss allowance	(15,343)	(17,551)
	$ 9,861,931	$ 9,852,585

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	$ 8,267,534	$ 2,682,820	$ 8,050,196	$ 2,307,762
Up to 30 days	920,577	-	1,297,167	-
31 to 90 days	348,616	-	377,313	-
91 to 180 days	191,749	-	102,816	-
Over 180 days	148,798	-	42,644	-
	$ 9,877,274	$ 2,682,820	$ 9,870,136	$ 2,307,762

The above ageing analysis was based on past due date.

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

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 5,912,129	$ -	$ 5,912,129
Work in progress	2,742,468	-	2,742,468
Finished goods	6,674,590	(30,936)	6,643,654
Land in progress	803,983	-	803,983
Construction in progress	1,924,454	-	1,924,454
Inventory in transit	1,335,541	-	1,335,541
	$ 19,393,165	($ 30,936)	$ 19,362,229

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 6,434,449	$ -	$ 6,434,449
Work in progress	2,852,070	-	2,852,070
Finished goods	6,452,472	(33,555)	6,418,917
Land in progress	820,703	-	820,703
Construction in progress	1,388,861	-	1,388,861
Inventory in transit	1,269,340	-	1,269,340
	$ 19,217,895	($ 33,555)	$ 19,184,340

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of goods sold	$ 85,092,828	$ 86,801,895
Loss on inventory retirement	11,337	1,067
(Gain) loss on physical inventory	(31,868)	6,723
Revenue from sale of scraps	(171,411)	(174,552)
Loss on decline in market value	(2,619)	(4,037)
	$ 84,898,267	$ 86,631,096

For the years ended December 31, 2018 and 2017, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using equity method

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 of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial joint ventures amounted to $152,614 thousand and $171,020 thousand, respectively.

	Year ended December 31, 2018	Year ended December 31, 2017
Share of profit of associates and joint ventures accounted for using equity method	$ 6,643	$ 7,674
Other comprehensive income - net of tax	891	907
Total comprehensive income	$ 7,534	$ 8,581

(7) Property, plant and equipment, net

	Year ended December 31, 2018					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,560,522	$ -	$ -	$ -	$ 22,945	$ 4,583,467
Buildings and structures	45,743,921	696,594	(83,527)	3,998,965	(671,931)	49,684,022
Machinery	97,101,451	1,117,883	(842,364)	3,711,605	(784,030)	100,304,545
Testing equipment	3,387,921	43,809	(10,895)	332,776	(23,925)	3,729,686
Transportation equipment	1,295,811	96,125	(40,321)	38,311	(20,426)	1,369,500
Office equipment	847,265	73,407	(11,908)	53,794	(8,190)	954,368
Other facilities	28,122,833	2,399,350	(1,272,113)	2,252,517	(141,427)	31,361,160
Unfinished construction and equipment under acceptance	11,133,630	7,701,507	-	(10,473,653)	(355,842)	8,005,642
	$ 192,193,354	$ 12,128,675	($ 2,261,128)	($ 85,685)	($ 1,982,826)	$ 199,992,390
Accumulated depreciation						
Buildings	($ 15,419,937)	($ 1,928,737)	$ 75,727	$ -	$ 220,600	($ 17,052,347)
Machinery	(47,988,247)	(6,013,896)	553,570	-	374,121	(53,074,452)
Testing equipment	(2,363,170)	(326,950)	7,684	-	12,387	(2,670,049)
Transportation equipment	(936,982)	(113,519)	36,916	-	14,780	(998,805)
Office equipment	(485,027)	(125,970)	11,297	-	3,560	(596,140)
Other facilities	(19,977,731)	(3,597,995)	1,215,006	-	29,278	(22,331,442)
	($ 87,171,094)	($ 12,107,067)	$ 1,900,200	$ -	$ 654,726	($ 96,723,235)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 105,007,683					$ 103,254,578

	Year ended December 31, 2017					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,563,758	$ -	$ -	$ -	($ 3,236)	$ 4,560,522
Buildings and structures	43,974,977	418,354	(127)	1,801,881	(451,164)	45,743,921
Machinery	92,000,594	2,056,189	(326,643)	4,156,609	(785,298)	97,101,451
Testing equipment	3,376,518	29,500	(6,664)	305,866	(317,299)	3,387,921
Transportation equipment	1,230,488	83,864	(19,175)	16,902	(16,268)	1,295,811
Office equipment	658,072	81,645	(8,116)	126,200	(10,536)	847,265
Other facilities	24,829,823	2,393,781	(450,689)	1,194,768	155,150	28,122,833
Unfinished construction and equipment under acceptance	9,590,929	10,048,087	-	(8,156,942)	(348,444)	11,133,630
	$ 180,225,159	$ 15,111,420	($ 811,414)	($ 554,716)	($ 1,777,095)	$ 192,193,354
Accumulated depreciation						
Buildings	($ 13,721,288)	($ 1,937,501)	$ -	$ 116,114	$ 122,738	($ 15,419,937)
Machinery	(42,652,343)	(5,793,870)	213,927	-	244,039	(47,988,247)
Testing equipment	(2,331,843)	(312,121)	5,928	-	274,866	(2,363,170)
Transportation equipment	(846,860)	(116,682)	16,353	-	10,207	(936,982)
Office equipment	(402,920)	(95,371)	7,361	-	5,903	(485,027)
Other facilities	(17,099,044)	(3,284,184)	405,793	-	(296)	(19,977,731)
	($ 77,054,298)	($ 11,539,729)	$ 649,362	$ 116,114	$ 657,457	($ 87,171,094)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 103,156,284					$ 105,007,683

Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Amount capitalized	$ 118,717	$ 23,870
Range of the interest rates for capitalization	2.60%~8.28%	1.97%~4.99%

(8) Investment property, net

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

Year ended December 31, 2017	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at December 31
Cost					
Land	$ 336,339	$ -	$ -	$ -	$ 336,339
Buildings and structures	27,766	-	445,194	5,750	478,710
	$ 364,105	$ -	$ 445,194	$ 5,750	$ 815,049
Accumulated depreciation					
Buildings and structures	($ 21,282)	($ 12,308)	($ 116,114)	($ 1,651)	($ 151,355)
Accumulated impairment					
Land	($ 51,038)	$ -	$ -	$ -	($ 51,038)
	$ 291,785				$ 612,656

A. Rental income from investment property is shown below:

	Year ended December 31, 2018	Year ended December 31, 2017
Rental income from investment property	$ 30,440	$ 17,667

B. The fair value of the investment property held by the Group as at December 31, 2018 and 2017 was $922,735 thousand and $920,819 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.

(9) Other non-current assets

	December 31, 2018	December 31, 2017
Land-use right	$ 5,020,043	$ 5,198,693
Intangible assets	237,050	110,233
Others	905,973	185,200
	$ 6,163,066	$ 5,494,126

The Group signed a contract of land-use right with a term of 34 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $85,596 thousand and $86,624 thousand for the years ended December 31, 2018 and 2017, respectively.

(10) Short-term borrowings

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

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 18,508,493	0.70%~4.70%	None

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

(11) Other payables

	December 31, 2018	December 31, 2017
Wages and salaries payable	$ 1,425,712	$ 1,329,008
Payable on machinery and equipment	1,730,936	2,213,781
Employee bonus payable	261,517	482,544
Compensation due to directors and supervisors	82,178	130,202
Other accrued expenses	1,819,861	1,855,874
Others	880,665	1,010,624
	$ 6,200,869	$ 7,022,033

(12) Other current liabilities

	December 31, 2018	December 31, 2017
Long-term liabilities due within one year	$ 11,360,157	$ 4,902,300
Advance receipts	25	811,749
Refund liabilities	148,150	-
Others	109,853	222,551
	$ 11,618,185	$ 5,936,600

(13) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable -issued in 2013	$ -	$ 1,900,000
Bonds payable -issued in 2014	4,800,000	4,800,000
Bonds payable -issued in 2016	5,000,000	5,000,000
Bonds payable -issued in 2017	7,000,000	7,000,000
Bonds payable -issued in 2018	5,000,000	-
	21,800,000	18,700,000
Less: Current portion	(4,800,000)	(1,900,000)
	$ 17,000,000	$ 16,800,000

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was $5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. The terms are as follows:

(a). Interest accrued/paid:

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

(b). Redemption:

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

B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was $7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(14) Long-term borrowings

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

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.97%～5.13%	None	$ 35,435,510
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None	225,968
				35,661,478
Less: Current portion				(3,002,300)
				$ 32,659,178

A. Above mentioned borrowings are capital financings through financial institutions and associates.

B. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) 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 at December 31, 2018 and 2017.

C. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group's long-term borrowings denominated in foreign currencies are as follows:

Currency	December 31, 2018	December 31, 2017
USD	$ 17,145,052	$ 15,347,956
RMB	5,178,449	5,651,239
THB	1,851,953	1,835,200

(15) Pensions

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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 1,389,880	$ 1,475,833
Fair value of plan assets	(680,510)	(721,893)
Net defined benefit liability	$ 709,370	$ 753,940

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 1,475,833	($ 721,893)	$ 753,940
Current service cost	21,861	-	21,861
Interest expense (income)	16,234	(7,941)	8,293
	1,513,928	(729,834)	784,094
Remeasurements:			
Change in financial assumptions	14,225	-	14,225
Experience adjustments	(21,478)	-	(21,478)
Return on plan asset (excluding amounts included in interest income or expense)	-	(22,035)	(22,035)
	(7,253)	(22,035)	(29,288)
Pension fund contribution	-	(29,727)	(29,727)
Paid pension	(116,795)	101,086	(15,709)
Balance at December 31	$ 1,389,880	($ 680,510)	$ 709,370

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 1,535,785	($ 752,649)	$ 783,136
Current service cost	25,849	-	25,849
Interest expense (income)	21,501	(10,537)	10,964
	1,583,135	(763,186)	819,949
Remeasurements:			
Change in financial assumptions	46,083	-	46,083
Experience adjustments	(68,585)	-	(68,585)
Return on plan asset (excluding amounts included in interest income or expense)	-	2,698	2,698
	(22,502)	2,698	(19,804)
Pension fund contribution	-	(35,789)	(35,789)
Paid pension	(84,800)	74,384	(10,416)
Balance at December 31	$ 1,475,833	($ 721,893)	$ 753,940

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

For the years ended December 31, 2018 and 2017, the actual return on plan assets was $29,976 thousand and $7,839 thousand, respectively.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.00%	1.10%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 35,158)	$ 36,534	$ 32,433	($ 31,436)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 38,553)	$ 40,106	$ 35,767	($ 34,629)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amount to $34,706 thousand.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	130,181
2-5 years		252,082
Over 6 years		387,343
	$	769,606

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

(b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading Co., Ltd. for the years ended December 31, 2018 and 2017 were $145,746 thousand and $131,507 thousand, respectively.

C. (a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2018 and 2017 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017, were $378,079 thousand and $406,906 thousand, respectively.

(b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc. and Maxxis Tech Center 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 years ended December 31, 2018 and 2017, were $13,908 thousand and $13,401 thousand, respectively.

(c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has provision for employees' pensions based on the actuarial reports. As of December 31, 2018 and 2017, the net liabilities recognised in the balance sheets were $37,461 thousand and $36,482 thousand, respectively. The subsidiaries established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) and has been approved by

Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdrew the fund. The pension costs under defined contribution pension plans for the years ended December 31, 2018 and 2017, were $17,763 thousand and $9,328 thousand, respectively.

(d) According to Indonesian local government's regulations " 2015 PP Nomor 60 " and "2015 PP Nomor 45", the Group's subsidiaries, PT MAXXIS International Indonesia and PT. MAXXIS TRADING INDONESIA, contribute monthly an amount equal to 3.7% and 2% of the employees' monthly salaries and wages to the retirement insurance; contribute monthly an amount equal to 2% and 1% to pension, respectively. For the years ended December 31, 2018 and 2017, the pension expense accrued in accordance to the aforementioned regulation amounted to $5,364 thousand and $1,818 thousand, respectively.

(e) According to Indonesian local government's regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952" , the Group's subsidiary, Maxxis Rubber India Private Ltd., established an employees' provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the years ended December 31, 2018 and 2017, the pension cost accrued in accordance to the aforementioned regulation amounted to $6,158 thousand and $6,722 thousand, respectively.

(16) Share capital

As of December 31, 2018, the Company's authorized capital and paid-in capital were both $32,414,155 thousand, and all proceeds from shares issued have been collected.

(17) 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.

(18) 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 share 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 amountcould be included in the distributable earnings.

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

E. The Company recognised dividends distributed to shareholders amounting to $5,834,548 thousand and $9,724,246 thousand ($1.8 (in dollars) and $3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively. On March 21, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 was $3,565,557 thousand at $1.1 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Other equity items

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

	2017		
	Currency translation	Unrealized gain on available-for-sale financial assets	Total
At January 1	($ 3,358,274)	$ 50,452	($ 3,307,822)
Valuation adjustment – Group	-	(8,859)	(8,859)
Currency translation differences:			
– Group	(1,342,149)	-	(1,342,149)
– Tax on Group	228,166	-	228,166
– Associates	727	-	727
– Tax on associates	(124)	-	(124)
At December 31	($ 4,471,654)	$ 41,593	($ 4,430,061)

(20) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 109,221,209

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2018					
	Sale of tires based on location				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	$ 6,442,146	$ 56,169,587	$ 8,009,491	$ 38,599,985	$ 109,221,209
Inter-segment revenue	4,055,335	6,577,427	5,040,364	2,612,665	18,285,791
Total segment revenue	$ 10,497,481	$ 62,747,014	$ 13,049,855	$ 41,212,650	$ 127,507,000

B. Contract liabilities

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

	December 31, 2018
Contract liabilities:	
Contract liabilities-advance sales receipts	$ 694,413
Contract liabilities-customer loyalty programmes	52,658
Total	$ 747,071

C. Related disclosures for 2017 operating revenue are provided in Note 12(5).

(21) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income	$ 319,105	$ 265,335
Grant revenue	444,909	1,231,620
Other income	345,940	225,360
	$ 1,109,954	$ 1,722,315

(22) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Net currency exchange loss	($ 587,736)	($ 319,583)
Loss on disposal of property, plant and equipment	(55,917)	(29,237)
Loss on disposal of investments accounted for using equity method	(2,654)	-
Gain on disposals of investments	-	19,828
Net gain on financial assets and liabilities at fair value through profit or loss	4,703	2,538
Other expenses	(188,227)	(127,682)
	($ 829,831)	($ 454,136)

(23) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense:		
Bank borrowings	$ 1,687,601	$ 1,133,826
Corporate bonds	212,426	171,143
Provisions-discount	11,004	11,377
	1,911,031	1,316,346
Less: Capitalisation of qualifying assets	(118,717)	(23,870)
Finance costs	$ 1,792,314	$ 1,292,476

(24) Expenses by nature

	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefit expense		
Wages and salaries	$ 12,107,939	$ 11,499,518
Labour and health insurance fees	692,377	683,862
Pension costs	597,172	606,495
Directors' remuneration	75,850	129,041
Other personnel expenses	903,772	930,406
	$ 14,377,110	$ 13,849,322
Raw materials and supplies used	$ 57,634,928	$ 62,062,699
Depreciation charges on property, plant and equipment	$ 12,107,067	$ 11,539,729
Depreciation charges on investment property	$ 24,395	$ 12,308
Amortisation charges on intangible assets	$ 68,823	$ 25,859

Note: As of December 31, 2018 and 2017, the Company had 29,240 and 30,833 employees, respectively, of which 7 directors were not the Company's employee.

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $101,254 thousand and $145,330 thousand, respectively; while directors' and supervisors' remuneration was accrued at $74,978 thousand and $118,590 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 1.481% of distributable profit of current year for the year ended December 31, 2018.

For 2017, the employees' compensation of 2017, as resolved at the meeting of Board of Directors amounting to $145,330 thousand, was in agreement with those amounts recognized in the 2017 financial statements. The Board of Directors during its meeting resolved to distribute 1.481% of retained earnings as supervisors' remuneration for the year ended December 31, 2017 while the amounts recognized in the financial statements based on 1.632% of retained earnings was $118,590 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for 2017 was $10,972 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2018. The employees' compensation for 2017 will be distributed in the form of cash. As of March 21, 2019, the employees' compensation for 2017 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.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the period	$ 2,369,968	$ 2,932,110
Additional 10% income tax imposed on unappropriated earnings	-	143,020
Prior year income tax underestimation	13,783	212,797
Total current tax	2,383,751	3,287,927
Deferred tax:		
Origination and reversal of temporary differences	(88,305)	(508,083)
Impact of change in tax rate	39,557	-
Total deferred tax	(48,748)	(508,083)
Income tax expense	$ 2,335,003	$ 2,779,844

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

	Year ended December 31, 2018	Year ended December 31, 2017
Generated during the period :		
Currency translation differences	$ 318,128	$ 228,042
Remeasurement of defined benefit obligations	(5,857)	(3,367)
Total generated during the period	$ 312,271	$ 224,675
Impact of change in tax rate:		
Currency translation differences	69,621	-
Remeasurement of defined benefit obligations	25,893	-
Total impact of change in tax rate:	95,514	-
Income tax benefit from other comprehensive income	$ 407,785	$ 224,675

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 2,212,718	$ 2,721,227
Effect from items disallowed by tax regulation	68,082	54,507
Temporary difference not recognized as deferred tax liabilities	25,570	(289,841)
Effect from five-year tax exemption	(24,707)	(61,866)
Prior year income tax underestimation	13,783	212,797
Impact of change in the tax rate	39,557	-
Additional 10% income tax imposed on unappropriated earnings	-	143,020
Income tax expense	$ 2,335,003	$ 2,779,844

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

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

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	$ 129,018	$ 16,823	$ -	$ 145,841
Remeasurement of defined benefit obligations	150,097	-	(3,367)	146,730
Unrealised evaluation loss on financial asset or liabilities	-	69	-	69
Exchange differences on translation of foreign financial statements	166,481	-	228,042	394,523
Deferred governvent grant revenue	330,778	(24,279)	-	306,499
Unrealised exchange loss	-	26,576	-	26,576
Others	55,257	1,464	-	56,721
Subtotal	$ 831,631	$ 20,653	$ 224,675	$ 1,076,959
—Deferred tax liabilities:				
Gain on foreign long-term investments	($ 1,287,141)	$ 469,382	$ -	($ 817,759)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealised exchange gain	(7,776)	7,776	-	-
Others	(26,411)	10,272	-	(16,139)
Subtotal	($ 1,836,061)	$ 487,430	$ -	($ 1,348,631)
Total	($ 1,004,430)	$ 508,083	$ 224,675	($ 271,672)

D. (i) The China subsidiary that was consolidated in the financial statements was a productive foreign enterprise and established in People's Republic of China and is eligible for local tax incentives. In line with local tax law, the tax rate and applicable tax rate was 15% and 25%, respectively.

(ii) For the years ended December 31, 2018 and 2017, the Company's subsidiary, Cheng Shin (Thailand) and Cheng Shin (Vietnam) are both eligible to avail of the local tax incentives.

E. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for "Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009". The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.

F. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2018 and 2017 were $41,486,669 thousand and $41,912,057 thousand, respectively.

G. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

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

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,541,785	3,241,416	$ 1.71
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	5,541,785	3,241,416	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	3,930	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 5,541,785	$ 3,245,346	$ 1.71

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2018
Purchase of property, plant and equipment	$ 12,128,675	$ 15,111,420
Add: Opening balance of payable on equipment	2,213,781	1,049,387
Less: Ending balance of payable on equipment	(1,730,936)	(2,213,781)
Cash paid during the period	$ 12,611,520	$ 13,947,026

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Bonds payable	Liabilities from financing activities-gross
January 1, 2018	$ 18,508,493	$ 35,661,478	$ 18,700,000	$ 72,869,971
Changes in cash flow from financing activities	(3,120,700)	(479,381)	3,100,000	(500,081)
Impact of changes in foreign exchange rate	181,343	343,944	-	525,287
December 31, 2018	$ 15,569,136	$ 35,526,041	$ 21,800,000	$ 72,895,177

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Associates	$ 519,550	$ 558,903

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

B. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Associates	$ 47,976	$ 119,288

C. Loans to / from related parties: shown as long-term borrowings and other current liabilities

	December 31, 2018	December 31, 2017
Payables due to related parties		
-Associates	$ 223,600	$ 225,968

The Group obtained financing from associates and financial institutions for capital needs. Please refer to Note 6(14) for interest rates, borrowing periods and repayment methods.

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Short-term employee benefits	$ 238,630	$ 283,138
Post-employment benefits	3,054	3,858
	$ 241,684	$ 286,996

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (Other current assets)	$ 15,395	$ 15,070	Maintenance bond and product liability insurance

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 4,777,836	$ 6,807,845

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

	December 31, 2018	December 31, 2017
Amount of letter of credit that has been issued but not yet used	$ 168,162	$ 141,240

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 year ended December 31, 2018, the Group's strategy was unchanged from 2017. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
Total liabilities	$	94,944,762	$	96,192,952
Total equity	$	79,818,006	$	82,891,303
Less : Intangible assets	(	237,050)	(	110,233)
Tangible equity	$	79,580,956	$	82,781,070
Debt-equity ratio		119%		116%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018		December 31, 2017	
Financial assets				
Financial assets at fair value through profit or loss-current	$	3,243	$	-
Financial assets at fair value through other comprehensive income - current		22,886		-
Financial assets at fair value through other comprehensive income - noncurrent		58,187		-
Available-for-sale financial assets - current		-		69,188
Available-for-sale financial assets - noncurrent		-		58,187
Financial assets at amortised cost/Loans and receivables				
Cash and cash equivalents		27,809,496		30,918,463
Notes receivable, net		2,673,543		2,298,485
Accounts receivable (including related parties)		9,909,907		9,971,873
Guarantee deposits paid		86,168		175,988
Other financial assets		512,470		556,045
	$	41,075,900	$	44,048,229

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at fair value through profit or loss - current	$ -	$ 408
Financial liabilities at amortised cost		
Short-term borrowings	15,569,136	18,508,493
Notes payable	623,415	822,160
Accounts payable	8,953,202	8,511,030
Other accounts payable	6,200,869	7,022,033
Corporate bonds payable (including current portion)	21,800,000	18,700,000
Long-term borrowings (including current portion)	35,526,041	35,661,478
Guarantee deposits received	255,209	251,611
	$ 88,927,872	$ 89,477,213

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. Primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

ii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss.

iii.The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：TWD	$ 142,027	30.715	$ 4,362,359	1%	$ 43,624	$ -
RMB：TWD	945,920	4.472	4,230,154	1%	42,302	-
EUR：TWD	42,003	35.200	1,478,506	1%	14,785	-
JPY：TWD	2,003,286	0.278	556,914	1%	5,569	-
GBP：TWD	8,063	38.880	313,489	1%	3,135	-
USD：RMB	71,565	6.868	2,198,026	1%	21,980	-
EUR：RMB	13,003	7.871	457,694	1%	4,577	-
GBP：RMB	5,331	8.694	207,267	1%	2,073	-
RUB：RMB	342,710	0.099	151,727	1%	1,517	-
USD：THB	82,571	32.223	2,535,633	1%	25,356	-
EUR：THB	13,824	36.928	486,500	1%	4,865	-
USD：VND	20,824	25,595.833	639,609	1%	6,396	-
USD：CAD	22,292	1.362	684,899	1%	6,849	-
USD：IDR	24,514	14,420.188	752,948	1%	7,529	-

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial liabilities						
Monetary items						
USD：TWD	$ 22,548	30.715	$ 692,562	1%	$ 6,926	$ -
USD：RMB	109,549	6.868	3,364,655	1%	33,647	-
EUR：RMB	21,500	7.871	756,781	1%	7,568	-
USD：THB	84,747	32.223	2,602,455	1%	26,025	-
USD：VND	40,782	25,595.833	1,252,619	1%	12,526	-
USD：CAD	14,538	1.362	446,665	1%	4,467	-
USD：IDR	284,331	14,420.188	8,733,227	1%	87,332	-
USD：INR	229,800	69.934	7,058,310	1%	70,583	-

	December 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：TWD	$ 391,426	29.760	$ 11,648,838	1%	$ 116,488	$ -
RMB：TWD	116,324	4.565	531,019	1%	5,310	-
EUR：TWD	19,411	35.570	690,449	1%	6,904	-
JPY：TWD	1,611,207	0.264	425,359	1%	4,254	-
GBP：TWD	6,409	40.110	257,065	1%	2,571	-
USD：RMB	125,246	6.519	3,727,225	1%	37,272	-
JPY：RMB	427,796	0.058	113,268	1%	1,133	-
EUR：RMB	16,543	7.792	588,442	1%	5,884	-
GBP：RMB	3,552	8.786	142,464	1%	1,425	-
USD：THB	60,771	32.432	1,809,309	1%	18,093	-
EUR：THB	8,501	38.764	302,511	1%	3,025	-
USD：VND	14,264	25,008.403	424,497	1%	4,245	-
USD：CAD	24,989	1.255	743,417	1%	7,434	-
USD：IDR	6,854	13,345.291	203,975	1%	2,040	-

	December 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial liabilities						
Monetary items						
USD：TWD	$ 25,745	29.760	$ 766,171	1%	$ 7,662	$ -
USD：RMB	162,212	6.519	4,827,305	1%	48,273	-
USD：THB	97,068	32.432	2,889,964	1%	28,900	-
USD：VND	46,858	25,008.403	1,394,494	1%	13,945	-
EUR：RMB	57,885	7.792	2,058,997	1%	20,590	-
USD：CAD	14,175	1.255	421,703	1%	4,217	-
USD：IDR	176,000	13,345.291	5,237,760	1%	52,378	-
USD：INR	229,800	63.658	6,838,874	1%	68,389	-

iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to ($587,736) thousand and ($319,583) 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, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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 on the available-for-sale equity investments for the years ended December 31, 2018 and 2017 would have increased/decreased by $811 thousand and $1,274 thousand, respectively.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, 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. At December 31, 2018 and 2017, if interest rates on USD, THB, RMB, EUR and INR denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $39,326 thousand and $41,423 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 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.

iv. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0.00%	$ 8,267,534	$ -
Up to 30 days	0.28%	920,577	2,578
31 to 90 days	0.91%	348,616	3,172
91 to 180 days	1.64%	191,749	3,145
Over 181 days	4.33%	148,798	6,448
		$ 9,877,274	$ 15,343

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

	2018
At January 1_IAS 39	$ 17,551
Adjustments under new standards	-
At January 1_IFRS 9	17,551
Reversal of impairment loss	(2,352)
Effect of exchange rate changes	144
At December 31	$ 15,343

vi. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Group’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018

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

December 31, 2017

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	$ 10,015,735	$ 6,925,420	$ 1,869,910	$ -	$ 18,811,065
Notes and accounts payable	9,333,190	-	-	-	9,333,190
Other payables	6,642,583	6,755	211,817	160,878	7,022,033
Guarantee deposits	4,358	274	-	246,979	251,611
Long-term borrowings	877,266	307,323	2,564,269	34,172,374	37,921,232
Bonds payable	-	-	2,104,250	17,208,300	19,312,550
Derivative financial liabilities					
Forward exchange contracts	$ 408	$ -	$ -	$ -	$ 408

As of December 31, 2018, there was no financial derivative liabilities transaction.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the 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(8).

C. Financial instruments not measured at fair value

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

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

	December 31, 2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 18,700,000	$ -	$ 18,779,641	$ -

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

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

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

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss- Forward exchange contracts	$ -	$ 3,243	$ -	$ 3,243
Financial assets at fair value through other comprehensive income- equity securities	22,886	-	58,187	81,073
	$ 22,886	$ 3,243	$ 58,187	$ 84,316

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	$ 69,188	$ -	$ 58,187	$ 127,375
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
- Forward exchange contracts	$ -	$ 408	$ -	$ 408

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

(i) For Level 1, the Group used market quoted prices as their fair values according to the characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.

(ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(iii) Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

Information of IAS 39

A. Summary of significant accounting policies adopted in 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

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

iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(c) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - equity	Available-for sale - equity	Retained earnings	Other equity
IAS 39	$ -	$ -	$ 127,375	$ -	$ 41,593
Transferred into and measured at fair value through profit or loss	41,670	-	(41,670)	22,740	(22,740)
Transferred into and measured at fair value through other comprehensive income - equity	-	85,705	(85,705)	-	-
IFRS 9	$ 41,670	$ 85,705	$ -	$ 22,740	$ 18,853

(a) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets amounting to $85,705 thousand, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $85,705 thousand.

(b) Under IAS 39, the equity instruments, which were classified as: available-for-sale financial assets amounting to $41,670 thousand, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" amounting to $41,670 thousand. Additionally, the Group increased retained earnings and decreased other equity in the amounts of $22,740 thousand and $22,740 thousand, respectively.

C. The significant accounts for the year ended December 31, 2017 is as follows:

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

Items	December 31, 2017
Current items:	
Financial liabilities held for trading	
Forward foreign exchange contracts	$ 408

i. The Group recognized net profit amounting to $2,538 thousand, on financial assets at fair value through profit or loss for the year ended December 31, 2017.

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

	December 31, 2017	
Types of instrument	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		
USD converted to NTD	USD 6 million	2017.11.23~ 2018.1.29

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.

(b)Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 8,665
Funds	18,930
Subtotal	27,595
Available-for-sale financial assets	
Valuation adjustment	41,593
Total	$ 69,188
Non-current items:	
Unlisted shares	$ 58,187

The Group recognised $3,041 thousand in other comprehensive income for fair value change and reclassified ($12,267) thousand from equity to profit or loss for the year ended December 31, 2017.

D. Credit risk information for the year ended December 2017 is as follows :

(a) 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. 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 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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and commitments.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following counterparties categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	
Distributor	$	3,305,277
Car assembly factory		4,461,585
Others		283,334
	$	8,050,196

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	
Up to 30 days	$	1,297,167
31 to 90 days		377,313
91 to 180 days		102,816
Over 181 days		42,644
	$	1,819,940

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $17,551 thousand.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 12,944	$ 12,944
Provision for impairment	-	4,808	4,808
Effect of exchange rate changes	-	(201)	(201)
At December 31	$ -	$ 17,551	$ 17,551

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

The Group manufactures and sells tire products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The effects and description of current balance sheets items if the Group continues adopting above accounting policies are as follows:

	December 31, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities	$ 747,071	$ -	$ 747,071
Other current liabilities			
- deferred revenue	-	52,658	(52,658)
- Advance sales receipts	-	694,413	(694,413)

Note: Statement of comprehensive income was not affected.

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(22) and 12(2),12(3), 12(4).

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 year ended December 31, 2018: please refer to tables 5, 6 and 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018					
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 14,605,466	$ 16,066,490	$ 37,077,750	$ 11,458,562	$ 20,732,725	$ 99,940,993
Revenue from inter -segment revenue	8,988,797	1,415,768	768,185	2,299,381	4,190,813	17,662,944
Total segment revenue	$ 23,594,263	$ 17,482,258	$ 37,845,935	$ 13,757,943	$ 24,923,538	$ 117,603,937
Segment income	$ 2,406,049	($ 91,611)	$ 3,129,337	($ 285,914)	$ 2,468,974	$ 7,626,835
Depreciation and Amortisation	$ 1,526,421	$ 1,989,350	$ 3,681,856	$ 1,895,860	$ 2,654,256	$ 11,747,743
Interest income	$ 178,248	$ 86,912	$ 185,802	$ 2,598	$ 257,399	$ 710,959
Finance costs	$ 357,835	$ 342,811	$ 337,827	$ 213,436	$ 488,118	$ 1,740,027
Share of profit of associates and joint ventures accounted for under equity method	$ 6,643	$ -	$ -	$ -	$ -	$ 6,643

	Year ended December 31, 2017					
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 14,680,582	$ 17,544,947	$ 36,150,428	$ 12,829,247	$ 22,625,073	$ 103,830,277
Revenue from inter -segment revenue	9,514,597	1,802,906	626,343	1,519,398	3,999,520	17,462,764
Total segment revenue	$ 24,195,179	$ 19,347,853	$ 36,776,771	$ 14,348,645	$ 26,624,593	$ 121,293,041
Segment income	$ 2,281,057	$ 950,831	$ 2,348,243	($ 431,877)	$ 3,289,001	$ 8,437,255
Depreciation and Amortisation	$ 1,616,844	$ 1,800,483	$ 3,518,487	$ 1,724,603	$ 2,665,063	$ 11,325,480
Interest income	$ 154,851	$ 96,795	$ 81,747	$ 1,421	$ 226,277	$ 561,091
Finance costs	$ 338,103	$ 319,624	$ 189,406	$ 191,422	$ 390,896	$ 1,429,451
Share of profit of associates and joint ventures accounted for under equity method	$ 7,674	$ -	$ -	$ -	$ -	$ 7,674

(4) Reconciliation for segment income (loss)

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

	Year ended December 31,	
	2018	2017
Adjusted revenue from reportable segments	$ 117,603,937	$ 121,293,041
Adjusted revenue from other operating segments	9,903,063	9,174,585
Total operating segments	127,507,000	130,467,626
Elimination of inter-segment revenue	(18,285,791)	(18,158,460)
Total consolidated operating revenue	$ 109,221,209	$ 112,309,166

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

	Year ended December 31, 2018	Year ended December 31, 2017
Adjusted income from reportable segments before income tax	$ 7,626,835	$ 8,437,255
Adjusted (loss)income from other operating segments before income tax	(1,708,897)	(120,120)
Total operating segments	5,917,938	8,317,135
Income from elimination of inter-segment revenue	(8,297)	64,734
Income from continuing operations before income tax	$ 5,909,641	$ 8,381,869

(5) Information on products and services

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

	Year ended December 31, 2018	Year ended December 31, 2017
Sales revenue	$ 109,221,209	$ 112,309,166

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 56,169,587	$ 64,643,608	$ 58,597,100	$ 67,756,611
USA	8,009,491	463,486	8,286,535	454,745
Taiwan	6,442,146	16,738,242	6,873,376	16,191,635
Others	38,599,985	28,156,552	38,552,155	26,711,474
	$ 109,221,209	$ 110,001,888	$ 112,309,166	$ 111,114,465

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

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated comprehensive income statement for the years ended December 31, 2018 and 2017.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 3,636,360	$ 2,232,000	$ 2,142,720	4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,594,702	$ 7,657,837	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,678,400	2,678,400	2,209,680	4.75%	Note 4	-	Operating capital	-	None	-	4,594,702	7,657,837	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	892,800	892,800	285,696	6.65%	Note 4	-	Operating capital	-	None	-	4,594,702	7,657,837	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	4,687,200	4,687,200	3,548,880	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,121,500	1,116,000	1,026,720	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	468,000	446,400	357,120	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,763,600	2,155,080	1,128,360	3.59%~4.75%	Note 4	-	Operating capital	-	None	-	13,309,820	22,183,033	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,360	8,928	8,928	4.35%	Note 4	-	Operating capital	-	None	-	192,759	321,264	Note 6

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

(1) The Company is '0'.

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

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

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	$ 39,596,891	$ 5,226,300	$ 4,516,950	$ 3,692,880	$ -	5.70	$ 55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	39,596,891	305,750	-	-	-	-	55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	39,596,891	2,338,000	-	-	-	-	55,435,647	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	39,596,891	464,625	461,850	461,850	-	0.58	55,435,647	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	39,596,891	8,482,462	8,482,462	7,102,554	-	10.71	55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	39,596,891	9,975,960	9,975,960	8,417,986	-	12.60	55,435,647	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,746,426	2,574,000	2,455,200	1,206,497	-	11.07	22,183,033	N	N	Y	Note 4 , Note 5

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

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets. $ 55,435,647

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 15,838,756

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 39,596,891

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

Note 4:Limit on the Company's endorsements/gurantees provided to others is 100% of the Company's net assets.
Limit on total endorsements provided to a single party is 80% of the Company's net assets.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2018				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	22,886	-	22,886	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.
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

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Investments accounted for using equity method	Maxxis Rubber India Private Limited	Subsidiary	549,995,541	$ 2,049,105	99,999,189	$ 450,690	-	$ -	$ -	$ -	649,994,730	$ 1,092,663

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.

Note 5: Gain and loss on investment accounted for using equity method was included in the balance as at December 31, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	($ 3,333,935)	(17.21)	Collect within 90 days after shipment of goods	Same	Same	$ 693,701	23.82	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,321,691)	(6.82)	Collect within 90 days after shipment of goods	Same	Same	415,261	14.26	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(293,079)	(1.51)	Collect within 60 days after shipment of goods	Same	Same	48,496	1.67	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(160,790)	(0.83)	Collect within 60 days after shipment of goods	Same	Same	56,834	1.95	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Sub-subsidiary	(sales)	(134,149)	(0.69)	Collect within 60 days after shipment of goods	Same	Same	71,295	2.45	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,698,288)	(19.09)	Collect within 30 days	Same	Same	296,946	10.20	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(143,397)	(0.82)	Collect within 60 days after shipment of goods	Same	Same	24,061	1.26	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(770,473)	(4.41)	Collect within 60~90 days after shipment of goods	Same	Same	286,644	15.03	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER(ZHANGZHOU) IND CO., LTD	Same ultimate parent	(sales)	(211,130)	(1.21)	Collect within 60~90 days after shipment of goods	Same	Same	29,762	1.56	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(140,202)	(0.80)	Collect within 60~90 days after shipment of goods	Same	Same	7,656	0.40	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(139,125)	(0.80)	Collect within 60~90 days after shipment of goods	Same	Same	-	-	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,733,160)	(43.75)	Collect within 60~90 days after shipment of goods	Same	Same	314,346	29.43	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(586,123)	(14.79)	Collect within 60~90 days after shipment of goods	Same	Same	111,188	10.41	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(135,936)	(3.43)	Collect within 60~90 days after shipment of goods	Same	Same	37,141	3.48	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(252,648)	(6.38)	Collect within 60~90 days after shipment of goods	Same	Same	43,428	4.07	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(568,906)	(7.21)	Collect within 60~90 days after shipment of goods	Same	Same	134,110	68.37	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(265,895)	(1.12)	Collect within 60~90 days after shipment of goods	Same	Same	53,173	1.21	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Same ultimate parent	(sales)	(112,383)	(0.48)	Collect within 60~90 days after shipment of goods	Same	Same	69,296	1.58	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(108,004)	(29.20)	Collect within 60~90 days after shipment of goods	Same	Same	15,833	47.54	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(140,347)	(37.95)	Collect within 60~90 days after shipment of goods	Same	Same	4,564	13.70	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(388,841)	(5.50)	Collect within 60~90 days after shipment of goods	Same	Same	104,059	16.33	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(103,286)	(1.46)	Collect within 60~90 days after shipment of goods	Same	Same	20,771	3.26	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(164,729)	(3.13)	Collect within 60~90 days after shipment of goods	Same	Same	6,968	1.42	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,471,948)	(10.70)	Collect within 60~90 days after shipment of goods	Same	Same	328,841	15.59	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(653,384)	(4.75)	Collect within 60~90 days after shipment of goods	Same	Same	169,689	8.05	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(136,558)	(0.99)	Collect within 60~90 days after shipment of goods	Same	Same	1,009	0.05	Note 4

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

					Overdue receivables			
Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Amount	Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	$ 693,943	Note 4	-	-	$ 691,785	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	415,523	Note 4	-	-	257,971	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	209,822	Note 3	-	-	62,685	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	127,872	Note 3	-	-	61,559	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	298,922	Note 4	-	-	298,922	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	286,644	2.70	-	-	179,439	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	317,102	Note 4	-	-	302,132	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD	Same ultimate parent (Note 5)	111,188	5.45	-	-	105,737	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	104,059	4.00	-	-	86,778	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	134,110	6.40	-	-	116,307	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	328,841	5.32	-	-	116,636	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	169,689	6.14	-	-	54,721	-

Note 1: Subsequent collection is the amount collected as of March 13, 2019.

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	$ 3,333,935	Collect within 90 days after shipment of goods	3.05%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	693,701	Collect within 90 days after shipment of goods	0.40%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,321,691	Collect within 90 days after shipment of goods	1.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	415,261	Collect within 90 days after shipment of goods	0.24%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	293,079	Collect within 60 days after shipment of goods	0.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	3,698,288	The term is 30 days after monthly billing.	3.39%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	296,946	The term is 30 days after monthly billing.	0.17%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	770,473	Collect within 60~90 days after shipment of goods	0.71%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	286,644	Collect within 60~90 days after shipment of goods	0.16%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	211,130	Collect within 60~90 days after shipment of goods	0.19%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,128,360	Pay interest quarterly	0.65%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,733,160	Collect within 60~90 days after shipment of goods	1.59%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	314,346	Collect within 60~90 days after shipment of goods	0.18%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	586,123	Collect within 60~90 days after shipment of goods	0.54%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,142,720	Pay interest quarterly	1.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,209,680	Pay interest quarterly	1.26%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	285,696	Pay interest quarterly	0.16%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	252,648	Collect within 60~90 days after shipment of goods	0.23%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,026,720	Pay interest quarterly	0.59%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,548,880	Pay interest quarterly	2.03%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	357,120	Pay interest quarterly	0.20%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	568,906	Collect within 60~90 days after shipment of goods	0.52%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER CANADA, INC.	3	Sales	265,895	Collect within 60~90 days after shipping of goods	0.24%

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	388,841	Collect within 60~90 days after shipment of goods	0.36%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,471,948	Collect within 60~90 days after shipment of goods	1.35%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	653,384	Collect within 60~90 days after shipment of goods	0.60%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	328,841	Collect within 60~90 days after shipment of goods	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	$ 912,218	$ 912,218	35,050,000	100.00	$ 40,426,423	$ 1,149,102	$ 1,154,216	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	24,870,869	2,825,638	2,828,157	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	10,106,894	424,609	390,011	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	2,683,201	319,213	319,221	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	649,182	106,992	106,992	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	152,614	4,752	2,376	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	65,172	5,705	5,705	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	-	23,162	-	-	-	14,224	4,267	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	619,612	(1,007,564)	(1,007,250)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	2,673,961	649,994,730	100.00	1,092,663	(1,277,159)	(1,277,159)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	332,897	182,686	182,686	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	27,644	(980)	(980)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	-	500,000	100.00	17,844	147	147	Subsidiary Note 3
MAXXIS International Co.,Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	31,449,536	946,696	946,696	Sub-subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	24,707,022	2,818,711	2,818,711	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	10,576,888	424,730	424,730	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	7,744,761	(285,914)	(300,568)	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,828,988	710,546	690,601	Sub-subsidiary Note 3

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.
Note 2: Investee companies are accounted for under the equity method.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.
Note 4: It was the Company’s investee accounted for using equity method before October 2, 2018 and was no longer a related party of the Company starting from October 2, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 5,375,125	2	$ 910,834	$ -	$ -	$ 910,834	$ 537,833	100.00	$ 542,012	$ 22,183,033	$ 17,768,971	(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	6,910,875	2	2,385,506	-	-	2,385,506	2,478,296	100.00	2,486,042	22,758,966	19,723,046	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD	Plastic machinery, molds and its accessory products	261,078	2	68,602	-	-	68,602	82,953	50.00	41,477	348,243	401,471	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,071,500	2	-	-	-	-	955,335	100.00	961,814	5,493,696	1,097,525	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	22,360	2	-	-	-	-	7,028	100.00	7,028	28,529	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	552,870	2	-	-	-	-	(308,975)	100.00	(308,975)	1,264,082	757,407	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,992,950	2	-	-	-	-	844,820	100.00	844,828	12,967,020	3,663,962	(Note 2、3、6、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,382,175	2	$ -	$ -	$ -	$ -	$ 422,298	100.00	$ 425,486	$ 7,657,837	$ 5,121,854	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	614,300	2	-	-	-	-	(100,374)	100.00	(100,374)	284,021	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	156,520	2	-	-	-	-	(9,020)	95.00	(8,569)	127,529	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	64,450	2	-	-	-	-	26,065	49.00	12,772	157,420	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,248,400	2	-	-	-	-	348,159	100.00	345,897	5,297,329	508,017	(Note 5、6、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,699,360	2	$ -	$ -	$ -	$ -	($ 39,633)	100.00	($ 39,633)	$ 1,606,433	$ -	(Note 6、7)

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

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

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

(3) Others

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

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

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 30.715: USD 1 and NTD 4.472: RMB 1 prevailing on December 31, 2018.

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	$ 3,774,874	$ 20,668,124	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

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

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

CHENG SHIN RUBBER IND. CO., LTD

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18004212

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

Opinion

We have audited the accompanying balance sheets of Cheng Shin Rubber Ind. Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to the "other matter" section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

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

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(29). For the years ended December 31, 2018, the sales revenue amounted to NT$19,374,623 thousand.

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

How our audit addressed the matter

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

1. We obtained an understanding of the Company's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements'

control of revenue recognition on assembly plant sales.

2. We tested the Company's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the appropriateness of cut-off on sales revenue.
3. We tailored our audit over sales cut-off through accounts receivable testing based on the confirmation procedures in order to check whether sales revenue and accounts receivable are recorded in the proper period.

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

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(14). For the details of property, plant and equipment, please refer to Note 6(7). As of December 31, 2018, the unfinished construction and equipment under acceptance amounted to NT$1,053,091 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the Audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT$2,828,988 thousand and NT$2,569,911 thousand, both representing 2% of total assets as of December 31, 2018 and 2017, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT$690,601 thousand and NT$679,796 thousand, representing 24% and 14% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Hung, Shu-Hua Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2019

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

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 12,820,135	11	$ 12,002,673	10
1110	Financial assets at fair value through profit or loss - current	6(2)	3,243	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	22,886	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	69,188	-
1150	Notes receivable, net	6(4) and 7	28,017	-	23,503	-
1170	Accounts receivable, net	6(4)	1,251,493	1	1,181,128	1
1180	Accounts receivable - related parties	7	1,611,889	1	1,648,216	1
130X	Inventories, net	6(5)	3,358,079	3	3,446,903	3
1410	Prepayments		263,624	-	416,157	-
1470	Other current assets	7 and 8	533,141	1	646,276	1
11XX	**Current Assets**		19,892,507	17	19,434,044	16
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	58,187	-	-	-
1523	Available-for-sale financial assets noncurrent	12(4)	-	-	58,187	-
1550	Investments accounted for using equity method	6(6)	81,045,015	68	84,129,266	70
1600	Property, plant and equipment, net	6(7)(26)	16,326,183	14	15,747,604	13
1760	Investment property, net	6(8)	290,562	-	291,173	-
1780	Intangible assets		70,740	-	94,890	-
1840	Deferred income tax assets	6(24)	1,153,491	1	726,996	1
1900	Other non-current assets		1,024	-	1,515	-
15XX	**Non-current assets**		98,945,202	83	101,049,631	84
1XXX	**Total assets**		$ 118,837,709	100	$ 120,483,675	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)(27)	$ 500,000	-	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	12(4)	-	-	408	-
2130	Contract liabilities - current	6(19) and 12(5)	127,663	-	-	-
2170	Accounts payable		1,313,078	1	1,313,171	1
2180	Accounts payable - related parties	7	31,509	-	34,919	-
2200	Other payables	6(10) and 7	1,825,048	2	2,237,619	2
2230	Current income tax liabilities	6(24)	571,305	1	971,856	1
2300	Other current liabilities	6(11)(12)(13)(27)	8,675,481	7	3,220,903	3
21XX	**Current Liabilities**		13,044,084	11	7,778,876	7
	Non-current liabilities					
2530	Corporate bonds payable	6(12)(27)	17,000,000	14	16,800,000	14
2540	Long-term borrowings	6(13)(27)	7,500,000	6	11,548,000	9
2570	Deferred income tax liabilities	6(24)	1,341,768	1	1,348,631	1
2600	Other non-current liabilities	6(14)	758,075	1	802,876	1
25XX	**Non-current liabilities**		26,599,843	22	30,499,507	25
2XXX	**Total liabilities**		39,643,927	33	38,278,383	32
	Equity					
	Share capital					
3110	Shares capital - common stock	6(15)	32,414,155	27	32,414,155	27
	Capital surplus					
3200	Capital surplus	6(16)	52,576	-	52,576	-
	Retained earnings	6(17)				
3310	Legal reserve		14,834,946	13	14,280,767	12
3320	Special reserve		4,430,061	4	3,307,822	3
3350	Unappropriated retained earnings		32,662,342	27	36,580,033	30
	Other equity interest	6(18)				
3400	Other equity interest		(5,200,298)	(4)	(4,430,061)	(4)
3XXX	**Total equity**		79,193,782	67	82,205,292	68
	Significant contigent liabilities and unrecognised contract commitments	9				
	Significant events after the balanec sheet date	11				
3X2X	**Total liabilities and equity**		$ 118,837,709	100	$ 120,483,675	100

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Sales revenue**	6(19) and 7	$ 19,374,623	100	$ 19,437,442	100
5000	**Operating costs**	6(5)	(14,887,361)	(77)	(14,399,280)	(74)
5900	**Net operating margin**		4,487,262	23	5,038,162	26
5910	Unrealized profit from sales		(61,424)	-	(86,835)	-
5950	**Gross profit from operation**		4,425,838	23	4,951,327	26
	Operating expenses					
6100	Selling expenses		(1,811,255)	(10)	(1,848,802)	(10)
6200	General and administrative expenses		(627,510)	(3)	(649,194)	(3)
6300	Research and development expenses		(1,338,868)	(7)	(1,114,556)	(6)
6000	**Total operating expenses**		(3,777,633)	(20)	(3,612,552)	(19)
6900	**Operating profit**		648,205	3	1,338,775	7
	Non-operating income and expenses					
7010	Other income	6(20) and 7	1,526,407	8	1,444,222	8
7020	Other gains and losses	6(21)	361,293	2	(531,557)	(3)
7050	Finance costs	6(22)	(357,835)	(2)	(338,104)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method		2,708,390	14	5,089,259	26
7000	**Total non-operating income and expenses**		4,238,255	22	5,663,820	29
7900	**Profit before income tax**		4,886,460	25	7,002,595	36
7950	Income tax expense	6(24)	(1,366,140)	(7)	(1,460,810)	(7)
8200	**Profit for the year**		$ 3,520,320	18	$ 5,541,785	29

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(14)	$ 29,288	1	$ 19,804	-
8316	Unrealized loss on valuation of equity instruments at fair value through profit or loss	6(3)	(4,633)	-	-	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		891	-	304	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	20,036	-	(3,367)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		45,582	1	16,741	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(1,130,613)	(6)	(1,341,422)	(7)
8362	Unrealized loss on valuation of available-for-sale financial assets	12(4)	-	-	3,041	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	(11,900)	-
8399	Income tax relating to the components of other comprehensive income	6(24)	387,749	2	228,042	1
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(742,864)	(4)	(1,122,239)	(6)
8300	**Other comprehensive loss for the year**		($ 697,282)	(3)	($ 1,105,498)	(6)
8500	**Total comprehensive income for the year**		$ 2,823,038	15	$ 4,436,287	23
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(25)	$ 1.09		$ 1.71	
9850	**Diluted earnings per share**	6(25)	$ 1.08		$ 1.71	

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

			Capital surplus		Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2017											
Balance at January 1, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ -	$ 50,452	$ 87,493,251
Profit for the year		-	-	-	-	-	5,541,785	-	-	-	5,541,785
Other comprehensive loss for the year	6(18)	-	-	-	-	-	16,741	(1,113,380)	-	(8,859)	(1,105,498)
Total comprehensive income(loss)		-	-	-	-	-	5,558,526	(1,113,380)	-	(8,859)	4,436,287
Appropriation and distribution of 2016 earnings:											
Legal reserve		-	-	-	1,325,090	-	(1,325,090)	-	-	-	-
Special reserve		-	-	-	-	703,659	(703,659)	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	(9,724,246)	-	-	-	(9,724,246)
Balance at December 31, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 14,280,767	$ 3,307,822	$ 36,580,033	($ 4,471,654)	$ -	$ 41,593	$ 82,205,292
Year ended December 31, 2018											
Balance at January 1, 2018		$ 32,414,155	$ 9,772	$ 42,804	$ 14,280,767	$ 3,307,822	$ 36,580,033	($ 4,471,654)	$ -	$ 41,593	$ 82,205,292
Effect of retrospective application and retrospective restatement	12(4)	-	-	-	-	-	22,740	-	18,853	(41,593)	-
Balance after restatement on January 1, 2018		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292
Profit for the year		-	-	-	-	-	3,520,320	-	-	-	3,520,320
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)
Total comprehensive income (loss)		-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038
Appropriation and distribution of 2017 earnings:											
Legal reserve		-	-	-	554,179	-	(554,179)	-	-	-	-
Special reserve		-	-	-	-	1,122,239	(1,122,239)	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)
Balance at December 31, 2018		$ 32,414,155	$ 9,772	$ 42,804	$ 14,834,946	$ 4,430,061	$ 32,662,342	($ 5,214,518)	$ 14,220	$ -	$ 79,193,782

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,886,460	$ 7,002,595
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised gain on inter-company transaction		20,551	60,927
Depreciation	6(7)(23)	1,483,656	1,591,687
Amortization expense	6(23)	35,551	18,165
Depreciation on investment property	6(8)(23)	611	612
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	(4,703)	(2,538)
Loss on disposal of investments accounted for using equity method	6(21)	2,654	1,946
Gain on disposal of property, plant and equipment		(160,336)	(161,814)
Share of profit of associates and joint ventures accounted for using equity method		(2,708,390)	(5,089,259)
Interest income	6(20)	(177,277)	(154,215)
Interest expense	6(22)	357,835	338,104
Effect of exchange rate changes on cash and cash equivalents		68,959	(549,719)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		41,698	-
Notes receivable		(4,514)	(1,189)
Accounts receivable		(70,365)	188,091
Accounts receivable - related parties		36,327	(330,180)
Inventories		74,978	(1,729,811)
Other current assets		221,275	(84,396)
Other non-current assets		-	(38)
Changes in operating liabilities			
Contract liabilities-current		42,432	-
Accounts payable		(93)	355,213
Accounts payable - related parties		(3,410)	15,236
Other payables		(88,268)	(697,732)
Accrued pension liabilities		(18,171)	(12,334)
Other current liabilities		(17,524)	21,454
Cash inflow generated from operations		4,019,936	780,805
Interest received		139,757	156,860
Dividends received		5,118,286	8,912,898
Interest paid		(349,183)	(327,623)
Income tax paid		(1,722,502)	(1,991,403)
Income tax refunded		27,754	-
Net cash flows from operating activities		7,234,048	7,531,537

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Net changes on financial assets or liabilities at fair value through profit or loss		$ 1,025	$ 2,946
Acquisition of investments accounted for using equity method		(468,390)	(878,101)
Proceeds from disposal of investments accounted for using equity method		20,582	-
Proceeds returned from liquidation of investee accounted for using equity method		-	97,000
Acquisition of property, plant and equipment	6(7)(26)	(2,397,391)	(859,902)
Proceeds from disposal of property, plant and equipment		132,906	218,839
Acquisition of intangible assets		(11,401)	(10,453)
Decrease (increase) in refundable deposits		491	(226)
Net cash flows used in investing activities		(2,722,178)	(1,429,897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(27)	1,000,000	2,440,000
Decrease in short-term loans	6(27)	(500,000)	(2,890,000)
Proceeds from issuing bonds	6(12)(27)	5,000,000	7,000,000
Repayments of bonds	6(27)	(1,900,000)	(1,900,000)
Proceeds from long-term loans	6(27)	300,000	5,700,000
Repayments of long-term loans	6(27)	(1,690,667)	(7,028,331)
Decrease in guarantee deposits received		(234)	(496)
Cash dividends paid	6(17)	(5,834,548)	(9,724,246)
Net cash flows used in financing activities		(3,625,449)	(6,403,073)
Effect of exchange rate changes on cash and cash equivalent		(68,959)	549,719
Net increase in cash and cash equivalents		817,462	248,286
Cash and cash equivalents at beginning of year	6(1)	12,002,673	11,754,387
Cash and cash equivalents at end of year	6(1)	$ 12,820,135	$ 12,002,673

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

CHENG SHIN RUBBER IND. CO., LTD
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

These parent company only financial statements have been authorized for issuance by the Board of Directors on March 21, 2019.

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact is detailed as follows:

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers'

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as other current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to $85,231 thousand.

ii. Please refer to Note 12(5) for disclosures in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendment to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

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

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

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

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

(a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Lease receivables/ leases (lessor)

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

(12) Inventories

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

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

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company’s share of subsidiaries’ post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries’ post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company’s share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

D. Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

(a) Buildings: 5 ~ 60 years

(b) Machinery and equipment: 15 years

(c) Test equipment: 5 years

(d) Transportation equipment: 6 years

(e) Office equipment: 5 years

(f) Other assets: 5 years

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 55 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Notes and accounts payable

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

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

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

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

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

(21) Bonds payable

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Financial guarantee contracts

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

(25) Non-hedging derivatives

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees', directors' and supervisors' remuneration

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

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(28) Dividends

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

(29) Revenue recognition

Sales of goods

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

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

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 550	$ 550
Checking deposit	2,981	3,420
Demand deposits	4,535,243	1,076,622
Foreign currency deposit	3,557,974	3,776,691
Time deposits	4,723,387	7,145,390
	$ 12,820,135	$ 12,002,673
Interest rate range		
Time deposits	2.70%~3.68%	1.60%~4.58%

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

B. The Company has reclassified pledged time deposits to 'other current assets'. Please refer to Note 8 for details.

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

Items	December 31, 2018
Current items:	
Financial assets held for trading	
Forward foreign exchange contracts	$ 3,243

For the year ended December 31, 2018, the Company recognised net gain of $4,703 thousand on financial assets held for trading.

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

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

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

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

D. Information on financial liabilities at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 8,665
Valuation adjustment	14,221
Total	$ 22,886
Non-current items:	
Equity instruments	
Unlisted stocks	$ 58,187

A. The Company has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $81,073 thousand as at December 31, 2018.

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

	December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 4,633)

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

D. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 37,294	$ 32,780
Less: Loss allowance	(9,277)	(9,277)
	$ 28,017	$ 23,503
Accounts receivable	$ 1,263,211	$ 1,192,846
Less: Loss allowance	(11,718)	(11,718)
	$ 1,251,493	$ 1,181,128

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	$ 1,000,756	$ 37,294	$ 942,265	$ 32,780
Up to 30 days	157,646	-	194,639	-
31 -90 days	58,719	-	40,979	-
91 -180 days	44,101	-	14,106	-
Over 180 days	1,989	-	857	-
	$ 1,263,211	$ 37,294	$ 1,192,846	$ 32,780

The above ageing analysis was based on past due date.

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

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw material	$ 1,409,058	$ -	$ 1,409,058
Work in progress	1,102,869	-	1,102,869
Finished goods	860,056	(13,904)	846,152
	$ 3,371,983	($ 13,904)	$ 3,358,079

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,532,737	$ -	$ 1,532,737
Work in progress	1,188,302	-	1,188,302
Finished goods	723,770	(13,904)	709,866
Goods	15,998	-	15,998
	$ 3,460,807	($ 13,904)	$ 3,446,903

The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 14,946,588	$ 14,414,459
Loss on inventory retirement	4,668	897
(Gain) loss on physical inventory	(33,845)	7,499
Revenue from sale of scraps	(30,050)	(23,575)
	$ 14,887,361	$ 14,399,280

(6) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Subsidiaries:		
MAXXIS International Co., Ltd.	$ 40,426,423	$ 41,446,874
CST Trading Ltd.	24,870,869	25,175,906
MAXXIS Trading Ltd.	10,106,894	9,890,087
CHENG SHIN RUBBER USA, INC.	2,683,201	2,433,930
MAXXIS Rubber India Private Limited	1,092,663	2,049,105
PT MAXXIS International Indonesia	619,612	1,720,489
CHENG SHIN RUBBER CANADA, INC.	649,182	726,855
MAXXIS (Taiwan) Trading CO., LTD	332,897	424,875
MAXXIS Tech Center Europe B.V.	65,172	60,157
PT.MAXXIS TRADING INDONESIA	27,644	29,968
Maxxis Europe B.V.	17,844	-
Associates:		
NEW PACIFIC INDUSTRY COMPANY LIMITED	152,614	154,347
Cheng Shin Holland B.V.	-	16,673
	$ 81,045,015	$ 84,129,266

A. Subsidiary

Details of the Company’s subsidiaries are provided in Note 4(3) of the Company’s consolidated financial statements as of and for the year ended December 31, 2018.

B. Associates

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

As of December 31, 2018 and 2017, the carrying amount of the Company’s individually immaterial joint ventures amounted to $152,614 thousand and $171,020 thousand, respectively.

	Years ended December 31,	
	2018	2017
Share of profit of associates and joint ventures accounted for using equity method	$ 6,643	$ 7,674
Other comprehensive income - net of tax	891	907
Total comprehensive income	$ 7,534	$ 8,581

(7) Property, plant and equipment, net

	Year ended December 31, 2018				
	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	$ 3,925,468	$ -	$ -	$ -	$ 3,925,468
Buildings and structures	6,089,762	55,716	-	41,358	6,186,836
Machinery	11,519,438	339,629	(136,635)	539,523	12,261,955
Testing equipment	717,637	8,327	(302)	13,820	739,482
Transportation equipment	141,586	25,266	(2,500)	-	164,352
Office equipment	141,215	17,511	-	175	158,901
Other facilities	2,917,127	445,773	(3,491)	355,421	3,714,830
Unfinished construction and equipment under acceptance	829,999	1,175,106	-	(952,014)	1,053,091
	$ 26,282,232	$ 2,067,328	($ 142,928)	($ 1,717)	$ 28,204,915
Accumulated depreciation					
Buildings	($ 1,981,184)	($ 170,398)	$ -	$ -	($ 2,151,582)
Machinery	(5,907,542)	(715,657)	135,005	-	(6,488,194)
Testing equipment	(553,009)	(71,431)	302	-	(624,138)
Transportation equipment	(100,561)	(15,100)	2,500	-	(113,161)
Office equipment	(57,606)	(23,416)	-	-	(81,022)
Other facilities	(1,934,726)	(487,654)	1,745	-	(2,420,635)
	($ 10,534,628)	($ 1,483,656)	$ 139,552	$ -	($ 11,878,732)
	$ 15,747,604				$ 16,326,183

	Year ended December 31, 2017				
	Beginning of period	Additions	Disposals	Transfer	End of period
Cost					
Land	$ 3,925,468	$ -	$ -	$ -	$ 3,925,468
Buildings and structures	6,037,632	29,500	-	22,630	6,089,762
Machinery	11,202,257	74,196	(73,673)	316,658	11,519,438
Testing equipment	619,626	6,741	-	91,270	717,637
Transportation equipment	134,390	9,976	(2,780)	-	141,586
Office equipment	79,452	24,717	-	37,046	141,215
Other facilities	2,473,154	376,230	(15,602)	83,345	2,917,127
Unfinished construction and equipment under acceptance	596,738	784,210	-	(550,949)	829,999
	$ 25,068,717	$ 1,305,570	($ 92,055)	$ -	$ 26,282,232
Accumulated depreciation					
Buildings	($ 1,804,209)	($ 176,975)	$ -	$ -	($ 1,981,184)
Machinery	(5,147,674)	(826,917)	67,049	-	(5,907,542)
Testing equipment	(453,283)	(99,726)	-	-	(553,009)
Transportation equipment	(86,033)	(15,957)	1,429	-	(100,561)
Office equipment	(40,107)	(17,499)	-	-	(57,606)
Other facilities	(1,484,696)	(454,613)	4,583	-	(1,934,726)
	($ 9,016,002)	($ 1,591,687)	$ 73,061	$ -	($ 10,534,628)
	$ 16,052,715				$ 15,747,604

(8) Investment property, net

	Year ended December 31, 2018			
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	$ 336,339	$ -	$ -	$ 336,339
Buildings and structures	27,766	-	-	27,766
	$ 364,105	$ -	$ -	$ 364,105
Accumulated depreciation				
Buildings and structures	($ 21,894)	($ 611)	$ -	($ 22,505)
Accumulated impairment				
Land	($ 51,038)	$ -	$ -	($ 51,038)
	$ 291,173			$ 290,562

	Year ended December 31, 2017			
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at December 31
Cost				
Land	$ 336,339	$ -	$ -	$ 336,339
Buildings and structures	27,766	-	-	27,766
	$ 364,105	$ -	$ -	$ 364,105
Accumulated depreciation				
Buildings and structures	($ 21,282)	($ 612)	$ -	($ 21,894)
Accumulated impairment				
Land	($ 51,038)	$ -	$ -	($ 51,038)
	$ 291,785			$ 291,173

A. Rental income from investment property is shown below:

	Years ended December 31,	
	2018	2017
Rental income from investment property	$ 8,725	$ 8,725

B. The fair value of the investment property held by the Company as at December 31, 2018 and 2017 was $539,710 thousand and $529,829 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.

(9) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 500,000	0.73%	None

As of December 31, 2017, the Company did not hold any short-term borrowings.

(10) Other payables

	December 31, 2018	December 31, 2017
Employee bonus payable	$ 246,584	$ 469,776
Wages and salaries payable	485,080	305,568
Payable on machinery and equipment	406,073	736,136
Compensation due to directors and supervisors	74,978	118,590
Other accrued expenses	611,685	606,902
Others	648	647
	$ 1,825,048	$ 2,237,619

(11) Other current liabilities

	December 31, 2018	December 31, 2017
Long-term liabilities due within one year	$ 8,610,000	$ 3,052,677
Receipts under custody	62,677	79,184
Advance receipts	18	86,267
Others	2,786	2,785
	$ 8,675,481	$ 3,220,913

(12) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable -issued in 2013	$ -	$ 1,900,000
Bonds payable -issued in 2014	4,800,000	4,800,000
Bonds payable -issued in 2016	5,000,000	5,000,000
Bonds payable -issued in 2017	7,000,000	7,000,000
Bonds payable -issued in 2018	5,000,000	-
	21,800,000	18,700,000
Less: Current portion	(4,800,000)	(1,900,000)
	$ 17,000,000	$ 16,800,000

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

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

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

September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until December, 2021.	0.97%～1.25%	None	$ 11,310,000
Less: Current portion				(3,810,000)
				$ 7,500,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until November, 2021.	0.97%～1.31%	None	$ 12,700,667
Less: Current portion				(1,152,677)
				$ 11,548,000

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) 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 for the years ended December 31, 2018 and 2017.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law,

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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 1,389,880	$ 1,475,833
Fair value of plan assets	(680,510)	(721,893)
Net defined benefit liability	$ 709,370	$ 753,940

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 1,475,833	($ 721,893)	$ 753,940
Current service cost	21,861	-	21,861
Interest expense (income)	16,234	(7,941)	8,293
	1,513,928	(729,834)	784,094
Remeasurements:			
Change in financial assumptions	14,225	-	14,225
Experience adjustments	(21,478)	-	(21,478)
Return on plan asset (excluding amounts included in interest income or expense)	-	(22,035)	(22,035)
	(7,253)	(22,035)	(29,288)
Pension fund contribution	-	(29,727)	(29,727)
Paid pension	(116,795)	101,086	(15,709)
Balance at December 31	$ 1,389,880	($ 680,510)	$ 709,370

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 1,535,785	($ 752,649)	$ 783,136
Current service cost	25,849	-	25,849
Interest expense (income)	21,501	(10,537)	10,964
	1,583,135	(763,186)	819,949
Remeasurements:			
Change in financial assumptions	46,083	-	46,083
Experience adjustments	(68,585)	-	(68,585)
Return on plan asset (excluding amounts included in interest income or expense)	-	2,698	2,698
	(22,502)	2,698	(19,804)
Pension fund contribution	-	(35,789)	(35,789)
Paid pension	(84,800)	74,384	(10,416)
Balance at December 31	$ 1,475,833	($ 721,893)	$ 753,940

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2018 and 2017, the actual return on plan assets was $29,976 thousand and $7,839 thousand.

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

	2018	2017
Discount rate	1.00%	1.10%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
December 31, 2018	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation	($ 35,158)	$ 36,534	$ 32,433	($ 31,436)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 38,553)	$ 40,106	$ 35,767	($ 34,629)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2019 amounts to $34,706 thousand.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	130,181
2-5 year(s)		252,082
Over 6 years		387,343
	$	769,606

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $145,048 thousand and $130,895 thousand, respectively.

(15) Share capital

As of December 31, 2018, the Company's authorized capital and paid-in capital were both $32,414,155 thousand, and all proceeds from shares issued have been collected.

(16) 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.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration.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' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of share or cash whereas the directors' 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 amountcould be included in the distributable earnings.

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

E. The Company recognised dividends distributed to shareholders amounting to $5,834,548 thousand and $9,724,246 thousand ($1.8 (in dollars) and $3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively. On March 21, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 was $3,565,557 thousand at $1.1 (in dollars) per share.

F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

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

	2017		
	Currency translation	Unrealized gain on available-for-sale financial assets	Total
At January 1	($ 3,358,274)	$ 50,452	($ 3,307,822)
Valuation adjustment – Company	-	3,041	3,041
Valuation adjustment – Associates	-	(11,900)	(11,900)
Currency translation differences:			
– Subsidiaries and associates -Before income tax	(1,341,422)	-	(1,341,422)
– Subsidiaries and associates -Tax	228,042	-	228,042
At December 31	($ 4,471,654)	$ 41,593	$ 4,430,061

(19) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 19,374,623

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2018				
	Sale of tires based on location				
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	$ 2,170,451	$ 158,978	$ 1,295,375	$ 6,760,620	$ 10,385,424
Inter-segment revenue	3,698,288	170,398	3,333,935	1,786,578	8,989,199
Total segment revenue	$ 5,868,739	$ 329,376	$ 4,629,310	$ 8,547,198	$ 19,374,623

B. Contract liabilities

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

	December 31, 2018
Contract liabilities:	
Contract liabilities-advance sales receipts	$ 127,663

C. Related disclosures for 2018 operating revenue are provided in Note 12(5).

(20) Other income

	Years ended December 31,	
	2018	2017
Revenue from patent royalties	$ 531,044	$ 533,677
Revenue from trademark royalties	380,161	398,046
Revenue from commission	237,898	250,371
Interest income Endorsements/guarantees	11,855	12,153
Interest income	165,422	142,062
Income from investment	22,993	14,249
Others	177,034	93,664
	$ 1,526,407	$ 1,444,222

(21) Other gains and losses

	Years ended December 31,	
	2018	2017
Net currency exchange gain (loss)	$ 180,825	($ 700,577)
Gain on disposal of property, plant and equipment	160,336	161,814
Net gain on financial assets and liabilities at fair value through profit or loss	4,703	2,538
Loss on investment	(2,654)	(1,946)
Other expenses	18,083	6,614
	$ 361,293	($ 531,557)

(22) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	$ 145,409	$ 166,961
Corporate bonds	212,426	171,143
	$ 357,835	$ 338,104

(23) Expenses by nature

	Year ended December 31, 2018		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,573,824	$ 1,388,340	$ 3,962,164
Labour and health insurance fees	230,529	123,114	353,643
Pension costs	112,114	63,088	175,202
Directors' remuneration	-	68,651	68,651
Other personnel expenses	85,212	35,329	120,541
	$ 3,001,679	$ 1,678,522	$ 4,680,201
Raw materials and supplies used	$ 8,487,610	$ -	$ 8,487,610
Depreciation charges on property, plant and equipment	$ 1,295,407	$ 188,249	$ 1,483,656
Depreciation on investment property	$ -	$ 611	$ 611
Amortisation charges on intangible assets	$ 542	$ 35,009	$ 35,551

	Year ended December 31, 2017		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,360,512	$ 1,161,024	$ 3,521,536
Labour and health insurance fees	228,169	109,963	338,132
Pension costs	111,522	56,186	167,708
Directors' remuneration	-	94,072	94,072
Other personnel expenses	78,325	33,279	111,604
	$ 2,778,528	$ 1,454,524	$ 4,233,052
Raw materials and supplies used	$ 8,767,952	$ -	$ 8,767,952
Depreciation charges on property, plant and equipment	$ 1,385,289	$ 206,398	$ 1,591,687
Depreciation on investment property	$ -	$ 612	$ 612
Amortisation charges on intangible assets	$ 114	$ 18,051	$ 18,165

Note: As of December 31, 2018 and 2017, the Company had 6,453 and 6,263 employees, respectively, of which 7 directors were not the Company's employee.

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $101,254 thousand, and $145,330 thousand, respectively; while directors' and supervisors' remuneration was accrued at $74,978 thousand and $118,590 thousand, respectively. The amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.481% of distributable profit of current year for the year ended December 31, 2018.

For 2017, the employees' compensation of 2017, as resolved at the meeting of Board of Directors amounting to $145,330 thousand, was in agreement with those amounts recognized in the 2017 financial statements. The Board of Directors during its meeting resolved to distribute 1.481% of retained earnings as supervisors' remuneration for the year ended December 31, 2017 while the amounts recognized in the financial statements based on 1.632% of retained earnings was $118,590 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for 2017 was $10,972 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2018. The employees' compensation for 2017 will be distributed in the form of cash. As of March 21, 2019, the employees' compensation for 2017 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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 1,330,613	$ 1,644,800
Prior year income tax underestimation	61,100	203,888
Additional 10% income tax imposed on unappropriated earnings	-	143,020
Total current tax	1,391,713	1,991,708
Deferred tax:		
Origination and reversal of temporary differences	(80,545)	(530,898)
Impact of change in tax rate	54,972	-
Income tax expense	$ 1,366,140	$ 1,460,810

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

	Years ended December 31, 2018	Years ended December 31, 2017
Generated during the period:		
Currency translation differences	$ 318,128	$ 228,042
Remeasurement of defined benefit obligations	(5,857)	(3,367)
Total generated during the period	312,271	224,675
Impact of change in tax rate		
Currency translation differences	69,621	-
Remeasurement of defined benefit obligations	25,893	-
Total impact of change in tax rate	95,514	-
Income tax benefit from other comprehensive income	$ 407,785	$ 224,675

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 977,293	$ 1,190,441
Effects from items disallowed by tax regulation	86,005	79,874
Temporary difference not recognized as deferred tax liabilities	211,477	(94,548)
Effect from five-year tax exemption	(24,707)	(61,866)
Prior year income tax underestimate	61,100	203,889
Impact of change in tax rate	54,972	-
Additional 10% income tax imposed on unappropriated earnings	-	143,020
Income tax expense	$ 1,366,140	$ 1,460,810

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter -affiliated accounts	$ 145,841	$ 23,686	$ -	$ 169,527
Remeasurement of defined benefit obligations	146,730	-	20,036	166,766
Unrealized evaluation losses on financial assets and liabilities	69	(69)	-	-
Exchange differences on translation of foreign financial statements	394,523	40	387,749	782,312
Unrealised exchange loss	26,576	(7,287)	-	19,289
Others	13,257	2,340	-	15,597
Subtotal	$ 726,996	$ 18,710	$ 407,785	$ 1,153,491
- Deferred tax liabilities:				
Gain on foreign long-term investments	($ 817,759)	$ 50,134	$ -	($ 767,625)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Unrealized evaluation gains on financial assets and liabilities	-	(649)	-	(649)
Others	(16,139)	(42,622)	-	(58,761)
Subtotal	($ 1,348,631)	$ 6,863	$ -	($ 1,341,768)
Total	($ 621,635)	$ 25,573	$ 407,785	($ 188,277)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gain on inter affiliated accounts	$ 129,018	$ 16,823	$ -	$ 145,841
Remeasurement of defined benefit obligations	150,097	-	(3,367)	146,730
Unrealized evaluation losses on financial assets and liabilities	-	69	-	69
Exchange differences on translation of foreign financial statements	166,481	-	228,042	394,523
Unrealised exchange loss	-	26,576	-	26,576
Others	13,257	-	-	13,257
Subtotal	$ 458,853	$ 43,468	$ 224,675	$ 726,996
- Deferred tax liabilities:				
Gain on foreign long-term investments	($ 1,287,141)	$ 469,382	$ -	($ 817,759)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	-	-	-	-
Unrealised exchange gain	(7,776)	7,776	-	-
Others	(26,411)	10,272	-	(16,139)
Subtotal	($ 1,836,061)	$ 487,430	$ -	($ 1,348,631)
Total	($ 1,377,208)	$ 530,898	$ 224,675	($ 621,635)

D. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for “Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009”. The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.

E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2018 and 2017 were $41,486,669 thousand and $41,912,057 thousand, respectively.

F. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

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

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,541,785	3,241,416	$ 1.71
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	5,541,785	3,241,416	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	3,930	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 5,541,785	3,245,346	$ 1.71

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 2,067,328	$ 1,305,570
Add: Opening balance of payable on equipment	736,136	290,468
Less: Ending balance of payable on equipment	(406,073)	(736,136)
Cash paid during the period	$ 2,397,391	$ 859,902

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Bonds payable	Liabilities from financing activities-gross
January 1, 2018	$ -	$ 12,700,667	$ 18,700,000	$ 31,400,667
Changes in cash flow from financing activities	500,000	(1,390,667)	3,100,000	2,209,333
December 31, 2018	$ 500,000	$ 11,310,000	$ 21,800,000	$ 33,610,000

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2018	2017
Sales of goods:		
– Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	$ 3,698,288	$ 4,073,337
CHENG SHIN RUBBER USA, INC.	3,333,935	3,264,383
Others	1,956,976	2,178,047
– Associates	85,063	73,125
	$ 9,074,262	$ 9,588,892

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

B. Purchases:

	Years ended Decemebr 31,	
	2018	2017
Sales of goods:		
Subsidiaries	$ 286,230	$ 367,951

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

C. Property transactions:

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

	2018		2017	
	Sales amount	Gain (loss) on disposal	Sales amount	Gain (loss) on disposal
Subsidiaries	$ 644,999	$ 209,113	$ 776,631	$ 203,575

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

	December 31, 2018	December 31, 2017
Subsidiaries	$ 112,536	$ 159,912

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

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

(a) Revenue from patent royalties:

	Years ended December 31,	
	2018	2017
Subsidiaries	$ 531,044	$ 533,677

(b) Ending balance of royalty receivables from technology:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 155,403	$ 147,495

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

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

(a) Interest income-endorsements/guarantees:

	Years ended December 31,	
	2018	2017
Subsidiaries	$ 11,855	$ 12,153

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

	December 31, 2018	December 31, 2017
Subsidiaries	$ 8,062	$ 7,031

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

F. Revenue from commission (shown as 'Other income') and other receivables: (shown as 'Other current assets')

(a) Revenue from commission:

	Years ended Decemebr 31,	
	2018	2017
Subsidiaries	$ 237,898	$ 250,371

(b) Ending balance of receivables from commission:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 54,084	$ 49,263

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

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

(a) Revenue from trademark royalties:

	Years ended Decemebr 31,	
	2018	2017
Subsidiaries	$ 379,903	$ 397,132

(b) Ending balance of receivables from trademark royalties:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 88,338	$ 81,289

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

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

(a) Revenue from per diem:

	Years ended Decemebr 31,	
	2018	2017
Subsidiaries	$ 8,042	$ 10,482

(b) Ending balance of receivables from per diem:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 2,763	$ 2,781

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

I. Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable		
–Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	$ 296,946	$ 315,091
CHENG SHIN RUBBER USA, INC.	693,701	789,260
CHENG SHIN RUBBER CANADA, INC.	415,261	363,079
Others	184,535	154,156
–Associates	21,446	26,630
	$ 1,611,889	$ 1,648,216

J. Other receivables (shown as 'Other current assets')

	December 31, 2018	December 31, 2017
Subsidiaries	$ 112,528	$ 159,912

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

K. Accounts payable

	December 31, 2018	December 31, 2017
Subsidiaries	$ 31,220	$ 34,883
Associates	289	36
	$ 31,509	$ 34,919

L. Other payables

	December 31, 2018	December 31, 2017
Subsidiaries	$ 129,196	$ 137,584

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

M. Information about guarantees

As of December 31, 2018 and 2017, the Company and the financial institutions agreed the Company's subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details is as follows:

Warrantee	Guaranteed line of credit	Used amounts as of December 31, 2018
Subsidiaries	USD 693,800 thousand	USD 578,198 thousand
	THB 2,000,000 thousand	THB 1,942,880 thousand
	RMB 550,000 thousand	RMB 270,273 thousand
	INR 400,000 thousand	INR 61,630 thousand

Warrantee	Guaranteed line of credit	Used amounts as of December 31, 2017
Subsidiaries	USD 690,800 thousand	USD 525,724 thousand
	THB 2,000,000 thousand	THB 2,000,000 thousand
	RMB 550,000 thousand	RMB 158,050 thousand
	INR 400,000 thousand	INR 11,630 thousand

As of December 31, 2018 and 2017, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	Years ended Decemebr 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 205,067	$ 252,190
Post-employment benefits	3,054	3,858
	$ 208,121	$ 256,048

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Time deposits (Other current assets)	$ 15,395	$ 14,885	Product liability insurance

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 302,772	$ 276,414

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

	December 31, 2018	December 31, 2017
Amount of letter of credit that has been issued but not yet used	$ 18,417	$ 28,706

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by tangible equity. Total liabilities is calculated by the total liabilities presented in the parent company only balance sheet. Tangible equity is calculated as 'Total equity' as shown in the parent company only balance sheet less 'intangible assets'.

During the year ended December 31, 2018, the Company's strategy was unchanged from 2017. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 39,643,927	$ 38,278,383
Total equity	$ 79,193,782	$ 82,205,292
Less : Intangible assets	(70,740)	(94,890)
Tangible equity	$ 79,123,042	$ 82,110,402
Debt-equity ratio	50.10%	46.62%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss-current	$ 3,243	$ -
Financial assets at fair value through other comprehensive income - current	22,886	-
Financial assets at fair value through other comprehensive income - noncurrent	58,187	-
Available-for-sale financial assets - current	-	69,188
Available-for-sale financial assets - noncurrent	-	58,187
Cash and cash equivalents	12,820,135	12,002,673
Notes receivable, net	28,017	23,503
Accounts receivable (including related parties)	2,863,382	2,829,344
Guarantee deposits paid	986	1,477
Other financial assets	15,395	14,885
	$ 15,812,231	$ 14,999,257

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at fair value through profit or loss - current	$ -	$ 408
Financial liabilities at amortised cost		
Short-term borrowings	500,000	-
Accounts payable (including related parties)	1,344,587	1,348,090
Other accounts payable	1,825,048	2,237,619
Corporate bonds payable (including current portion)	21,800,000	18,700,000
Long-term borrowings (including current portion)	11,310,000	12,700,667
Guarantee deposits received	7,130	7,364
	$ 36,786,765	$ 34,994,148

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. Primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss.

iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：TWD	$ 142,027	30.715	$ 4,362,359	1%	$ 43,624	$ -
EUR：TWD	42,002	35.200	1,478,470	1%	14,785	-
JPY：TWD	2,003,286	0.278	557,314	1%	5,573	-
RMB：TWD	945,826	4.472	4,229,734	1%	42,297	-
GBP：RMB	8,063	38.880	313,489	1%	3,135	-
Financial assets						
Non-monetary items						
USD:TWD	$ 110,809	30.715	$ 3,403,498	1%	$ 7,203	$ 26,832
EUR:TWD	9,854	35.200	346,861	1%	2,639	830
JPY:TWD	926,399	0.278	257,724	1%	2,577	-
RMB:TWD	218,761	4.472	978,299	1%	9,783	-
CAD:TWD	28,779	22.558	649,182	1%	-	6,492
IDR:TWD	303,876,195	0.002	647,256	1%	-	6,473
INR:TWD	2,487,849	0.439	1,092,663	1%	-	10,927
Financial liabilities						
Monetary items						
USD:TWD	$ 22,548	30.715	692,562	1%	$ 6,926	-

	December 31, 2017					
				Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 391,426	29.760	$ 11,648,838	1%	$ 116,488	$ -
EUR:TWD	19,411	35.570	690,449	1%	6,904	-
JPY:TWD	1,611,207	0.264	425,681	1%	4,257	-
RMB:TWD	116,324	4.565	531,019	1%	5,310	-
GBP:TWD	6,409	40.110	257,065	1%	2,571	-
Financial assets						
Non-monetary items						
USD:TWD	$ 98,821	29.760	$ 2,940,913	1%	$ 5,070	$ 24,339
EUR:TWD	10,568	35.570	375,904	1%	2,991	768
JPY:TWD	483,945	0.264	127,858	1%	1,279	-
RMB:TWD	124,107	4.565	566,548	1%	5,665	-
CAD:TWD	30,662	23.705	726,843	1%	-	7,268
IDR:TWD	784,958,275	0.00223	1,750,457	1%	-	17,505
INR:TWD	4,383,113	0.46750	2,049,105	1%	-	20,491
Financial liabilities						
Monetary items						
USD:TWD	$ 25,745	29.760	766,171	1%	$ 7,662	$ -

iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to $180,825 thousand and ($700,577) thousand, respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. The Company diversifies its portfolio to manage its price risk arising from investments in equity securities.

ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss on the available-for-sale equity investments for the years ended December 31, 2018 and 2017 would have increased/decreased by $811 thousand and $1,274 thousand, respectively.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were denominated in the TWD.

ii. The Company's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.

iii. At December 31, 2018 and 2017, if interest rates on TWD -denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $11,810 thousand and $12,701 thousand higher / lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.

ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Company adopts 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.

iv. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0.00%	$ 1,000,756	$ -
Up to 30 days	0.17%	157,646	268
31 to 90 days	2.00%	58,719	1,174
91 to 180 days	20.72%	44,101	9,138
Over 180 days	57.21%	1,989	1,138
		$ 1,263,211	$ 11,718

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

	2018
At January 1_IAS 39	$ 11,718
Adjustments under new standards	-
At January 1 and December 31_IFRS 9	$ 11,718

vi. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	$ 501,810	$ -	$ -	$ -	$ 501,810
Accounts payable (including related parties)	1,344,587	-	-	-	1,344,587
Other payables	1,561,123	-	162,672	101,253	1,825,048
Guarantee deposits	-	-	-	7,130	7,130
Long-term borrowings	1,278,230	247,197	2,384,749	7,567,815	11,477,991
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

December 31, 2017

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Accounts payable (including related parties)	$ 1,348,090	$ -	$ -	$ -	$ 1,348,090
Other payables	1,894,182	-	198,107	145,330	2,237,619
Guarantee deposits	-	-	-	7,364	7,364
Long-term borrowings	36,605	36,635	1,220,917	11,715,063	13,009,220
Bonds payable	-	-	2,104,250	17,208,300	19,312,550
Derivative financial liabilities:					
Forward exchange contracts	$ 408	$ -	$ -	$ -	$ 408

As of December 31, 2018, there was no financial derivative liabilities transaction.

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

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

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

	December 31, 2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 18,700,000	$ -	$ 18,779,641	$ -

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

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

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

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Forward exchange contracts	$ -	$ 3,243	$ -	$ 3,243
Financial assets at fair value through other comprehensive income - equity securities	22,886	-	58,187	81,073
	$ 22,886	$ 3,243	$ 58,187	$ 84,316

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	$ 69,188	$ -	$ 58,187	$ 127,375
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
- Forward exchange contracts	$ -	$ 408	$ -	$ 408

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

(i) For Level 1, the Company used market quoted prices as their fair values according to the characteristics of instruments. Listed shares and balanced mutual fund use closing price as their fair values.

(ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(iii) Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the years ended December 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

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

iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b)Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(c) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii.The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - equity	Available-for sale - equity	Retained earnings	Other equity
IAS 39	$ -	$ -	$ 127,375	$ -	$ 41,593
Transferred into and measured at fair value through profit or loss	41,670	-	(41,670)	22,740	(22,740)
Transferred into and measured at fair value through other comprehensive income - equity	-	85,705	(85,705)	-	-
IFRS 9	$ 41,670	$ 85,705	$ -	$ 22,740	$ 18,853

(a) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets amounting to $85,705 thousand, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $85,705 thousand.

(b) Under IAS 39, the equity instruments, which were classified as: available-for-sale financial assets amounting to $41,670 thousand, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" amounting to $41,670 thousand. Additionally, the Company increased retained earnings and decreased other equity in the amounts of $22,740 thousand and $22,740 thousand, respectively.

C. The significant accounts for the year ended December 31, 2017 are as follows:

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

Items	December 31, 2017
Current items:	
Financial liabilities held for trading	
Forward foreign exchange contracts	$ 408

i. The Company recognised net profit amounting to $2,538 thousand, on financial assets at fair value through profit or loss for the year ended December 31, 2017.

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

	December 31, 2017	
Types of instrument	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts USD converted to NTD	USD 6 million	2017.11.23~ 2018.1.29

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

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 8,665
Funds	18,930
Subtotal	27,595
Available-for-sale financial assets	
Valuation adjustment	41,593
Total	$ 69,188
Non-current items:	
Unlisted shares	$ 58,187

The Company recognised $3,041 thousand in other comprehensive income for fair value change and reclassified ($12,267) thousand from equity to profit or loss for the year ended December 31, 2017.

D. Credit risk information for the year ended December 2017 are as follows :

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard 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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and commitments.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following counterparties categories based on the Company's Credit Quality Control Policy:

	December 31, 2017
Distributor	$ 488,004
Car assembly factory	339,445
Others	114,815
	$ 942,264

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 194,639
31 to 90 days	40,979
91 to 180 days	14,107
Over 180 days	857
	$ 250,582

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Company has no accounts receivable that were impaired.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 11,718	$ 11,718

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

The Company manufactures and sells tire products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.

The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The effects and description of current balance sheets items if the Company continues adopting above accounting policies are as follows:

	December 31, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities	$ 127,663	$ -	$ 127,663
Other current liabilities			
- Advance sales receipts	-	127,663	(127,663)

Note: Statement of comprehensive income was not affected.

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), (21) and 12(2), 12(3), 12(4).

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.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2018: please refer to tables 5, 6 and 7.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 3,636,360	$ 2,232,000	$ 2,142,720	4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,594,702	$ 7,657,837	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,678,400	2,678,400	2,209,680	4.75%	Note 4	-	Operating capital	-	None	-	4,594,702	7,657,837	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	892,800	892,800	285,696	6.65%	Note 4	-	Operating capital	-	None	-	4,594,702	7,657,837	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	4,687,200	4,687,200	3,548,880	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,121,500	1,116,000	1,026,720	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	468,000	446,400	357,120	4.75%	Note 4	-	Operating capital	-	None	-	7,773,255	12,955,425	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,763,600	2,155,080	1,128,360	3.59%~4.75%	Note 4	-	Operating capital	-	None	-	13,309,820	22,183,033	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,360	8,928	8,928	4.35%	Note 4	-	Operating capital	-	None	-	192,759	321,264	Note 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.
Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD., XIAMEN CHENG SHIN ENTERPRISE CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 60% of above Companies' net assets
Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD., XIAMEN CHENG SHIN ENTERPRISE CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 100% of above Companies' net assets
Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.
Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.
Note 6: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	$ 39,596,891	$ 5,226,300	$ 4,516,950	$ 3,692,880	$ -	5.70	$ 55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	39,596,891	305,750	-	-	-	-	55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO.. LTD.	Sub-subsidiary	39,596,891	2,338,000	-	-	-	-	55,435,647	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	39,596,891	464,625	461,850	461,850	-	0.58	55,435,647	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	39,596,891	8,482,462	8,482,462	7,102,554	-	10.71	55,435,647	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	39,596,891	9,975,960	9,975,960	8,417,986	-	12.60	55,435,647	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,746,426	2,574,000	2,455,200	1,206,497	-	11.07	22,183,033	N	N	Y	Note 4 , Note 5

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

(1) The Company is '0'.

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

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets. $ 55,435,647

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 15,838,756

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 39,596,891

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 indiectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	22,886	-	22,886	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.
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

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Investments accounted for using equity method	Maxxis Rubber India Private Limited	Subsidiary	549,995,541	$ 2,049,105	99,999,189	$ 450,690	-	$ -	$ -	$ -	649,994,730	$ 1,092,663

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.

Note 5: Gain and loss on investment accounted for using equity method was included in the balance as at December 31, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales) (%)	Transaction: Credit term	Differences in transaction terms compared to third party transactions (Note 1): Unit price	Differences in transaction terms compared to third party transactions (Note 1): Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	($ 3,333,935)	(17.21)	Collect within 90 days after shipment of goods	Same	Same	$ 693,701	23.82	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,321,691)	(6.82)	Collect within 90 days after shipment of goods	Same	Same	415,261	14.26	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(293,079)	(1.51)	Collect within 60 days after shipment of goods	Same	Same	48,496	1.67	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(160,790)	(0.83)	Collect within 60 days after shipment of goods	Same	Same	56,834	1.95	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Sub-subsidiary	(sales)	(134,149)	(0.69)	Collect within 60 days after shipment of goods	Same	Same	71,295	2.45	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(3,698,288)	(19.09)	Collect within 30 days	Same	Same	296,946	10.20	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(143,397)	(0.82)	Collect within 60 days after shipment of goods	Same	Same	24,061	1.26	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(770,473)	(4.41)	Collect within 60~90 days after shipment of goods	Same	Same	286,644	15.03	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER(ZHANGZHOU) IND CO., LTD	Same ultimate parent	(sales)	(211,130)	(1.21)	Collect within 60~90 days after shipment of goods	Same	Same	29,762	1.56	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(140,202)	(0.80)	Collect within 60~90 days after shipment of goods	Same	Same	7,656	0.40	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(139,125)	(0.80)	Collect within 60~90 days after shipment of goods	Same	Same	-	-	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,733,160)	(43.75)	Collect within 60~90 days after shipment of goods	Same	Same	314,346	29.43	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(586,123)	(14.79)	Collect within 60~90 days after shipment of goods	Same	Same	111,188	10.41	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(135,936)	(3.43)	Collect within 60~90 days after shipment of goods	Same	Same	37,141	3.48	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(252,648)	(6.38)	Collect within 60~90 days after shipment of goods	Same	Same	43,428	4.07	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(568,906)	(7.21)	Collect within 60~90 days after shipment of goods	Same	Same	134,110	68.37	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(265,895)	(1.12)	Collect within 60~90 days after shipment of goods	Same	Same	53,173	1.21	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Same ultimate parent	(sales)	(112,383)	(0.48)	Collect within 60~90 days after shipment of goods	Same	Same	69,296	1.58	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(108,004)	(29.20)	Collect within 60~90 days after shipment of goods	Same	Same	15,833	47.54	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(140,347)	(37.95)	Collect within 60~90 days after shipment of goods	Same	Same	4,564	13.70	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(388,841)	(5.50)	Collect within 60~90 days after shipment of goods	Same	Same	104,059	16.33	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(103,286)	(1.46)	Collect within 60~90 days after shipment of goods	Same	Same	20,771	3.26	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(164,729)	(3.13)	Collect within 60~90 days after shipment of goods	Same	Same	6,968	1.42	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,471,948)	(10.70)	Collect within 60~90 days after shipment of goods	Same	Same	328,841	15.59	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(653,384)	(4.75)	Collect within 60~90 days after shipment of goods	Same	Same	169,689	8.05	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(136,558)	(0.99)	Collect within 60~90 days after shipment of goods	Same	Same	1,009	0.05	Note 4

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	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)	$ 693,943	Note 4	-	-	$ 691,785	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	415,523	Note 4	-	-	257,971	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	209,822	Note 3	-	-	62,685	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	127,872	Note 3	-	-	61,559	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	298,922	Note 4	-	-	298,922	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	286,644	2.70	-	-	179,439	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	317,102	Note 4	-	-	302,132	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD	Same ultimate parent (Note 5)	111,188	5.45	-	-	105,737	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	104,059	4.00	-	-	86,778	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	134,110	6.40	-	-	116,307	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	328,841	5.32	-	-	116,636	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	169,689	6.14	-	-	54,721	-

Note 1: Subsequent collection is the amount collected as of March 13, 2019.

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	$ 3,333,935	Collect within 90 days after shipment of goods	3.05%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	693,701	Collect within 90 days after shipment of goods	0.40%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,321,691	Collect within 90 days after shipment of goods	1.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	415,261	Collect within 90 days after shipment of goods	0.24%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	293,079	Collect within 60 days after shipment of goods	0.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	3,698,288	The term is 30 days after monthly billing.	3.39%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	296,946	The term is 30 days after monthly billing.	0.17%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	770,473	Collect within 60~90 days after shipment of goods	0.71%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	286,644	Collect within 60~90 days after shipment of goods	0.16%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	211,130	Collect within 60~90 days after shipment of goods	0.19%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,128,360	Pay interest quarterly	0.65%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,733,160	Collect within 60~90 days after shipment of goods	1.59%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	314,346	Collect within 60~90 days after shipment of goods	0.18%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	586,123	Collect within 60~90 days after shipment of goods	0.54%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,142,720	Pay interest quarterly	1.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,209,680	Pay interest quarterly	1.26%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	285,696	Pay interest quarterly	0.16%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	252,648	Collect within 60~90 days after shipment of goods	0.23%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,026,720	Pay interest quarterly	0.59%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,548,880	Pay interest quarterly	2.03%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	357,120	Pay interest quarterly	0.20%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	568,906	Collect within 60~90 days after shipment of goods	0.52%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER CANADA, INC.	3	Sales	265,895	Collect within 60~90 days after shipping of goods	0.24%

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	388,841	Collect within 60~90 days after shipment of goods	0.36%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,471,948	Collect within 60~90 days after shipment of goods	1.35%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	653,384	Collect within 60~90 days after shipment of goods	0.60%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	328,841	Collect within 60~90 days after shipment of goods	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	$ 912,218	$ 912,218	35,050,000	100.00	$ 40,426,423	$ 1,149,102	$ 1,154,216	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	24,870,869	2,825,638	2,828,157	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	10,106,894	424,609	390,011	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	2,683,201	319,213	319,221	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	649,182	106,992	106,992	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	152,614	4,752	2,376	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	65,172	5,705	5,705	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	-	23,162	-	-	-	14,224	4,267	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	619,612	(1,007,564)	(1,007,250)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	2,673,961	649,994,730	100.00	1,092,663	(1,277,159)	(1,277,159)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	332,897	182,686	182,686	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	27,644	(980)	(980)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	-	500,000	100.00	17,844	147	147	Subsidiary Note 3
MAXXIS International Co.,Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	31,449,536	946,696	946,696	Sub-subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	24,707,022	2,818,711	2,818,711	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	10,576,888	424,730	424,730	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	7,744,761	(285,914)	(300,568)	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,828,988	710,546	690,601	Sub-subsidiary Note 3

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.
Note 2: Investee companies are accounted for under the equity method.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.
Note 4: It was the Company's investee accounted for using equity method before October 2, 2018 and was no longer a related party of the Company starting from October 2, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 5,375,125	2	$ 910,834	$ -	$ -	$ 910,834	$ 537,833	100.00	$ 542,012	$ 22,183,033	$ 17,768,971	(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	6,910,875	2	2,385,506	-	-	2,385,506	2,478,296	100.00	2,486,042	22,758,966	19,723,046	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD	Plastic machinery, molds and its accessory products	261,078	2	68,602	-	-	68,602	82,953	50.00	41,477	348,243	401,471	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,071,500	2	-	-	-	-	955,335	100.00	961,814	5,493,696	1,097,525	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	22,360	2	-	-	-	-	7,028	100.00	7,028	28,529	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	552,870	2	-	-	-	-	(308,975)	100.00	(308,975)	1,264,082	757,407	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,992,950	2	-	-	-	-	844,820	100.00	844,828	12,967,020	3,663,962	(Note 2、3、6、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 — Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 — Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,382,175	2	$ -	$ -	$ -	$ -	$ 422,298	100.00	$ 425,486	$ 7,657,837	$ 5,121,854	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	614,300	2	-	-	-	-	(100,374)	100.00	(100,374)	284,021	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	156,520	2	-	-	-	-	(9,020)	95.00	(8,569)	127,529	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	64,450	2	-	-	-	-	26,065	49.00	12,772	157,420	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,248,400	2	-	-	-	-	348,159	100.00	345,897	5,297,329	508,017	(Note 5、6、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,699,360	2	$ -	$ -	$ -	$ -	($ 39,633)	100.00	($ 39,633)	$ 1,606,433	$ -	(Note 6、7)

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

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

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

(3) Others

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

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

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 30.715: USD 1 and NTD 4.472: RMB 1 prevailing on December 31, 2018.

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	$ 3,774,874	$ 20,668,124	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

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

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

Item	Description				Amount
Cash on hand and petty cash					$ 550
Bank deposits					
Check deposits					2,981
Demand deposits					4,535,243
Foreign currency deposits	USD	33,091	thousand	Exchange rate 30.810	3,557,974
	EUR	35,306	thousand	Exchange rate 35.120	
	JPY	1,913,071	thousand	Exchange rate 0.279	
	THB	58	thousand	Exchange rate 0.951	
	GBP	7,101	thousand	Exchange rate 39.150	
	RMB	110,592	thousand	Exchange rate 4.471	
Time deposits	USD	36,000	thousand	Exchange rate 30.810	4,723,387
	Period	2018.12.03~2019.01.07			
	Interest rate	2.70% ~ 3.10%			
	RMB	809,800	thousand	Exchange rate 4.471	
	Period	2018.11.29~2019.01.30			
	Interest rate	2.80% ~ 3.68%			
					$ 12,820,135

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

Name of Customer	Description	Amount	Remark
Nissan North America, Inc.		$ 177,413	
Polaris Industries Inc.		83,059	
Giant Manufacturing Co. Ltd		71,369	
Maxxis International GMBH		66,882	
Others		864,488	None of the balances of each remaining accounts is greater than 5% of this account balance.
		1,263,211	
Less: Allowance for bad debts		(11,718)	
		$ 1,251,493	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

Item	Description	Amount: Cost	Amount: Market price	Remark: Method for determining market price
Raw materials		$ 1,409,058	$ 1,397,718	Net realisable value
Work in process		1,102,869	1,166,888	Net realisable value
Finished goods		860,056	909,605	Net realisable value
		3,371,983	$ 3,474,211	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		(13,904)		
		$ 3,358,079		

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Table 4

CHENG SHIN RUBBER IND. CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	As of January 1, 2018		Additions		Deductions			As of December 31, 2018		Market price or net in equity		Guarantee or pledge as collaterals
Investee	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount		No. of shares	Amount	Unit price	Total	
MAXXIS International Co., Ltd.	35,050,000	$ 41,446,874	-	$ 327,470	-	($ 1,347,921)	Note 1	35,050,000	$ 40,426,423	$ 1,153	$ 40,426,423	None
CST Trading Ltd.	72,900,000	25,175,906	-	2,328,842	-	(2,633,879)	Note 1	72,900,000	24,870,869	341	24,870,869	None
MAXXIS Trading Ltd.	237,811,720	9,890,087	-	762,638	-	(545,831)	Note 1	237,811,720	10,106,894	42	10,106,894	None
PT MAXXIS International Indonesia	79,997,000	1,720489	-	(1,100,877)	-	-		79,997,000	619,612	8	619,612	None
Cheng Shin Rubber USA, Inc.	1,800,000	2,433,930	-	401,871	-	(152,600)	Note 1	1,800,000	2,683,201	1,491	2,683,201	None
MAXXIS Rubber India Private Limited	549,995,541	2,049,105	99,999,189	(956,442)	-	-		649,994,730	1,092,663	2	1,092,663	None
PT.MAXXIS TRADING INDONESIA	9,900	29,968	-	(2,324)	-	-		9,900	27,644	2,792	27,644	
Cheng Shin Rubber Canada, Inc.	1,000,000	7,26,855	-	75,852	-	(153,525)	Note 1	1,000,000	649,182	649	649,182	None
NEW PACIFIC INDUSTRY COMPANY LIMITED	5,000,000	154,347	-	3,267	-	(5,000)	Note 1	5,000,000	152,614	31	152,614	None
MAXXIS Tech Center Europe B.V.	1,000,000	60,157	-	5,015	-	-		1,000,000	65,172	65	65,172	None
Cheng Shin Holland B.V.	9,708	16,673	-	8,750	(9,708)	(25,423)	Note 2	-	-	-	-	None
Maxxis Europe B.V.			500,000	17,844	-	-		500,000	17,844	36	17,844	
MAXXIS (Taiwan) Trading Co., Ltd.	10,000,000	424,875	-	182,711	-	(274,689)	Note 1	10,000,000	332,897	33	332,897	None
		$ 84,129,266		$ 2,054,617		($ 5,138,868)			$ 81,045,015		$ 81,045,015	

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2018.

Note 2: Derived from current cash dividend of $4,841 thousand, and proceeds from disposal of $20,582 thousand.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Creditor	Amount of borrowings	Contract period	Interest rate	Pledges or collaterals	Remark
FIRST COMMERCIAL BANK CO., LTD.	$ 3,400,000	2012.12.12~ 2021.10.06	Note	None	
CHANG HWA COMMERCIAL BANK, LTD.	2,360,000	2014.07.31~ 2021.09.23	Note	None	
HUA NAN COMMERCIAL BANK LTD.	2,200,000	2016.01.12~ 2020.10.31	Note	None	
HSBC Bank (Taiwan) Limited	1,000,000	2017.08.28~ 2019.08.28	Note	None	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	2017.10.18~ 2020.10.16	Note	None	
Taiwan Cooperative Bank CO., LTD.	250,000	2016.09.26~ 2019.09.26	Note	None	
The Shanghai Commercial & Savings Bank, LTD.	500,000	2015.10.08~ 2020.10.08	Note	None	
Bangkok Bank Public Company Limited	300,000	2015.08.20~ 2020.08.20	Note	None	
Mega International Commercial Bank	300,000	2018.12.24~ 2021.12.24	Note	None	
	11,310,000				
Less: maturity at one year	(3,810,000)				
	$ 7,500,000				

Note: For the year ended December 31, 2018, interest rate of borrowing ranged between 0.97%~1.25%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SALES REVENUE, NET
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	6,378	$ 7,839,207	
Cover tires for motorcycles	5,864	3,840,342	
Cover tires for automobiles	2,854	2,757,753	
Cover tires for bicycles	7,190	2,089,114	
Radial ply truck tyres	244	1,415,758	
Cover tires for industrial use	732	470,105	
Tubes for bicycles	4,993	252,512	
Others	-	824,579	None of the balances of each remaining accounts is greater than NT$100 million.
		19,489,370	
Less: Sales returns and discounts		(114,747)	
		$ 19,374,623	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Item	Amount
Direct material	
Opening balance of materials	$ 1,169,192
Add: Purchases in the period	8,335,640
Gain on physical of raw material	775
Less: Materials sold	(252,319)
Transfer to expenses	(202,760)
Scrapping of raw material	(534)
Ending balance of raw materials	(1,135,545)
Materials used during the period	7,914,449
Direct labour	1,448,546
Manufacturing overhead	5,539,429
Manufacturing costs	14,902,424
Add: Opening balance of work in process	1,188,302
Work in process purchased	408,229
Amortisation of difference	327,074
Less: Work in process sold	(27,898)
Transferred to expenses	(1,305,036)
Loss on physical inventory for work in process	(12,736)
Scrapping of inventory	(1,029)
Ending balance of work in progress	(1,102,869)
Cost of finished goods	14,376,461
Add: Opening balance of finished goods	723,770
Finished goods purchased	330,530
Gain on physical of finished goods	45,806
Amortisation of difference	442,918
Less: Transferred to expenses	(389,953)
Scrapping of finished goods	(3,105)
Ending balance of finished goods	(860,056)
Cost of manufacturing and sales of goods for the period	14,666,371
Cost of materials sold	252,319
Cost of work in process sold	27,898
Cost of production and sales of goods	14,946,588

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Item	Amount
Add: Scrapping of inventory	4,668
Less: Revenue from sale of scraps	(30,050)
Gain on physical inventory	(33,845)
Total cost of sales	$ 14,887,361

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

Item	Description	Amount	Remark
Depreciation		$ 1,260,399	
Wages and salaries		1,237,392	
Utilities expense		558,281	
Repairs and maintenance expense		552,136	
Fuel expense		377,895	
Other expenses		1,553,326	None of the balances of each remaining accounts is greater than 5% of this account balance.
		$ 5,539,429	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

Item	Description	Selling expenses	General and administrative expenses	Remark
Taxes		$ 431,917	$ -	
Advertisement expense		392,171	-	
Wages and salaries		370,253	346,170	
Freight		144,800	-	
Import/export(customs) expense		119,381	-	
Repairs and maintenance expense		-	43,509	
Amortization		-	32,159	
Other expenses		352,733	205,672	None of the balances of each remaining accounts is greater than 5% of this account balance.
		$ 1,811,255	$ 627,510	

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6.6 Facts regarding the Company and its affiliated enterprises which have developed hard-up financial standing in recent year and the period as of the Annual Report date: Nil

VII. Analysis for Financial Condition and Operating Results and Risk Management

7.1 Comparative analysis of financial condition

in NT$1000

Year / Item	2018	2017	Difference	
			Amount	%
Current assets	$63,023,450	$66,663,624	$(3,640,174)	-5.46
Real property, plants, and equipment	103,254,578	105,007,683	(1,753,105)	-1.67
Intangible assets	237,050	110,233	126,817	115.04
Other assets	8,247,690	7,302,715	944,975	12.94
Total assets	174,762,768	179,084,255	(4,321,487)	-2.41
Current liabilities	44,487,184	42,078,364	2,408,820	5.72
Non-current liabilities	50,457,578	54,114,588	(3,657,010)	-6.76
Total liabilities	94,944,762	96,192,952	(1,248,190)	-1.30
Equity	32,414,155	32,414,155	0	0
Capital reserve	52,576	52,576	0	0
Retained earnings	51,927,349	54,168,622	(2,241,273)	-4.14
Other equity	(5,200,298)	(4,430,061)	(770,237)	17.39
Treasury stock	-	-	-	-
Non-controlling interest	624,224	686,011	(61,787)	-9.01
Total equity	79,818,006	82,891,303	(3,073,297)	-3.71
Analysis if difference reaches 20% or more and amount reaches NT$10 million: Increase in intangible assets: due to an increase in purchase of computer software.				

7.2 Analysis of operating results

(1) Analysis of financial performance

in NT$1000

Item \ Year	2018	2017	Amount of increase (decrease)	Change (%)
Operating revenue	109,221,209	112,309,166	(3,087,957)	2.75
Operating costs	(84,898,267)	(86,631,096)	(1,732,829)	-2.00
Gross profit	24,322,942	25,678,070	(1,355,128)	-5.28
Operating expenses	(16,907,753)	(17,279,578)	(371,825)	-2.15
Operating profit	7,415,189	8,398,492	(983,303)	-11.71
Revenue and expense outside operation	(1,505,548)	(16,623)	(1,488,925)	8957.02
Income before income tax	5,909,641	8,381,869	(2,472,228)	-29.49
Income tax expense	(2,335,003)	(2,779,844)	(444,841)	-16.00
Net profit	3,574,638	5,602,025	(2,027,387)	-36.19
Other consolidated net profit (loss) after tax	(813,387)	(1,255,864)	442,477	35.23
Consolidated profit	2,761,251	4,346,161	(1,584,910)	-36.47

Analysis if difference reaches 20% or more and amount reaches NT$10 million:

(1) Decrease in revenue and expense outside operation: due to a decrease in subsidy income of NT$786,711,000 and net foreign exchange loss of NT$286,153,000 and an increase in financial cost of NT$499,838,000.

(2) Decrease in income before income tax and net profit: due to a decrease in revenue and expense outside operation.

(3) Decrease in other consolidated net profit (loss) after tax: due to a decrease in conversion gains from converting financial statements for overseas subsidiaries.

(4) Decrease in consolidated profit: due to a decrease in net profit.

(2) Analysis of change to gross profit: Decrease in gross profit is largely due to a drop in operating revenue and an increase in cost of goods sold.

(3) The Company's 2018 revenue was 2.75% lower than 2017, with no material changes to core business scope.

Action Plan: Progress made in plant construction in India and Indonesia will help the group to expand its production capacity in response to a gradually recovering global market demand in the hopes of expanding our market share.

7.3 Cash flow

(1) Liquidity analysis for the most recent two years

Item \ Year	2018	2017	Percentage of change
Cash Flow Ratio (%)	33.39	21.14	57.95%
Cash Flow Adequacy Ratio (%)	90.11	101.61	-11.32%
Cash Reinvestment Ratio (%)	3.97	-0.37	-1,172.97%
Analysis of percentage of change: (if fluctuation reaches 20% or more): (1) Increase in cash flow ratio: due to an increase in net cash flow from operating activities. (2) Increase in cash reinvestment ratio: due to an increase in net cash flow from operating activities.			

(2) Cash flow analysis for the coming year

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment plan	Financing plan
$27,809,496	$14,182,698	$14,055,785	$27,936,409	-	-

1. Change in projected cash flow for the next year:
   Operations: The group's steady growth in revenues is expected.
   Investments: The group continues to invest in overseas subsidiaries and to upgrade obsolete equipment.
   Financing: Primarily payment of cash dividends and repaying loans and corporate bonds.
2. Measures for managing cash deficit and liquidity analysis: N/A.

7.4 Impact of major capital expenditure over the latest year on financial operations

(1) Status of major capital expenditure and source of funds

in NT$1,000

Plan	Actual or projected source of funds	Actual or projected completion date	Funds required Total amount	Actual or projected capital expenditure status	
				2018	2019
Purchase and upgrade of equipment	Bank loans, corporate bonds, and company fund	2018	$12,492,803	$12,492,803	-
Purchase and upgrade of equipment	Bank loans and company fund	2019	$9,146,138	-	$9,146,138

(2) Projected benefits:

1.Primarily a potential expansion of daily production capacity for tires.

2.Analysis of other projected benefits:

Continue to expand production capacity, upgrade equipment automation and increase market share in the global tire industry.

7.5 Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:

(1) The Company's reinvestment policy considers long-term investment as its priority. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks. With the exception of plants in India and Indonesia, which just began production and caused losses, our other key subsidiaries have been profitable over the past year.

(2) Investment plan for the upcoming year: Currently our plants in India and Indonesia mainly aim to raise capacity utilization. Cheng Shin Rubber (Vietnam) is building a new bike tire plant.

7.6 Analysis and evaluation of risk factors

(1) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability over the latest year and as of the date of the annual report; future action plan:

Impact on:

1.Interest rate fluctuation

In 2018, the U.S. Federal Reserve raised the interest rates four times and it is expected that the interest rates will be raised twice in 2019. Taiwan’s Central Bank has maintained the interest rate since its downward adjustment in June 2016. However, the LIBOR has been going up, causing an increase in costs of US dollar loans. The New Taiwan Dollar holds a relatively lower interest rate, making it easy for the company to raise capital, save interest, or issue ordinary corporate bonds with a fixed interest rate to satisfy the needs for long-term capital. In the future, we will closely monitor any changes in the interest rate and adopt necessary hedging strategies.

2.Exchange rate fluctuation

As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in the fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.

The group's marketing and procurement activities are mostly done in RMB, U.S. Dollars, New Taiwan Dollars and Thai Baht. Given their similar exchange rate ratios, exchange rate fluctuation risk is hedged. Exchange rate risk incurred from overseas investment derives mostly from RMB, US Dollar and Thai Baht. Debt positions acquired from facility expansion are mostly in US Dollars, RMB, Japanese Yen and Thai Baht. In addition, there are exchange conversion gains and losses denominated in the Indonesian Rupiah and Indian Rupees due to the construction of plants in Indonesia and India.

3.Inflation

In light of the uncertainty in global economic forecast, the Company is not in a position to predict for inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company’s sales. Nonetheless, no material adverse impact is expected for the overall operation.

(2) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements and Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss) over the latest year and as of the date of the annual report:

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal," pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

(3) Budget for future R&D plan and projected investment in R&D as at the date of the annual report:

1.R&D Plan

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
1	PCR LRR 5.5 product technology research project	1. LRR formula R&D 2. New lightweight material R&D 3. Lightweight structure R&D 4. LRR profile/pattern research	2019.12.31
2.	Lightweight spare tire research	1. Rugged pattern R&D 2. New material R&D 3. Structure R&D	2019.11.30
3.	Electric car sport tire development	1. New silica material R&D 2. High IPR material R&D 3. Profile/ tire structure research	2019.09.30
4.	Electric car racing tire development	1. New racing material R&D 2. New tire material R&D 3. Profile/ tire structure research	2019.04.30

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
5.	MCR sport tire development	1. Material for dry land R&D 2. Maneuvering structure R&D	2019.12.31
6.	High performance road bike tire development	1. New abrasion-resistant material R&D 2. Highly puncture-resistant material R&D	2019.08.15
7.	High performance ATV mountain bike tire development	New aggressive & high grip pattern development & design	2019.05.15
8.	ATV puncture-proof tire technology research project	1. New structure R&D 2. New material R&D	2019.12.31
9.	TBR abrasion technology research project	1. New tire surface R&D 2. New structure R&D	2019.12.31
10.	TBR subject assessment on-road test certificate	1. Test criteria evaluation & setup 2. Test personnel setup & training	2019.12.31

2.Projected investment in R&D

The R&D investment in 2019 is projected to be about 4-5% of the annual revenue to maintain the Company's R&D competitiveness.

(4) Impact of changes in domestic and foreign policy and laws on the Company's financial operations over the latest year and as at the date of the annual report; action plans:

The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.

(5) Impact of changes in technology and industry environment on the Company's financial operations over the latest year and as of the date of the annual report; action plans:

Over the latest year and as of the date of the annual report, there is no change in technology and industry environment that has an impact on the Company's financial operations.

(6) Impact of changes to corporate image on corporate crisis management over the latest year and as of the date of the annual report; action plans:

The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as at the date of the annual report.

(7) Projected benefits and potential risks associated with mergers and acquisitions activities over the latest year and as at the date of the annual report: None.

(8) Projected benefits and potential risks associated with facility expansion over the latest year and as at the date of the annual report:

Cheng Shin Rubber (Vietnam) is building a new bike tire plant.

As at the date of the annual report, we are proactively developing products and have made progress in line with the initial plans.

Risks associated with expansion of production come from drastic fluctuations in market demands. The Company's management has been paying close attention to future market demands. Benefits from the current expansion of capacity are still in line with the Company’s expectations.

(9) Risks associated with concentration of supply and sales over the latest year and as of the date of the annual report: None.

(10) Impact of transfer of significant number of shares by directors, supervisors and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and action plans: None.

(11) Impact of change in ownership, risks associated and action plans: None.

(12) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company’s shareholder equity or price of securities: None.

(13) Other major risks: Evaluation and analysis of information security risks- impact of information system damage on the company and countermeasures.

Our company’s information system is structured with two highly reliable host computers, remote backup, and data backup mechanism based on its risk level to ensure the continuous service. In addition, the backup data are stored and saved at another location and the drill of mock tests and emergency responses is enhanced so as to ensure the normal operation and safeguards of the information system. The risk of system crash due to the unpredictable natural disasters and personal negligence is also lowered to ensure that the expected system recovery timeline is met.

With the aim to continue the business operation and reduce the possible losses and risks when the information system damage occurs, the countermeasures are in place such as the regular analysis of operational impact every year and the designing and upgrading of the proper software and hardware equipment and resources based on the risk levels, and the improvement of the operation procedure.

7.7 Other material matters: None.

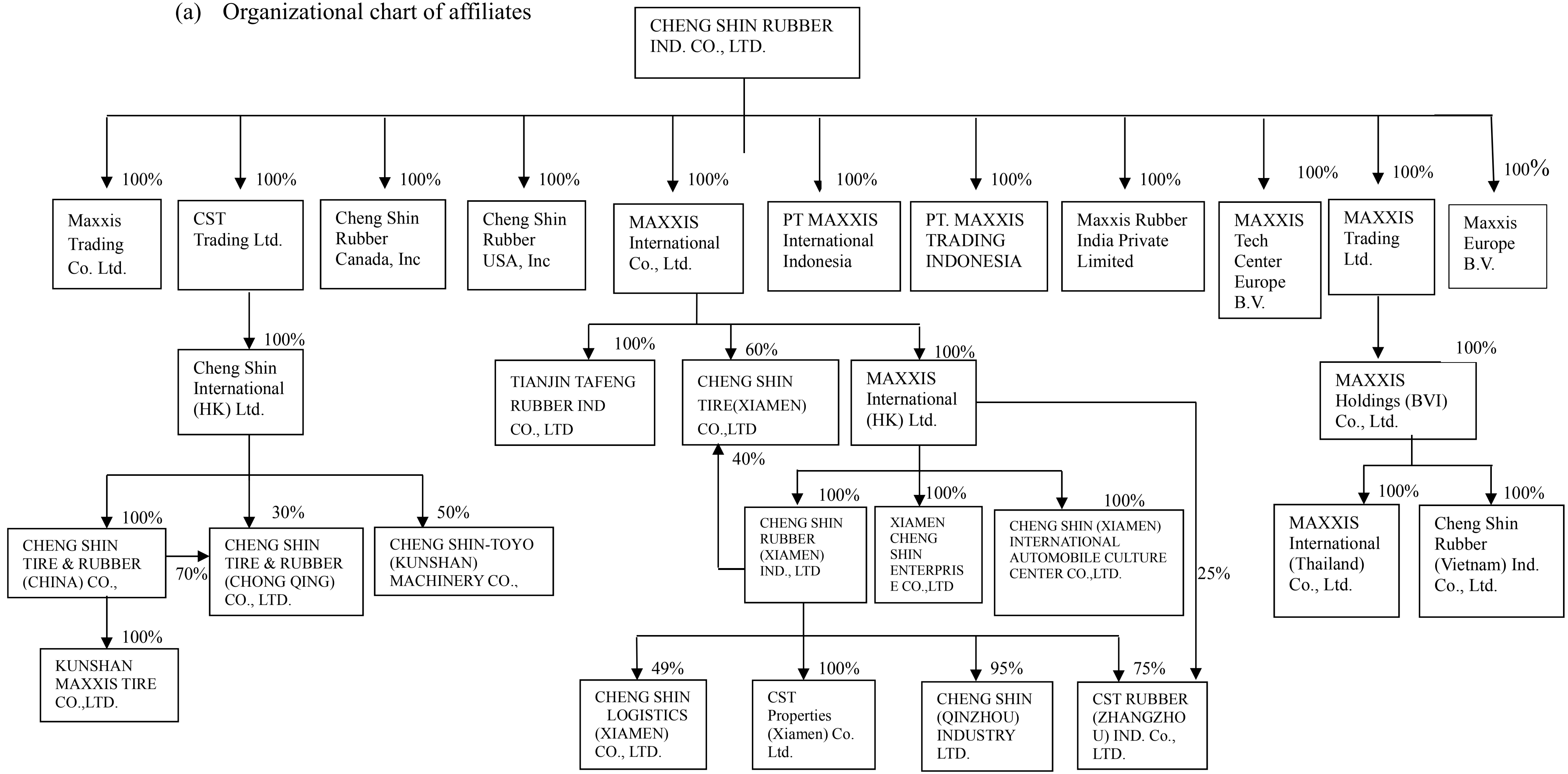
VIII. Special Notes

8.1 Information on Affiliated Companies

(1) Consolidated Business Report of Affiliated Companies

1.Status of affiliates

(a) Organizational chart of affiliates



(b) In accordance with Article 369-3 of the Company Act, the Company and those listed below are presumed to have a controlling and subordinate relationship and do not meet such definition under Article 369-2 of the Company Act. Therefore, they are not included in the consolidated financial statement. The information of their shareholders and directors: None.

(c) Pursuant to Article 369-2(2) of the Company Act, subsidiaries whose personnel, finance or business are controlled directly or indirectly by the Company: None.

2.Basic information on affiliates

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber (Xiamen) Ind. Ltd.	1989.05.26	No. 15, Xibin Rd., Xinglin Zhen, Jimei District, Xiamen City	US$175,000,000	Produces and sells various types of automobile tires
Cheng Shin Rubber USA, Inc	1990.05.11	545 OLD PEACHTREE ROAD, SUWANEE,GA30024 USA	US$18,000,000	Import-export trade in tires
Cheng Shin Logistics (Xiamen) Co. Ltd.	1993.03.25	No. 11, Xinshun Rd., Haicang District, Xiamen	RMB$14,411,765	International containerized shipping business
CST Trading Ltd.	1993.05.19	P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS	US$72,900,000	General trade and investment
Cheng Shin Tire & Rubber (China) Co. Ltd	1993.07.27	No. 8, Hefeng Rd., Lujia Township, Kunshan City	US$225,000,000	Produces and sells various types of automobile tires
Tianjin Tafeng Rubber Ind Co., Ltd.	1994.08.15	No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin	US$18,000,000	Produces and sells various types of automobile tires
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	1996.03.20	Chaoyang East Rd., Kunshan R&D Zone, Jiangsu Province	US$8,500,000	Produces and sells tire molds for cars and trucks
MAXXIS International Co., Ltd.	1997.01.30	P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.	US$35,050,000	General trade and investment
Cheng Shin (Qinzhou) Industry Ltd.	1998.09.23	No. 26, Jiangang Rd., Legou Business District, Qinzhougang Economic Development Zone, Guangxi	RMB$45,000,000	Rubber and tire parts distribution and delivery

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber Canada, Inc	1999.01.31	400 CHRYSLER DRIVE, UNIT C BRAMPTON,ONTARIO, L6S 5Z5 CANADA	CAD$ 1,518,700	Import-export trade in tires
Cheng Shin Tire (Xiamen) Co., Ltd	2001.12.28	No. 15, Xiyuan Rd., Haicang District, Ximen	US$130,000,000	Produces and sells various types of automobile tires
MAXXIS Trading Ltd.	2002.08.26	P.O. BOX 957,OFFSHORE INCORPORATION CENTRE,ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US$237,811,720	General trade and investment
MAXXIS Holdings (BVI) Co., Ltd.	2002.08.27	P.O. BOX 957,OFFSHORE INCORPORATION CENTRE,ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US$237,811,720	General trade and investment
MAXXIS International (Thailand) Co., Ltd.	2002.11.05	300/1 MOO 1, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAYONG PROVINCE 21140, THAILAND	THB$6,500,000,000	Produces and sells various types of automobile tires
XiaMen Cheng Shin Enterprise Co., Ltd.	2004.01.11	No. 15, Xinshun Rd., Haicang District, Xiamen	US$45,000,000	Produces and sells various types of automobile tires
MAXXIS Tech Center Europe B.V.	2005.04.01	Neutronenlaan7,5405NG Uden, The Netherlands	EUR$ 1,000,000	Tire testing
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	2005.12.08	C'ty TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.	US$62,000,000	Produces and sells various types of automobile tires
MAXXIS International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Harbour Road, Wanchai, Hong Kong	US$226,801,983	General trade and investment
Cheng Shin International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Harbour Road, Wanchai, Hong Kong	US$246,767,840	General trade and investment
Cheng Shin (Xiamen) International Automobile Cultural Center Co. Ltd.	2009.07.17	Room 101, No. 58, Shuilishe, Kengnei Vil., Guankou Township, Jimei District, Xiamen	US$20,000,000	Automobile assembly and product R&D, testing and related product display
CST Rubber (Zhangzhou) Ind. Co., Ltd.	2010.03.22	No. 15, Qingshi Road, Gangwei Township, Longhai City	RMB$950,000,000	Produces and sells various types of automobile tires
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2010.05.17	No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City	US$100,000,000	Produces and sells various types of vehicle tires, rubber products,

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
				molds and accessories.
CST Properties (Xiamen) Co., Ltd.	2013.08.21	Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen	RMB38 0,000,000	Employee dormitory construction and sales
PT Maxxis International Indonesia	2014.08.27	Kawasan Greenland International Industrial Center (GIIC) Blok CG No. 01, Kota Deltamas, Desa Pasirranji, Kec.Cikarang Pusat, Kabupaten Bekasi	US$80,000,000	Produces and sells tires and inner tubes
Maxxis Rubber India Private Limited	2015.03.26	A/1, 2nd Floor, Safal Profitaire, Corporate Road, Prahladnagar, Ahmedabad-380015, Gujarat, INDIA	INR 6,500,000,000	Motorcycle tires and inner tube production and sales
Kunshan Maxxis Tire Co., Ltd.	2015.09.28	No. 8, Hefeng Rd., Lujia Township, Kunshan City	RMB5,000,000	Sales of various vehicle tires, rubber products, molds and accessories
Maxxis Trading Company Limited	2016.01.13	No. 180, Juguang Rd., Sanyi Vil., Yuanlin City, Changhua County	NT$100,000,000	Sales of various automobile tires, rubber products, and accessories
PT. Maxxis Trading Indonesia	2017.05.10	Kawasan Greenland International Industrial Center (GIIC) Blok CG. No.1A Kota Deltamas, Desa Pasirranji, Kec. Cikarang Pusat, Kabupaten Bekasi	US$1,000,000	Auto parts trading
Maxxis Europe B.V.	2018.05.24	Neutronenlaan7,5405NG Uden,The Netherlands	EUR$500,000	Sales of various automobile tires

Note: Applicable exchange rates are as of the end of the year of the affiliates (US$1:NT$30.715;EUR$1:NT$35.2;CAD$1:NT$22.5575;RMB$1:NT$4.472;THB$1:NT$0.9532;VND$1:NT$0.0012;IDR$1:NT$0.00213;INR$1:NT$0.4392) for conversions.

3.Information on shareholders of controlling and subordinate companies: There are no presumed subordinate companies.

4.Industry scope of the group affiliates

(a) Businesses engaged by the Company and its affiliates include tires, general trading and investment, international trade, machinery, R&D and testing of automotive accessories, testing and exhibition of related products, human resource dispatch, etc.

(b) Cooperation between the Company and affiliates:

Cooperation Matters	Affiliates
Manufacturing and marketing of tire products	The Company, Cheng Shin Rubber (Xiamen) Ind. Ltd. ,Cheng Shin Tire & Rubber (China) Co., Ltd. , Tianjin Tafeng Rubber Ind., Co., Ltd. , Cheng Shin Tire (Xiamen) Co., Ltd. , XiaMen Cheng Shin Enterprise Co., Ltd. , MAXXIS International (Thailand) Co., Ltd. , Cheng Shin Rubber (Vietnam) IND. Co., Ltd. , Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. , CST Rubber (Zhangzhou) Ind. Co., Ltd. , PT MAXXIS International Indonesia, Maxxis Rubber India Private Limited
Marketing of Tire Products	Cheng Shin Rubber USA, Inc., Cheng Shin Rubber Canada, Inc., Kunshan Maxxis Tire Co., Ltd., Maxxis Trading Company Limited, PT. MAXXIS TRADING INDONESIA, Maxxis Europe B.V.
Production of Molds and Equipment	Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.
Tire Testing Center	MAXXIS Tech Center Europe B.V.
R&D Centers	The Company, Cheng Shin Tire & Rubber (China) Co., Ltd. , Cheng Shin Rubber USA, Inc. ,Cheng Shin Rubber (Xiamen) Ind. Ltd.
Automotive accessory development and testing, etc.	Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.
International packaging and shipping business	Cheng Shin Logistics (Xiamen) Co., Ltd., Cheng Shin (Qinzhou) Industry Ltd., Tianjin Tafeng Rubber Ind Co., Ltd.

5.Directors, Supervisors and General Managers of affiliated enterprises:

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
MAXXIS International Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu Li-Ching	35,050,000	100%
CST Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	72,900,000	100%
Cheng Shin Rubber USA, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Lee Hung-Wen	1,800,000	100%
Cheng Shin Rubber Canada, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Zheng, Ya-Wei	1,000,000	100%
MAXXIS Tech Center Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Lin, Jin-Quan	1,000,000	100%
Cheng Shin Rubber (Xiamen) Ind. Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
	Supervisor	MAXXIS International (HK) Ltd. Representative: Hsu, Chih-Ming		
Tianjin Tafeng Rubber Ind Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
Cheng Shin (Qinzhou) Industry Ltd.	Director	Xiamen Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Shiu-Hsiung	-	95%
XiaMen Cheng Shin Enterprise Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo,	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
		Min-Ling		
	Supervisor	MAXXIS International (HK) Ltd. Representative: Chen, Han-Xin		
Cheng Shin Tire (Xiamen) Co., Ltd.	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling Cheng Shin Rubber (Xiamen) Ind. Ltd. Representative: Hsu, Chih-Ming	-	60%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind. Ltd. Representative: Chen, Han-Xin		40%
Cheng Shin Tire & Rubber (China) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li		
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lee, Chin-Chang	-	50%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Yong-Li		
MAXXIS Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%
MAXXIS Holdings (BVI) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
MAXXIS International (Thailand) Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen; Chen, Shiu-Hsiung	65,000,000	100%
Cheng Shin Rubber (Vietnam) IND. Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen; Liao, Zheng-Yao; Chiu, Li-Ching	62,000,000	100%
MAXXIS International (HK) Ltd.	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen	226,801,983	100%
Cheng Shin International (HK) Ltd.	Director	CST Trading Ltd. Representatives: Lo, Tsai-Jen	246,767,840	100%
PT MAXXIS International Indonesia	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Li, Hong-Ge; Xie, Zheng-Chang	79,997,000	99.99625%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
PT. MAXXIS TRADING INDONESIA	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Li, Hong-Ge	9,990	99.9%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Liao, Zheng-Yao		
Maxxis Rubber India Private Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Liao, Zheng-Yao; Liu, Chun-Xuan	649,994,730	99.99919%
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	Director	MAXXIS International (HK) Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-Ling	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind. Ltd.		

Enterprise name	Position	Full name or Representative	Share Holdings: Number of shares	Share Holdings: Percent holdings (%)
		Representative: Chen, Han-Xin		
Cheng Shin Logistics (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung; Hsu, Chih-Ming Xiamen Maxxis Trading Company Limited Representative: Lo, Tsai-Jen Hong Kong Daxiang Investment Co., Ltd. Representative: Chen, Han-Xin	-	49% 25.5% 25.5%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind. Ltd. Representative: Chen, Han-Guang		49%
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	Director	Cheng Shin Tire & Rubber (China) Co., Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Lo, Yong-Li		
Kunshan Maxxis Tire Co., Ltd.	Director	Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Lee, Chin-Chang	-	100%
	Supervisor	Cheng Shin Tire & Rubber (China) Co., Ltd. Representative: Jiang, Zhi-Wei		
CST Properties (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung	-	100%
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Xin		
CST Rubber (Zhangzhou) Ind. Co., Ltd.	Director	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Shiu-Hsiung MAXXIS International (HK) Ltd. Representatives: Lo, Tsai-Jen, Lo, Ming-Ling	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
	Supervisor	Cheng Shin Rubber (Xiamen) Ind., Ltd. Representative: Chen, Han-Xin		
Maxxis Trading Company Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Liao, Cheng-Yao; Chen, Shiu-Hsiung	10,000,000	100%
	Supervisor	Cheng Shin Rubber Industry Co. Ltd. Representative: Chiu, Li-Ching		
Maxxis Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Ting, Tso-Lin	500,000	100%

(2) Financial status and operating performance of affiliates:

in NT$1000

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT$) (After tax)
MAXXIS International Co., Ltd.	1,017,852	40,426,524	101	40,426,423	-	-321	1,149,102	32.78
CST Trading Ltd.	2,117,016	24,870,970	101	24,870,869	-	-239	2,825,638	38.76
Cheng Shin Rubber USA, Inc	552,870	3, 918,944	1, 235,743	2, 683,201	6,338,407	408,139	319,213	177.34
Cheng Shin Rubber Canada, Inc	34,258	1, 110,511	461,329	649,182	1,986,180	105,259	106,992	106.99
Cheng Shin (Qinzhou) Industry Ltd.	201,240	138,091	10,562	127,529	13,582	-9,890	-9,020	-
Cheng Shin Tire & Rubber (China) Co., Ltd.	7,998,033	30,367,362	7,608,396	22,758,966	23,656,983	2,040,616	2,478,296	-
Cheng Shin-Toyo (Kunshan) Manchinery Co., Ltd.	303,769	409,595	61,352	348,243	369,855	88,979	82,953	-
Cheng Shin Rubber (Xiamen) Ind. Ltd.	5,578,838	33,438,811	11,255,778	22,183,033	17,482,258	-78,637	537,833	-
Tianjin Tafeng Rubber Ind Co., Ltd.	660,789	1,329,668	65,586	1,264,082	734,300	-296,123	-308,975	-
Cheng Shin Tire (Xiamen) Co., Ltd.	4,316,199	18,474,959	5,507,939	12,967,020	14,188,951	937,144	844,820	-
MAXXIS Trading Ltd.	6,906,052	10,106,995	101	10,106,894	-	-163	424,609	1.79
MAXXIS Holdings (BVI) Co., Ltd.	6,906,052	10,576,888	-	10,576,888	-	-65	424,730	1.79

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT$) (After tax)
XiaMen Cheng Shin Enterprise Co., Ltd.	1,629,064	8,298,229	640,392	7,657,837	3,961,916	230,946	422,298	-
MAXXIS Tech Center Europe B.V.	35,200	73,558	8,386	65,172	105,625	7,077	5,705	5.71
Cheng Shin Rubber (Vietnam) IND. Co., Ltd	1351,537	4,628,825	1,799,837	2,828,988	5,257,000	875,390	710,546	11.46
MAXXIS International (Thailand) Co., Ltd.	6,195,800	17,798,865	10,054,104	7,744,761	13,757,943	-160,313	-285,914	-4.40
MAXXIS International (HK) Ltd.	6,586,330	31,449,536	-	31,449,536	-	-118	946,696	4.17
Cheng Shin International (HK) Ltd.	7,166,138	24,707,022	-	24,707,022	-	-111	2,818,711	11.42
Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.	596,554	827,157	543,136	284,021	7,625	-67,492	-100,374	-
Cheng Shin Logistics (Xiamen) Co., Ltd.	64,449	227,468	70,048	157,420	456,374	31,005	26,065	-
CST Rubber (Zhangzhou) Ind. Co., Ltd.	4,248,400	14,565,908	9,268,579	5,297,329	7,895,896	645,571	348,159	-
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2,916,218	8,878,071	3,384,375	5,493,696	7.074,427	1,168,619	955,335	-
CST Properties (Xiamen) Co.,	1,699,360	3,010,749	1,404,316	1,606,433	-	-40,385	-39,633	-

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT$) (After tax)
Ltd.								
PT MAXXIS International Indonesia	1,934,210	9,514,734	8,895,122	619,612	175,025	426,788	1,007,564	13
Maxxis Rubber India Private Limited	2,854,800	8,796,085	7,703,422	1,092,663	277,221	659,896	1,277,159	2
Kunshan Maxxis Tire Co., Ltd.	22,360	51,252	22,723	28,529	171,216	8,938	7,028	-
Maxxis Trading Company Limited	100,000	703,694	370,797	332,897	4,219,640	226,173	182,686	18
PT. MAXXIS TRADING INDONESIA	28,418	29,307	1,663	27,644	498	-3,172	980	-98
Maxxis Europe B.V.	17,600	20,101	2,257	17,844	1,455	147	147	0

Note 1: Assets and liabilities are based on end-of-year exchange rates (US$1:
(US$1:NT$30.715;EUR$1:NT$35.2;CAD$1:NT$22.5575;RMB$1:NT$4.472;THB$1:NT$0.9532;VND$1:NT$0.0012;IDR$1:NT$0.00213;INR$1:NT$0.4392)
Profits and losses are based on weighted average exchange rates
(US$1:NT$30.1492;EUR$1:NT$35.60552;CAD$1:NT$23.2133;RMB$1:NT$4.56013;THB$1:NT$0.93774;VND$1:NT$0.00118;IDR$1:NT$0.00213;INR$1:NT$0.44112)

Note 2: Paid-in capital.

(3) Consolidated financial statement of affiliates:

For 2018 (from January 1, 2018 to December 31, 2018), companies that are required to be included in the consolidated financial statements of affiliates in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiary under International Accounting Standard No. 10. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiary, no consolidated financial statements of affiliates are separately prepared.

(4) Affiliation Reports: In the absence of any presumed subordinate, no such report is prepared.

8.2 Private placement of securities over the latest year and as at the date of the printing of the annual report: None.

8.3 Shareholding or disposition of shares of the Company by any subsidiary over the latest year and as at the date of the printing of the annual report: None.

8.4 Other matters required to be specified: None

8.5 Material matters specified by Article 36(3)(ii) of the Securities and Exchange Act that has a material impact on interests of shareholders or price of securities over the latest year and as of the date the printing of the annual report: None.

Cheng Shin Rubber Industry Co. Ltd.

Chairman

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