

**CHENG SHIN RUBBER IND. CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
SEPTEMBER 30, 2016 AND 2015**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 16001894

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

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and its subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2016 and 2015 as well as the related consolidated statements of changes in equity and of cash flows for the nine-month periods ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Notes 4(3) and 6(6), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method, which statements reflect total assets (including investments accounted for under equity method) of \$18,874,789 thousand and \$33,278,250 thousand, constituting 11% and 20% of the consolidated total assets, and total liabilities of \$8,356,851 thousand and \$15,206,438 thousand, constituting 11% and 19% of the consolidated total liabilities as of September 30, 2016 and 2015, respectively, and total comprehensive income of \$338,398 thousand, \$241,146 thousand, \$928,020 thousand and \$497,981 thousand, constituting 43%, 4%, 14% and 5% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2016 and 2015, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of September 30, 2016 and 2015.

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Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

*PricewaterhouseCoopers, Taiwan*

PricewaterhouseCoopers, Taiwan

November 9, 2016

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review 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 review 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**  
**SEPTEMBER 30, 2016, DECEMBER 31, 2015 AND SEPTEMBER 30, 2015**  
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2016 and 2015 are reviewed, not audited)

Assets			September 30, 2016		December 31, 2015		September 30, 2015				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	27,565,969	17	\$	22,381,166	14	\$	22,847,637	13
1110	Financial assets at fair value	6(2)									
	through profit or loss - current			229	-		-	-		-	-
1125	Available-for-sale financial	6(3)									
	assets - current			145,407	-		167,347	-		170,850	-
1150	Notes receivable, net	6(4)		1,464,464	1		2,242,936	1		2,556,255	2
1170	Accounts receivable, net	6(5)		10,801,424	7		10,694,137	7		10,926,789	6
1180	Accounts receivable - related	7									
	parties, net			128,788	-		161,489	-		208,193	-
130X	Inventories, net	6(6)		12,029,525	7		13,213,153	8		13,985,834	8
1410	Prepayments			1,549,736	1		1,126,046	1		1,476,015	1
1470	Other current assets	8		1,476,916	1		2,360,856	1		966,480	1
11XX	Total current assets			55,162,458	34		52,347,130	32		53,138,053	31
Non-current assets											
1523	Available-for-sale financial	6(3)									
	assets - non-current			58,187	-		58,187	-		58,187	-
1550	Investments accounted for	6(7)(20)									
	using equity method			173,659	-		181,668	-		169,561	-
1600	Property, plant and equipment,	6(8)									
	net			102,441,746	62		106,476,804	64		108,774,141	64
1760	Investment property, net	6(9)		291,923	-		328,252	-		328,495	-
1840	Deferred income tax assets	6(25)		694,292	1		701,125	-		723,461	1
1900	Other non-current assets	6(10) and 8		5,609,186	3		5,865,056	4		5,898,123	4
15XX	Total non-current assets			109,268,993	66		113,611,092	68		115,951,968	69
1XXX	Total assets		\$	164,431,451	100	\$	165,958,222	100	\$	169,090,021	100

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**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2016, DECEMBER 31, 2015 AND SEPTEMBER 30, 2015**  
(Expressed in thousands of New Taiwan dollars)  
(The consolidated balance sheets as of September 30, 2016 and 2015 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2016		December 31, 2015		September 30, 2015	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(11)	\$ 14,679,016	9	\$ 16,206,436	10	\$ 18,071,258	11
2120	Financial liabilities at fair value through profit or loss - current	6(2)	135	-	19,173	-	-	-
2150	Notes payable		48,000	-	207,011	-	222,265	-
2170	Accounts payable		7,207,467	4	6,744,632	4	6,487,099	4
2200	Other payables	6(12)	7,025,692	4	6,314,880	4	6,804,784	4
2230	Current income tax liabilities	6(25)	1,347,245	1	1,751,321	1	1,684,800	1
2300	Other current liabilities	6(13)(14)						
		(15) and 7	9,346,545	6	6,146,918	4	7,800,191	4
21XX	<b>Total current liabilities</b>		<u>39,654,100</u>	<u>24</u>	<u>37,390,371</u>	<u>23</u>	<u>41,070,397</u>	<u>24</u>
	<b>Non-current liabilities</b>							
2500	Financial liabilities at fair value through profit or loss - non-current	6(2)	-	-	-	-	30,559	-
2530	Bonds payable	6(14)	11,700,000	7	8,600,000	5	8,600,000	5
2540	Long-term borrowings	6(15) and 7	20,933,869	13	23,458,920	14	23,848,177	14
2550	Provisions - non-current		116,382	-	118,340	-	115,053	-
2570	Deferred income tax liabilities	6(25)	1,484,091	1	2,415,551	2	2,524,068	2
2600	Other non-current liabilities	6(16)	3,608,354	2	4,022,456	2	4,125,073	2
25XX	<b>Total non-current liabilities</b>		<u>37,842,696</u>	<u>23</u>	<u>38,615,267</u>	<u>23</u>	<u>39,242,930</u>	<u>23</u>
2XXX	<b>Total liabilities</b>		<u>77,496,796</u>	<u>47</u>	<u>76,005,638</u>	<u>46</u>	<u>80,313,327</u>	<u>47</u>
	<b>Equity</b>							
	<b>Equity attributable to owners of parent</b>							
	<b>Share capital</b>	6(17)						
3110	Ordinary shares		32,414,155	20	32,414,155	20	32,414,155	19
	<b>Capital surplus</b>	6(18)						
3200	Capital surplus		52,576	-	52,576	-	52,576	-
	<b>Retained earnings</b>	6(19)						
3310	Legal reserve		12,955,677	8	11,678,012	7	11,678,012	7
3320	Special reserve		2,604,163	1	2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		40,604,640	25	40,593,212	24	37,410,491	22
	<b>Other equity interest</b>	6(20)						
3400	Other equity interest		( 2,461,098 )	( 2 )	1,819,019	1	3,795,848	2
31XX	<b>Total equity attributable to owners of the parent</b>		<u>86,170,113</u>	<u>52</u>	<u>89,161,137</u>	<u>54</u>	<u>87,955,245</u>	<u>52</u>
36XX	<b>Non-controlling interest</b>		<u>764,542</u>	<u>1</u>	<u>791,447</u>	<u>-</u>	<u>821,449</u>	<u>1</u>
3XXX	<b>Total equity</b>		<u>86,934,655</u>	<u>53</u>	<u>89,952,584</u>	<u>54</u>	<u>88,776,694</u>	<u>53</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9						
	<b>Significant events after the balance sheet date</b>	11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 164,431,451</u>	<u>100</u>	<u>\$ 165,958,222</u>	<u>100</u>	<u>\$ 169,090,021</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated November 9, 2016.

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars, except earnings per share data)  
(UNAUDITED)

	Items	Notes	Three-month periods ended September 30			Nine-month periods ended September 30		
			2016			2015		
			AMOUNT	%	AMOUNT	AMOUNT	%	AMOUNT
4000	Sales revenue	7	\$ 29,293,244	100	\$ 29,208,814	100	\$ 89,659,798	100
5000	Operating costs	6(6)	( 20,470,907)	( 70)	( 20,188,887)	( 69)	( 61,212,155)	( 68)
5900	Gross profit		8,822,337	30	9,019,927	31	28,447,643	32
	<b>Operating expenses</b>	7						
6100	Selling expenses		( 2,469,973)	( 9)	( 2,452,929)	( 8)	( 6,958,653)	( 8)
6200	General and administrative expenses		( 894,670)	( 3)	( 1,012,361)	( 4)	( 2,552,956)	( 3)
6300	Research and development expenses		( 1,242,377)	( 4)	( 1,093,418)	( 4)	( 3,624,467)	( 4)
6000	Total operating expenses		( 4,607,020)	( 16)	( 4,558,708)	( 16)	( 13,136,076)	( 15)
6900	Operating profit		4,215,317	14	4,461,219	15	15,311,567	17
	<b>Non-operating income and expenses</b>							
7010	Other income	6(21)	421,553	1	259,033	1	735,594	1
7020	Other gains and losses	6(22)	( 402,691)	( 1)	( 403,607)	( 1)	( 667,643)	( 1)
7050	Finance costs	6(23)	( 248,269)	( 1)	( 250,438)	( 1)	( 691,949)	( 1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	2,681	-	8,468	-	14,777	-
7000	Total non-operating income and expenses		( 226,726)	( 1)	( 386,544)	( 1)	( 609,221)	( 1)
7900	Profit before income tax		3,988,591	13	4,074,675	14	14,702,346	16
7950	Income tax expense	6(25)	( 973,731)	( 3)	( 996,350)	( 3)	( 3,617,683)	( 4)
8200	Profit for the period		\$ 3,014,860	10	\$ 3,078,325	11	\$ 11,084,663	12

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars, except earnings per share data)  
(UNAUDITED)

			Three-month periods ended September 30			Nine-month periods ended September 30		
	Items	Notes	2016	%	2015	2016	%	2015
			AMOUNT		AMOUNT	AMOUNT		AMOUNT
	<b>Other comprehensive income</b>							
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>							
8361	Financial statements translation differences of foreign operations		(\$ 2,655,463)	( 9)	\$ 2,956,428	10 (\$ 5,230,850)	( 6)	\$ 344,612
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	( 16,692)	-	( 11,661)	-	-	41,956
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	6(3)						
8399	Income tax relating to the components of other comprehensive (loss) income that will be reclassified to profit or loss	6(25)	214	-	( 8,095)	-	-	( 8,458)
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		439,013	2	( 497,129)	( 2)	872,511	1 ( 64,583)
8300	<b>Other comprehensive (loss) income for the period</b>		( 2,232,928)	( 7)	2,439,543	8 ( 4,378,346)	( 5)	313,527
8500	<b>Total comprehensive income for the period</b>		(\$ 2,232,928)	( 7)	\$ 2,439,543	8 (\$ 4,378,346)	( 5)	\$ 313,527
	<b>Profit, attributable to:</b>		\$ 781,932	3	\$ 5,517,868	19 \$ 6,706,317	7	\$ 9,943,915
8610	Owners of the parent		\$ 2,989,342	10	\$ 3,049,949	11 \$ 11,013,339	12	\$ 9,567,021
8620	Non-controlling interest		25,518	-	28,376	-	71,324	63,367
	<b>Comprehensive income (loss) attributable to:</b>		\$ 3,014,860	10	\$ 3,078,325	11 \$ 11,084,663	12	\$ 9,630,388
8710	Owners of the parent		\$ 829,443	3	\$ 5,457,604	19 \$ 6,733,222	7	\$ 9,916,097
8720	Non-controlling interest		( 47,511)	-	60,264	-	( 26,905)	27,818
	<b>Earnings per share (in dollars)</b>		\$ 781,932	3	\$ 5,517,868	19 \$ 6,706,317	7	\$ 9,943,915
9750	<b>Basic earnings per share</b>	6(26)	\$	0.92	\$	0.94	\$	3.40
9850	<b>Diluted earnings per share</b>		\$	0.92	\$	0.94	\$	3.39

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated November 9, 2016.

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Equity attributable to owners of the parent										Non- controlling interest	Total equity
	Notes	Capital Reserves			Retained Earnings			Other Equity Interest				
		Share capital – ordinary shares	Treasury stock transactions	Gain on sale of fixed assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Total		
<u>Nine-month period ended September 30, 2015</u>												
Balance at January 1, 2015		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 10,076,452	\$ 2,604,163	\$ 39,169,276	\$ 3,402,402	\$ 44,370	\$ 87,763,394	\$ 793,631	\$ 88,557,025
Appropriations of 2014 earnings:												
Legal reserve	6(19)	-	-	-	1,601,560	-	( 1,601,560 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	-	( 9,724,246 )
Profit for the period		-	-	-	-	-	9,567,021	-	-	9,567,021	63,367	9,630,388
Other comprehensive income (loss) for the period	6(20)	-	-	-	-	-	-	315,316	33,760	349,076	( 35,549 )	313,527
Balance at September 30, 2015		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 11,678,012</u>	<u>\$ 2,604,163</u>	<u>\$ 37,410,491</u>	<u>\$ 3,717,718</u>	<u>\$ 78,130</u>	<u>\$ 87,955,245</u>	<u>\$ 821,449</u>	<u>\$ 88,776,694</u>
<u>Nine-month period ended September 30, 2016</u>												
Balance at January 1, 2016		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 11,678,012	\$ 2,604,163	\$ 40,593,212	\$ 1,744,319	\$ 74,700	\$ 89,161,137	\$ 791,447	\$ 89,952,584
Appropriations of 2015 earnings:												
Legal reserve	6(19)	-	-	-	1,277,665	-	( 1,277,665 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	-	( 9,724,246 )
Profit for the period		-	-	-	-	-	11,013,339	-	-	11,013,339	71,324	11,084,663
Other comprehensive loss for the period	6(20)	-	-	-	-	-	-	( 4,259,907 )	( 20,210 )	( 4,280,117 )	( 98,229 )	( 4,378,346 )
Balance at September 30, 2016		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 12,955,677</u>	<u>\$ 2,604,163</u>	<u>\$ 40,604,640</u>	<u>\$ 2,515,588</u>	<u>\$ 54,490</u>	<u>\$ 86,170,113</u>	<u>\$ 764,542</u>	<u>\$ 86,934,655</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated November 9, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

		Nine-month periods ended September 30,	
	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 14,702,346	\$ 13,316,751
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(24)	8,687,109	8,262,662
Depreciation on investment property	6(9)	589	726
Rental expenses for land use right	6(10)	69,889	66,971
Share of profit of associates and joint ventures accounted for using equity method	6(7)	( 14,777 )	( 22,302 )
Net gain on financial assets or liabilities at fair value through profit or loss	6(22)	( 19,085 )	( 17,452 )
Loss on disposal of property, plant and equipment	6(8)(22)	45,400	23,373
Property, plant and equipment transferred to expenses	6(8)	191,735	170,745
Provision for bad debts expense	6(5)	227	597
Interest expense	6(8)(23)	691,949	713,278
Interest income	6(21)	( 107,712 )	( 145,394 )
Gain on disposal of investments	6(3)(22)	( 475 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		778,472	592,667
Accounts receivable - related parties		32,701	( 30,088 )
Accounts receivable		( 107,450 )	252,456
Inventories		1,183,628	2,586,864
Prepayments		( 423,690 )	147,279
Other current assets		79,720	201,382
Other operating assets		1,970	( 14,627 )
Changes in operating liabilities			
Notes payable		( 159,011 )	164,783
Accounts payable		462,835	( 1,752,081 )
Other payables		516,848	408,278
Other current liabilities		( 3,254 )	55,986
Accrued pension liabilities		( 112,033 )	( 1,195 )
Cash inflow generated from operations		26,497,931	24,981,659
Interest received		104,193	147,729
Dividends received	6(7)	25,152	33,888
Interest paid		( 724,199 )	( 773,634 )
Income tax paid		( 4,091,171 )	( 4,832,228 )
Net cash flows from operating activities		21,811,906	19,557,414

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**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

		Nine-month periods ended September 30,	
	Notes	2016	2015
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from capital reduction of available-for-sale financial assets	6(3)	\$ 158	\$ -
Increase in other current assets	8	-	( 307 )
Proceeds from disposal of property, plant and equipment	6(8)	355,209	83,398
Payment for capitalized interests	6(8)(23)(27)	( 29,897 )	( 26,272 )
Acquisition of property, plant and equipment	6(8)(27)	( 9,923,238 )	( 7,800,448 )
(Increase) decrease in refundable deposits		( 64,480 )	227,787
Increase in land use rights		-	( 2,234,108 )
Decrease in other non-current liabilities		( 116,305 )	( 81,386 )
Net cash flows used in investing activities		( 9,778,553 )	( 9,831,336 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in other current assets		809,989	-
Increase in short-term loans		14,191,599	14,712,880
Decrease in short-term loans		( 15,884,955 )	( 11,482,677 )
Proceeds from issuing bonds	6(14)	5,000,000	-
Repayments of bonds	6(14)	-	( 2,000,000 )
Increase in long-term loans		7,547,220	6,224,541
Decrease in long-term loans		( 8,132,905 )	( 7,098,858 )
Decrease in guarantee deposits received		( 24,202 )	( 5,368 )
Increase in other payables to related parties	7	42,237	33,576
Cash dividends paid	6(19)	( 9,724,246 )	( 9,724,246 )
Net cash flows used in financing activities		( 6,175,263 )	( 9,340,152 )
Effect of exchange rate changes on cash and cash equivalents		( 673,287 )	1,295,632
Net increase in cash and cash equivalents		5,184,803	1,681,558
Cash and cash equivalents at beginning of period	6(1)	22,381,166	21,166,079
Cash and cash equivalents at end of period	6(1)	\$ 27,565,969	\$ 22,847,637

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated November 9, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

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

(UNAUDITED)

1. HISTORY AND ORGANIZATION

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 since December 1987.

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

These consolidated financial statements were reported to the Board of Directors on November 9, 2016.

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")

None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognized or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

(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 effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

#### 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 amortized 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 recognize 12-month expected credit losses ('ECL') or lifetime ECL (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).

#### B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized 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 recognizes 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 recognizes 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: Recognize 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.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. 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.

E. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'

These amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits.

Except for the aforementioned effects, as of the financial statement issuing date, the Group continuously evaluates effects on financial conditions and operating results due to other standards and interpretations. Effects evaluation will be disclosed once completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2015, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as 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” and the International Accounting Standards 34, ‘Interim financial reporting’ endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

(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) 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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with that for the year ended December 31, 2015.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	100	Note 9

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	97	97	97	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Notes 4 and 8
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Notes 5 and 8
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	—	—	Notes 8 and 10
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, developing, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	—	—	Note 6
MAXXIS Trading Ltd.	MAXXIS Holding (BVI) Co., Ltd.	Holding company	100	100	100	Note 9
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation	49	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	50	50	50	Note 7

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holding (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 9
MAXXIS Holding (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 8

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

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

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

Note 4: In July 2014, the Group established a subsidiary, PT MAXXIS International Indonesia, in Indonesia. The Group remitted a total investment amount of USD 80 million to the subsidiary in 2014 and 2015 and acquired 100% of its share ownership.

Note 5: In March 2015, the Group established a subsidiary, MAXXIS Rubber India Private Limited, in India. The Group remitted a total investment amount of USD 58,267 to the subsidiary in July 2015 and acquired 100% of its share ownership. The subsidiary has been included in the consolidated entity in the third quarter of 2015.

Note 6: In September 2015, the Group established a subsidiary, Kunshan MAXXIS Tire Co., Ltd., in China. The registered capital was RMB 5 million and paid-in capital was collected on April 1, 2016.

Note 7: On January 1, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of September 11, 2016, the liquidation was not yet completed.

Note 8: The financial statements of the entity as of September 30, 2016 and 2015 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 9: The financial statements of the entity as of September 30, 2015 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 10: In January 2016, the Group established a subsidiary, MAXXIS (Taiwan) Trading Co., Ltd., which was included in the consolidated financial statements since establishment

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) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of September 30, 2016. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2015.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Cash on hand and petty cash (revolving funds)	\$ 3,126	\$ 2,387	\$ 3,286
Checking deposit	4,191,264	2,143,275	345,512
Demand deposits	14,250,801	15,740,483	16,294,847
Time deposits	8,818,961	4,095,709	6,104,163
Commercial paper	321,817	399,312	99,829
	<u>\$ 27,585,969</u>	<u>\$ 22,381,166</u>	<u>\$ 22,847,637</u>
Interest rate range			
Time deposits	<u>0.26%-6.10%</u>	<u>0.23%-6.48%</u>	<u>0.23%-7.00%</u>
Commercial paper	<u>0.80%-0.975%</u>	<u>0.42%</u>	<u>0.50%</u>

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

B. The Group has reclassified pledged time deposits to 'Other current assets' and 'Other non-current assets'. Please refer to Note 8 for details.

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

Items	September 30, 2016	December 31, 2015	September 30, 2015
Current items:			
Financial assets held for trading			
Forward foreign exchange contracts	\$ 229	\$ -	\$ -
Financial liabilities held for trading			
Forward foreign exchange contracts	\$ 135	\$ 1	\$ -
Interest rate swaps	-	19,172	-
	\$ 135	\$ 19,173	\$ -

Non-current items:

Financial liabilities held for trading			
Interest rate swaps	\$ -	\$ -	\$ 30,559

A. The Group recognized gain (loss) of \$82, (\$4,619), \$204 and \$13,359 on financial liabilities held for trading for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015, respectively.

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

Types of goods	September 30, 2016		December 31, 2015	
	Contract amount (Notional principal)	Contract	Contract amount (Notional principal)	Contract
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	USD 6 million	2016.9.21- 2016.10.24	USD 831 thousand	2015.12.29- 2016.02.04 2011.06.03-
Interest rate swaps	\$ -		USD 80 million	2016.07.29
			September 30, 2015	
			Contract amount (Notional principal)	Contract
Non-current items:				
Interest rate swaps			USD 80 million	2011.06.03- 2016.07.29

(a) Forward foreign exchange contracts

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

(b) Interest rate swaps

The Group entered into interest rate swap contracts with financial institutions to hedge cash flow risk liability positions. However, these interest rate swap contracts are not accounted for under hedge accounting.

(3) Available-for-sale financial assets

<u>Items</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current items:			
Listed stocks	\$ 71,655	\$ 73,588	\$ 73,588
Funds	18,930	18,930	18,930
	<u>90,585</u>	<u>92,518</u>	<u>92,518</u>
Available-for-sale financial assets valuation adjustment	54,822	74,829	78,332
	<u>\$ 145,407</u>	<u>\$ 167,347</u>	<u>\$ 170,850</u>
Non-current items:			
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>	<u>\$ 58,187</u>

The Group recognized gain of \$2,758, \$19,756, \$6,287 and \$33,498 in other comprehensive income for fair value change and reclassified loss of \$13,720, \$0, \$13,720 and \$0 from equity to profit or loss for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015, respectively.

(4) Notes receivable (including related parties), net

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Notes receivable	\$ 1,473,741	\$ 2,252,213	\$ 2,565,532
Less: allowance for bad debts	( 9,277)	( 9,277)	( 9,277)
	<u>\$ 1,464,464</u>	<u>\$ 2,242,936</u>	<u>\$ 2,556,255</u>

A. The credit quality of notes receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy.

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Dealer	\$ 940,912	\$ 1,497,222	\$ 2,026,464
Vehicle assembly factory	492,887	714,350	509,008
Others	39,942	40,641	30,060
	<u>\$ 1,473,741</u>	<u>\$ 2,252,213</u>	<u>\$ 2,565,532</u>

B. Movement analysis of financial assets that were impaired is as follows:

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group does not hold any accounts receivable that were impaired.

(5) Accounts receivable, net

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accounts receivable	\$ 10,814,553	\$ 10,707,103	\$ 10,940,118
Less: allowance for bad debts	( 13,129)	( 12,966)	( 13,329)
	<u>\$ 10,801,424</u>	<u>\$ 10,694,137</u>	<u>\$ 10,926,789</u>

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Dealer	\$ 5,474,288	\$ 4,244,053	\$ 5,138,949
Vehicle assembly factory	3,661,357	4,500,705	3,857,200
Others	147,500	268,781	323,814
	<u>\$ 9,283,145</u>	<u>\$ 9,013,539</u>	<u>\$ 9,319,963</u>

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Up to 30 days	\$ 911,433	\$ 1,193,473	\$ 1,147,904
31 to 90 days	545,966	414,283	364,141
91 to 180 days	44,413	52,531	56,928
Over 181 days	29,596	33,277	51,182
	<u>\$ 1,531,408</u>	<u>\$ 1,693,564</u>	<u>\$ 1,620,155</u>

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of September 30, 2016, December 31, 2015 and September 30 2015, the Group had no accounts receivable that were impaired.

(b) Movements on the Group's provision for impairment of accounts receivable were as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 12,966	\$ 12,966
Reversal of impairment	-	227	277
Effects of foreign exchange	-	( 64)	( 64)
At September 30	<u>\$ -</u>	<u>\$ 13,129</u>	<u>\$ 13,179</u>
	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 12,668	\$ 12,668
Provision for impairment	-	597	597
Effects of foreign exchange	-	64	64
At September 30	<u>\$ -</u>	<u>\$ 13,329</u>	<u>\$ 13,329</u>

C. The Group holds real estate and certificate of deposit as security for accounts receivable.

(6) Inventories, net

September 30, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,010,753	\$ -	\$ 4,010,753
Work in process	1,562,229	-	1,562,229
Finished goods	4,670,345	( 35,650)	4,634,695
Construction in progress	1,306,891	-	1,306,891
Inventory in transit	514,957	-	514,957
	<u>\$ 12,065,175</u>	<u>(\$ 35,650)</u>	<u>\$ 12,029,525</u>
December 31, 2015			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,175,076	\$ -	\$ 4,175,076
Work in process	1,236,194	-	1,236,194
Finished goods	6,032,664	( 41,745)	5,990,919
Construction in progress	1,099,403	-	1,099,403
Inventory in transit	711,561	-	711,561
	<u>\$ 13,254,898</u>	<u>(\$ 41,745)</u>	<u>\$ 13,213,153</u>
September 30, 2015			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,324,384	\$ -	\$ 5,324,384
Work in process	1,588,232	-	1,588,232
Finished goods	5,462,551	( 34,587)	5,427,964
Construction in progress	1,097,514	-	1,097,514
Inventory in transit	547,740	-	547,740
	<u>\$ 14,020,421</u>	<u>(\$ 34,587)</u>	<u>\$ 13,985,834</u>

The cost of inventories recognized as expense for the period:

Three-month periods ended September 30			
	2016	2015	
Cost of goods sold	\$ 20,520,356	\$ 20,234,265	
Loss on inventory retirement	-	2	
(Gain) loss on physical inventory	( 191)	168	
Revenue from sale of scraps	( 48,729)	( 46,267)	
(Gain) loss on reversal of decline in market value	( 529)	719	
	<u>\$ 20,470,907</u>	<u>\$ 20,188,887</u>	

	Nine-month periods ended September 30	
	2016	2015
Cost of goods sold	\$ 61,341,757	\$ 62,456,089
Loss on inventory retirement	8	2,375
Loss (gain) on physical inventory	1,835 (	332)
Revenue from sale of scraps	( 125,350) (	151,347)
Gain on reversal of decline in market value	( 6,095) (	13,309)
	<u>\$ 61,212,155</u>	<u>\$ 62,293,476</u>

For the three-month period ended September 30, 2016 and the nine-month periods ended September 30, 2016 and 2015, 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.

(7) 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 summarised below:

As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amount of the Group's individually immaterial joint ventures amounted to \$173,659, \$181,668 and \$169,561, respectively.

	Three-month periods ended September 30	
	2016	2015
Share of profit of associates and joint ventures accounted for using equity method	\$ 2,681	\$ 8,468
Other comprehensive income-net of tax	1,959	744
Total comprehensive income	<u>\$ 4,640</u>	<u>\$ 9,212</u>

	Nine-month periods ended September 30	
	2016	2015
Share of profit of associates and joint ventures accounted for using equity method	\$ 14,777	\$ 22,302
Other comprehensive income-net of tax	1,962	4,832
Total comprehensive income	<u>\$ 16,739</u>	<u>\$ 27,134</u>

- B. The above investments were accounted for using the equity method based on the associate's financial statements which were not reviewed by the independent accountants.

(8) Property, plant and equipment, net

Nine-month period ended September 30, 2016

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,547,849	\$ 642	\$ -	\$ 22,976	\$ 9,104	\$ 4,562,363
Buildings	43,820,285	573,244	69,547	1,615,385	2,236,832	43,702,535
Machinery	93,834,228	936,973	1,268,369	2,711,938	4,457,041	91,757,729
Testing equipment	3,457,987	26,824	84,244	76,780	129,787	3,347,560
Transportation equipment	1,247,921	49,024	16,167	7,165	67,169	1,220,774
Office equipment	580,037	57,061	15,497	49,869	30,151	641,319
Other facilities	23,493,044	1,543,092	922,651	1,124,663	1,081,439	24,156,709
Unfinished construction and equipment under acceptance	8,190,036	7,002,252	443	5,777,860	397,209	9,016,776
	<u>179,171,387</u>	<u>\$ 10,189,112</u>	<u>\$ 2,376,918</u>	<u>\$ 169,084</u>	<u>\$ 8,408,732</u>	<u>178,405,765</u>
Accumulated depreciation						
Buildings	( 12,677,650)	\$ 1,504,360	\$ 62,499	\$ -	\$ 680,530	( 13,438,981)
Machinery	( 40,820,160)	4,438,279	945,993	182,233	1,853,049	( 42,277,164)
Testing equipment	( 2,283,765)	220,633	82,826	-	91,290	( 2,330,282)
Transportation equipment	( 830,507)	84,013	14,747	6,823	46,747	( 846,203)
Office equipment	( 367,399)	56,709	13,020	1,609	18,250	( 394,447)
Other facilities	( 15,700,525)	2,383,115	857,224	175,415	739,466	( 16,662,365)
	<u>( 72,680,006)</u>	<u>\$ 8,687,109</u>	<u>\$ 1,976,309</u>	<u>\$ 12,032</u>	<u>\$ 3,429,332</u>	<u>( 75,949,442)</u>
Accumulated impairment						
Machinery	( 12,651)	\$ -	\$ -	\$ -	\$ -	( 12,651)
Other facilities	( 1,926)	-	-	-	-	( 1,926)
	<u>( 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 14,577)</u>
	<u>\$ 106,476,804</u>					<u>\$ 102,441,746</u>

Nine-month period ended September 30, 2015

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,557,063	\$ -	\$ -	\$ -	\$ 25,018	\$ 4,532,045
Buildings	42,805,997	442,775	( 10,949)	710,573	375,414	44,323,810
Machinery	92,751,197	659,974	( 739,820)	2,501,061	237,328	95,409,740
Testing equipment	3,280,358	32,019	( 12,478)	188,140	7,040	3,495,079
Transportation equipment	1,209,009	66,079	( 22,177)	21,826	17,879	1,292,616
Office equipment	519,658	28,982	( 13,001)	32,788	5,644	574,071
Other facilities	21,186,634	1,511,245	( 520,847)	1,234,517	43,361	23,368,188
Unfinished construction and equipment under acceptance	7,529,821	4,834,901	( 11,948)	4,848,919	40,656	7,544,511
	<u>173,839,737</u>	<u>\$ 7,575,975</u>	<u>(\$ 1,331,220)</u>	<u>(\$ 160,014)</u>	<u>\$ 615,582</u>	<u>180,540,060</u>
Accumulated depreciation						
Buildings	( 10,881,696)	\$ 1,495,585	\$ 9,131	\$ -	\$ 138,490	( 12,506,640)
Machinery	( 36,825,438)	( 4,325,537)	684,781	608	( 185,626)	( 40,651,212)
Testing equipment	( 2,041,785)	( 218,632)	12,903	-	( 14,918)	( 2,262,432)
Transportation equipment	( 762,265)	( 90,000)	20,734	-	( 12,584)	( 844,115)
Office equipment	( 320,699)	( 47,204)	11,985	-	( 3,763)	( 359,681)
Other facilities	( 13,563,006)	( 2,085,704)	484,915	( 10,339)	47,872	( 15,126,262)
	<u>( 64,394,889)</u>	<u>\$ 8,262,662</u>	<u>\$ 1,224,449</u>	<u>(\$ 9,731)</u>	<u>\$ 307,509</u>	<u>( 71,750,342)</u>
Accumulated impairment						
Machinery	( 12,651)	\$ -	\$ -	\$ -	\$ -	( 12,651)
Other facilities	( 1,926)	-	-	-	-	( 1,926)
	<u>( 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 14,577)</u>
	<u>\$ 109,430,271</u>					<u>\$ 108,775,141</u>

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

	Nine-month periods ended September 30	
	2016	2015
Amount capitalized	\$ 29,897	\$ 26,272
Range of the interest rates for capitalization	1.21%~4.75%	0.55%~6.60%

(9) Investment property, net

Nine-month period ended September 30, 2016				
	Opening net book amount as at January 1	Additions	Transfer	amount as at September 30
Cost				
Land	\$ 359,315	\$ -	(\$ 22,976)	\$ 336,339
Buildings and structures	50,825	-	( 23,059)	27,766
	410,140	\$ -	(\$ 46,035)	364,105
Accumulated depreciation				
Buildings and structures	( 30,850)	(\$ 589)	\$ 10,295	( 21,144)
Accumulated impairment				
Land	( 51,038)	\$ -	\$ -	( 51,038)
	\$ 328,252			\$ 291,923

Nine-month period ended September 30, 2015				
	Opening net book amount as at January 1	Additions		Closing net book amount as at September 30
Cost				
Land	\$ 359,315	\$ -		\$ 359,315
Buildings and structures	50,825	-		50,825
	410,140	\$ -		410,140
Accumulated depreciation				
Buildings and structures	( 29,881)	(\$ 726)		( 30,607)
Accumulated impairment				
Land	( 51,038)	\$ -		( 51,038)
	\$ 329,221			\$ 328,495

A. Rental income from investment property is shown below:

	Three-month periods ended September 30	
	2016	2015
Rental income from investment property	\$ 2,181	\$ 2,181
	Nine-month periods ended September 30	
	2016	2015
Rental income from investment property	\$ 6,543	\$ 6,543

B. The fair value of the investment property held by the Group as at September 30, 2016, December 31, 2015 and September 30, 2015 were \$553,558, \$624,514 and \$624,514, which was valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the classification of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The Company plans to use the land for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Other non-current assets

	September 30, 2016	December 31, 2015	September 30, 2015
Land use right	\$ 5,334,563	\$ 5,652,943	\$ 5,704,734
Others	274,623	212,113	193,389
	<u>\$ 5,609,186</u>	<u>\$ 5,865,056</u>	<u>\$ 5,898,123</u>

The Group signed a contract of land use right with a term of 40 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of \$22,640, \$23,043, \$69,889 and \$66,971 for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015, respectively.

(11) Short-term borrowings

Type of borrowings	September 30, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 14,679,016	0.70%~3.92%	None
Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 16,206,436	0.95%~4.16%	None
Type of borrowings	September 30, 2015	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 18,071,258	0.95%~5.08%	None

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

(12) Other payables

	September 30, 2016	December 31, 2015	September 30, 2015
Wages and salaries payable	\$ 1,418,405	\$ 1,375,373	\$ 1,307,564
Payable on machinery and equipment	1,020,169	784,192	1,079,725
Employee bonus payable (bonus)	589,786	610,194	532,310
Compensation due to directors and supervisors	212,289	357,324	270,873
Other accrued expenses	2,096,071	1,904,090	2,104,976
Others	1,688,972	1,283,707	1,509,336
	<u>\$ 7,025,692</u>	<u>\$ 6,314,880</u>	<u>\$ 6,804,784</u>

(13) Other current liabilities

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Long-term liabilities due within one year	\$ 8,299,840	\$ 5,096,959	\$ 6,766,335
Advance receipts	805,674	717,522	886,212
Others	241,031	332,437	147,644
	<u>\$ 9,346,545</u>	<u>\$ 6,146,918</u>	<u>\$ 7,800,191</u>

(14) Bonds payable

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Bonds payable			
- issued on 2013	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000
Bonds payable			
- issued on 2014	4,800,000	4,800,000	4,800,000
Bonds payable			
- issued on 2016 (Note)	5,000,000	-	-
	13,600,000	8,600,000	8,600,000
Less: current portion	( 1,900,000)	-	-
	<u>\$ 11,700,000</u>	<u>\$ 8,600,000</u>	<u>\$ 8,600,000</u>

A. In order to fulfill its issue and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic secured bonds ("the bonds"). The bond issue has been approved by FSC 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.

B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issue 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 is 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 bond will be redeemed in full amount at the maturity 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 issue 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 is 5 years, which is from August 19, 2013 to August 19, 2018. The terms are

as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2016
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until September, 2023.	0.83%~2.75%	None	\$ 27,291,472
Other bank borrowings				
Unsecured borrowings	Principal is repayable at the maturity January, 2019.	4.75%	None	42,237
Less: current portion				( 6,399,840)
				<u>\$ 20,933,869</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until November, 2021.	0.84%~1.81%	None	\$ 28,555,879
Less: current portion				( 5,096,959)
				<u>\$ 23,458,920</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2015
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until November, 2021.	0.84%~6.15%	None	\$ 30,428,176
Other bank borrowings				
Unsecured borrowings	Principal is repayable at the maturity December, 2017.	5.50%~6.00%	None	186,336
Less: current portion				( 6,766,335)
				<u>\$ 23,848,177</u>

A. 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 as of September 30, 2016, December 31, 2015 and September 30, 2015.

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

Currency	September 30, 2016	December 31, 2015	September 30, 2015
USD	\$ 11,931,132	\$ 11,499,495	\$ 12,782,573
JPY	-	415,868	565,063
RMB	42,237	-	186,336
THB	908,600	-	90,970
EUR	287,656	315,744	291,668

(16) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' 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 not enough 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 contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$10,677, \$11,832, \$32,030 and \$35,494 for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are \$45,440.
- 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 the defined contribution pension plans of the Group for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015 were \$29,321 and \$26,816, \$85,914 and \$79,267, respectively.
- C. (a) The Company's mainland 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 a certain percentage of employees' monthly salaries and wages. The contribution percentage for the nine-month periods ended September 30, 2016 and 2015 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015 were \$105,962 and \$134,762, \$342,996 and \$393,509, 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 three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015 were \$3,134, \$4,197, \$9,196 and \$9,309, respectively.
- (c) Starting from January 2011, the subsidiary, MAXXIS International (Thailand) Co., Ltd., has recognized provision for employees' pensions based on the actuarial reports. As of September 30, 2016, December 31, 2015 and September 30, 2015, the net liabilities recognised in the balance sheets were \$29,002, \$25,162 and \$23,843, respectively. The subsidiary established a provident fund in accordance with the Provident Fund Act of 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 the defined contribution pension plans for the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015 were \$3,141, \$6,110, \$9,262 and \$11,334, respectively.

(17) Share capital

As of September 30, 2016, both of the Company's authorized capital and paid-in capital was \$32,414,155, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay 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, may 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. 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.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company has distributed dividends in the amount of \$9,724,246 (\$3 (in dollars) per share) to shareholders for the years ended December 31, 2015 and 2014, respectively.
- E. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(24).

(20) Other equity items

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	\$ 1,744,319	\$ 74,700	\$ 1,819,019
Valuation adjustment – Group	- (	26,801) (	26,801)
Valuation adjustment – Associates	-	6,591	6,591
Currency translation differences:			
– Group	( 5,134,782)	- (	5,134,782)
– Tax on group	872,913	-	872,913
– Associates	2,364	-	2,364
– Tax on associates	( 402)	- (	402)
At September 30	(\$ 2,515,588)	\$ 54,490	(\$ 2,461,098)

  

	2015		
	Currency translation	Available-for-sale investment	Total
At January 1	\$ 3,402,402	\$ 44,370	\$ 3,446,772
Valuation adjustment – Group	-	42,218	42,218
Valuation adjustment – Associates	- (	8,458) (	8,458)
Currency translation differences:			
– Group	374,077	-	374,077
– Tax on Group	( 63,593)	- (	63,593)
– Associates	5,822	-	5,822
– Tax on associates	( 990)	- (	990)
At September 30	\$ 3,717,718	\$ 78,130	\$ 3,795,848

(21) Other income

<u>Three-month periods ended September 30</u>		
	<u>2016</u>	<u>2015</u>
Interest income	\$ 46,433	\$ 57,591
Grant revenue	138,313	73,380
Other income	236,807	128,062
	<u>\$ 421,553</u>	<u>\$ 259,033</u>
<u>Nine-month period ended September 30</u>		
	<u>2016</u>	<u>2015</u>
Interest income	\$ 107,712	\$ 145,394
Grant revenue	239,126	229,098
Other income	388,756	195,824
	<u>\$ 735,594</u>	<u>\$ 570,316</u>

(22) Other gains and losses

<u>Three-month periods ended September 30</u>		
	<u>2016</u>	<u>2015</u>
Net currency exchange loss	(\$ 354,119)	(\$ 361,662)
Loss on disposal of property, plant and equipment	( 6,741)	( 3,372)
Gain on disposal of investments	475	113
Net gain on financial liabilities at fair value through profit or loss	3,721	5,202
Other expenses	( 46,027)	( 43,888)
	<u>(\$ 402,691)</u>	<u>(\$ 403,607)</u>
<u>Nine-month periods ended September 30</u>		
	<u>2016</u>	<u>2015</u>
Net currency exchange loss	(\$ 536,187)	(\$ 737,211)
Loss on disposal of property, plant and equipment	( 45,400)	( 23,373)
Gain on disposal of investments	475	113
Net gain on financial liabilities at fair value through profit or loss	19,085	17,452
Other expenses	( 105,616)	( 161,345)
	<u>(\$ 667,643)</u>	<u>(\$ 904,364)</u>

(23) Finance costs

		<u>Three-month periods ended September 30</u>	
		<u>2016</u>	<u>2015</u>
Interest expense:			
Bank borrowings	\$	216,825	\$ 210,639
Corporate bonds		34,483	36,125
Provisions-discount		3,054	3,264
Loss on fair value change of financial instruments:			
Interest rate swaps		3,639	9,821
		258,001	259,849
Less: capitalisation of qualifying assets	(	9,732)	( 9,411)
Finance costs	\$	248,269	\$ 250,438

		<u>Nine-month periods ended September 30</u>	
		<u>2016</u>	<u>2015</u>
Interest expense:			
Bank borrowings	\$	595,582	\$ 585,972
Corporate bonds		97,533	112,975
Provisions-discount		9,442	9,792
Loss on fair value change of financial instruments:			
Interest rate swaps		19,289	30,811
		721,846	739,550
Less: capitalisation of qualifying assets	(	29,897)	( 26,272)
Finance costs	\$	691,949	\$ 713,278

(24) Expenses by nature

		<u>Three-month periods ended September 30</u>	
		<u>2016</u>	<u>2015</u>
Employee benefit expense			
Wages and salaries	\$	2,910,407	\$ 2,869,026
Labour and health insurance fees		158,186	148,246
Pension costs		152,702	183,717
Other personel expenses		237,747	213,323
	\$	3,459,042	\$ 3,414,312
Raw materials and supplies used	\$	13,349,204	\$ 12,917,521
Depreciation charges on property, plant and equipment	\$	2,833,922	\$ 2,806,181

	Nine-month periods ended September 30	
	2016	2015
Employee benefit expense		
Wages and salaries	\$ 8,887,319	\$ 8,357,580
Labour and health insurance fees	492,319	440,562
Pension costs	479,865	528,913
Other personnel expenses	677,660	621,995
	<u>\$ 10,537,163</u>	<u>\$ 9,949,050</u>
Raw materials and supplies used	<u>\$ 39,207,816</u>	<u>\$ 39,797,929</u>
Depreciation charges on property, plant and equipment	<u>\$ 8,687,109</u>	<u>\$ 8,262,662</u>

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

B. For the three-month periods ended September 30, 2016 and 2015, and the nine-month periods ended September 30, 2016 and 2015, employees' compensation (bonus) was accrued at \$72,207, \$126,723, \$267,873 and \$244,030, respectively; while directors' and supervisors' remuneration was accrued at \$57,223, \$140,662, \$212,289 and \$212,289, respectively. The amounts were recognized in salary expenses.

For the nine-month period ended September 30, 2016, the employees' compensation and directors' and supervisors' remuneration was estimated and accrued based on 2% and 1.585% of profit of current year distributable as of the end of reporting period.

The Board of Directors during its meeting resolved to distribute 1.585% of retained earnings as employees' compensation and supervisors' remuneration for the year ended December 31, 2015 while the amounts recognized in the financial statements based on 2.22% of retained earnings were \$321,913 for employees' compensation and \$357,324 for directors' and supervisors' remuneration. The difference of the employees' and directors' and supervisors' remuneration for the year ended 2015 between the two was \$102,207 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2016. The employees' compensation for 2015 will be distributed in cash. As of September 30, 2016, retained earnings for 2015 has not yet been distributed.

Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the board of directors and shareholders' 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:

	<u>Three-month periods ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profits for the period	\$ 1,834,535	\$ 2,079,748
Prior year income tax under (over) estimate	<u>84,530</u>	<u>( 23,594)</u>
Total current tax	1,919,065	2,056,154
Deferred tax:		
Origination and reversal of temporary differences	<u>( 945,334)</u>	<u>( 1,059,804)</u>
Income tax expense	<u>\$ 973,731</u>	<u>\$ 996,350</u>

	<u>Nine-month periods ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profits for the period	\$ 3,240,569	\$ 3,556,852
Tax on undistributed surplus earnings	174,783	466,786
Prior year income tax under (over) estimate	<u>250,485</u>	<u>( 21,581)</u>
Total current tax	3,665,837	4,002,057
Deferred tax:		
Origination and reversal of temporary differences	<u>( 48,154)</u>	<u>( 513,694)</u>
Income tax expense	<u>\$ 3,617,683</u>	<u>\$ 3,488,363</u>

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

	<u>Three-month periods ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Currency translation differences	<u>\$ 439,013</u>	<u>\$ 497,129</u>
	<u>Nine-month periods ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Currency translation differences	<u>\$ 872,511</u>	<u>(\$ 64,583)</u>

B. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Earnings generated in and before 1997	\$ 26,215	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	<u>40,578,425</u>	<u>40,566,997</u>	<u>37,384,276</u>
	<u>\$ 40,604,640</u>	<u>\$ 40,593,212</u>	<u>\$ 37,410,491</u>

D. As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of the imputation tax credit account was \$4,160,844, \$3,795,530 and \$3,434,183, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2014 and is estimated to be 10.25% for the year ended December 31, 2015.

(26) Earnings per share

Three-month period ended September 30, 2016			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,989,342	3,241,416	\$ 0.92
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,989,342	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,107	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,989,342	3,242,523	\$ 0.92
Three-month period ended September 30, 2015			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,049,949	3,241,416	\$ 0.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,049,949	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,371	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,049,949	3,243,787	\$ 0.94

Nine-month period ended September 30, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 11,013,339	3,241,416	\$ 3.40
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 11,013,339	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	7,274	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 11,013,339	3,248,690	\$ 3.39
Nine-month period ended September 30, 2015			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,567,021	3,241,416	\$ 2.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,567,021	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	7,346	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,567,021	3,248,762	\$ 2.94
(27) <u>Supplemental cash flow information</u>			
Investing activities with partial cash payments			

	Nine-month periods ended September 30	
	2016	2015
Purchase of property, plant and equipment	\$ 10,189,112	\$ 7,575,975
Add: opening balance of payable on equipment	784,192	1,330,470
Less: ending balance of payable on equipment	( 1,020,169)	( 1,079,725)
Cash paid during the period	<u>\$ 9,953,135</u>	<u>\$ 7,826,720</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant related party transactions

#### A. Operating revenue

	Three-month periods ended September 30	
	2016	2015
Sales of goods:		
Associates	<u>\$ 179,071</u>	<u>\$ 213,823</u>

	Nine-month periods ended September 30	
	2016	2015
Sales of goods:		
Associates	<u>\$ 489,576</u>	<u>\$ 649,506</u>

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

#### B. Receivables from related parties

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accounts receivable:			
Associates	<u>\$ 128,788</u>	<u>\$ 161,489</u>	<u>\$ 208,193</u>

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Payables due to related parties			
-Associates	<u>\$ 42,237</u>	<u>\$ -</u>	<u>\$ 186,336</u>

The Group financed with associates and financial institutions for capital needs. Please refer to Note 6(15) for interest rates, borrowing periods and repayment methods.

(2) Key management compensation

	Three-month periods ended September 30	
	2016	2015
Short-term employee benefits	\$ 77,132	\$ 187,393
Post-employment benefits	1,118	1,216
	<u>\$ 78,250</u>	<u>\$ 188,609</u>

  

	Nine-month periods ended September 30	
	2016	2015
Short-term employee benefits	\$ 330,776	\$ 405,631
Post-employment benefits	3,354	3,648
	<u>\$ 334,130</u>	<u>\$ 409,279</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2016	December 31, 2015	September 30, 2015	
Time Deposits (Other current assets)	\$ 593	\$ 316	\$ 307	Maintenance bond and merchandise delivery guarantee deposit
Time Deposits (Other non-current assets)	14,530	14,766	15,239	Maintenance bond and product liability insurance
	<u>\$ 15,123</u>	<u>\$ 15,082</u>	<u>\$ 15,546</u>	

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:

	September 30, 2016	December 31, 2015	September 30, 2015
Property, plant and equipment	<u>\$ 28,890,003</u>	<u>\$ 9,664,889</u>	<u>\$ 7,302,840</u>

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

	September 30, 2016	December 31, 2015	September 30, 2015
Amount of letter of credit that has been issued but not yet used	<u>\$ 304,748</u>	<u>\$ 510,070</u>	<u>\$ 395,020</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Group's manager, Yun-Hwa Chen, has retired on November 1, 2016. On November 9, 2016, the Board of Directors resolved that the Chairperson, Tsai-Jen Luo, will serve as the manager concurrently.

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 nine-month period ended September 30, 2016, the Group's strategy, was unchanged from 2015. The gearing ratios at September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Total liabilities	\$ 77,496,796	\$ 76,005,638	\$ 80,313,327
Total equity	86,934,655	89,952,584	88,776,694
Less : Intangible assets	-	-	-
Tangible equity	\$ 86,934,655	\$ 89,952,584	\$ 88,776,694
Debt-equity Ratio	89.14%	84.50%	90.47%

## (2) Financial instruments

### A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables, shown as other current asset) short-term loans, notes payable, accounts payable and other payables) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

### 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 various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- 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:

September 30, 2016

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 231,278	31.360	\$ 7,252,878	1%	\$ 72,529	\$ -
RMB:TWD	1,053,769	4.693	4,945,338	1%	49,453	-
EUR:TWD	16,259	35.080	570,366	1%	5,704	-
THB:TWD	182,379	0.909	165,783	1%	1,658	-
JPY:TWD	356,700	0.311	110,934	1%	1,109	-
GBP:TWD	2,820	40.630	114,577	1%	1,146	-
USD:RMB	81,369	6.682	2,551,620	1%	25,516	-
EUR:RMB	16,344	7.475	573,350	1%	5,734	-
USD:THB	84,172	34.515	2,640,824	1%	26,408	-
EUR:THB	15,539	38.609	545,350	1%	5,454	-
USD:VND	18,289	24,500.000	573,543	1%	5,735	-
USD:IDR	5,649	12,905.350	177,153	1%	1,772	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,074	31.360	\$ 159,121	1%	\$ 1,591	\$ -
USD:RMB	211,841	6.682	6,643,043	1%	66,430	-
EUR:RMB	34,599	7.475	1,213,739	1%	12,137	-
USD:THB	162,856	34.515	5,109,466	1%	51,095	-
USD:VND	49,669	24,500.000	1,557,620	1%	15,576	-
USD:IDR	26,000	12,905.350	815,360	1%	8,154	-
EUR:IDR	4,424	14,436.214	155,194	1%	1,552	-
USD:INR	110,000	66.553	3,448,111	1%	34,481	-

December 31, 2015

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:TWD	\$ 166,302	32.825	\$ 5,458,863	1%	\$ 54,589	\$ -
RMB:TWD	207,177	4.995	1,034,849	1%	10,348	-
EUR:TWD	13,564	35.880	486,676	1%	4,867	-
THB:TWD	156,431	0.915	143,134	1%	1,431	-
USD:RMB	75,545	6.572	2,479,926	1%	24,799	-
EUR:RMB	8,203	7.183	294,316	1%	2,943	-
GBP:RMB	2,083	9.744	101,382	1%	1,014	-
USD:THB	57,222	35.890	1,879,133	1%	18,791	-
EUR:THB	16,422	39.230	589,475	1%	5,895	-
USD:VND	21,628	23,280.142	709,939	1%	7,099	-
JPY:RMB	586,662	0.055	161,171	1%	1,612	-
USD:CAD	18,777	1.389	616,561	1%	6,166	-
USD:IDR	20,785	13,508.230	682,268	1%	6,823	-
Financial liabilities						
Monetary items						
USD:TWD	\$ 15,500	32.825	\$ 508,788	1%	\$ 5,088	\$ -
JPY:RMB	1,579,279	0.055	433,867	1%	4,339	-
USD:RMB	512,556	6.572	16,825,748	1%	168,257	-
EUR:RMB	35,727	7.183	1,281,852	1%	12,819	-
USD:THB	167,333	35.890	5,495,107	1%	54,951	-
USD:VND	60,798	23,280.142	1,995,694	1%	19,957	-
USD:CAD	15,974	1.389	524,522	1%	5,245	-

September 30, 2015

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 155,585	32.870	\$ 5,114,079	1%	\$ 51,141	\$ -
RMB:TWD	394,265	5.176	2,040,716	1%	20,407	-
JPY:TWD	1,111,802	0.274	304,634	1%	3,046	-
EUR:TWD	13,044	36.920	481,584	1%	4,816	-
THB:TWD	156,771	0.910	142,662	1%	1,427	-
USD:RMB	156,265	6.350	5,136,056	1%	51,361	-
EUR:RMB	17,947	7.133	662,611	1%	6,626	-
GBP:RMB	6,510	9.627	324,389	1%	3,244	-
USD:THB	56,773	36.133	1,866,755	1%	18,668	-
EUR:THB	15,629	40.585	577,216	1%	5,772	-
USD:CAD	19,006	1.341	624,637	1%	6,246	-
USD:VND	17,345	23,312.057	570,130	1%	5,701	-
USD:IDR	22,594	14,806.306	742,665	1%	7,427	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 16,077	32.870	\$ 528,451	1%	\$ 5,285	\$ -
JPY:RMB	1,783,349	0.053	489,223	1%	4,892	-
USD:RMB	532,452	6.350	17,500,419	1%	175,004	-
EUR:RMB	40,072	7.133	1,479,475	1%	14,795	-
USD:THB	187,788	36.133	6,174,663	1%	61,747	-
USD:VND	63,877	23,312.057	2,099,637	1%	20,996	-
USD:CAD	16,978	1.341	557,986	1%	5,580	-

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month period ended September 30, 2016 and 2015, and the nine-month period ended September 30, 2016 and 2015 amounted to \$354,119, \$361,662, \$536,187, and \$737,211, respectively.

#### Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity securities comprise domestic listed and unlisted stocks. 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, post-tax profit for the nine-month periods ended September 30, 2016 and 2015 would have increased/decreased by \$3 and \$306, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,036 and \$2,290, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

#### Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates do not expose the Group to fair value interest rate risk. During the nine-month periods ended September 30, 2016 and 2015, the Group's borrowings at variable rate were denominated in the TWD, USD, JPY, THB, RMB and EUR.
- ii. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

- iii. At September 30, 2016 and 2015, if interest rates on USD, JPY, THB, RMB and EUR-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2016 and 2015 would have been \$26,120 and \$31,045 lower/higher, 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. 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, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- ii. For the nine-month periods ended September 30, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The ageing analysis of financial assets that were past due but not impaired is shown on Notes 6(4) and 6(5).
- iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Notes 6(4) and 6(5).

(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, time deposits, and marketable securities, 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.

Non-derivative financial liabilities:

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>September 30, 2016</u>					
Short-term borrowings	\$ 9,463,915	\$ 2,884,247	\$ 2,769,321	\$ -	\$15,117,483
Notes and bills payable	7,255,467	-	-	-	7,255,467
Other payables	6,321,536	13,720	334,373	356,063	7,025,692
Guarantee deposits	-	931	-	259,890	260,821
Long-term borrowings	986,408	1,500,264	5,820,631	20,791,122	29,098,425
Bonds payable	-	-	2,061,600	11,988,100	14,049,700

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>December 31, 2015</u>					
Short-term borrowings	\$10,701,411	\$ 4,462,786	\$ 1,386,931	\$ -	\$16,551,128
Notes and bills payable	6,951,643	-	-	-	6,951,643
Other payables	5,282,903	288,289	418,815	324,873	6,314,880
Guarantee deposits	2,378	-	4	282,641	285,023
Long-term borrowings	1,777,662	815,073	3,017,704	23,709,900	29,320,339
Bonds payable	-	-	126,100	8,889,950	9,016,050

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>September 30, 2015</u>					
Short-term borrowings	\$ 9,521,491	\$ 5,603,075	\$ 3,337,331	\$ -	\$18,461,897
Notes and bills payable	6,709,364	-	-	-	6,709,364
Other payables	5,864,682	307,890	385,686	246,526	6,804,784
Guarantee deposits	2,341	-	124,668	160,509	287,518
Long-term borrowings	1,504,452	2,225,058	4,889,478	27,604,081	36,223,069
Bonds payable	-	-	126,100	8,889,950	9,016,050

Derivative financial liabilities:

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>September 30, 2016</u>					
Forward exchange contracts	\$ 135	\$ -	\$ -	\$ -	\$ 135

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>December 31, 2015</u>					
Interest rate swaps	\$ -	\$ 7,414	\$ 11,758	\$ -	\$ 19,172
Forward exchange contracts	1	-	-	-	1

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>September 30, 2015</u>					
Interest rate swaps	\$ -	\$ -	\$ 30,559	\$ -	\$ 30,559

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. 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.

C. 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 at September 30, 2016, December 31, 2015, and September 30, 2015 is as follows:

	<u>September 30, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
-Forward exchange contracts	\$ -	\$ 229	\$ -
-Available-for-sale financial assets	\$ 145,407	\$ -	\$ 58,187

	September 30, 2016		
	Level 1	Level 2	Level 3
<b>Liabilities</b>			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Forward exchange contracts	\$ -	\$ 135	\$ -

	December 31, 2015		
	Level 1	Level 2	Level 3
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 167,347	\$ -	\$ 58,187
<b>Liabilities</b>			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 19,172	\$ -
-Forward exchange contracts	-	1	-
	\$ -	\$ 19,173	\$ -

	September 30, 2015		
	Level 1	Level 2	Level 3
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 170,850	\$ -	\$ 58,187
<b>Liabilities</b>			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 30,559	\$ -

D. The methods and assumptions the Group used to measure fair value are as follows:

- 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.
- Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap

contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the nine-month periods ended September 30, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the nine-month periods ended September 30, 2016 and 2015.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Loans to others: please refer to table 1.

B. Provision of endorsements and guarantees to others: please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: please refer to table 4.

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).

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 nine months ended September 30, 2016: 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), 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 summarised 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 nine months ended September 30, 2016 and 2015 is as follows:

Nine-month period ended September 30, 2016						
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 11,488,801	\$ 15,210,043	\$ 27,702,292	\$ 10,624,818	\$ 17,392,716	\$ 82,418,670
Revenue from inter-segment revenue	4,318,401	681,124	593,954	930,249	3,594,452	10,118,180
Total segment revenue	\$ 15,807,202	\$ 15,891,167	\$ 28,296,246	\$ 11,555,067	\$ 20,987,168	\$ 92,536,850
Segment income (loss)	\$ 3,041,507	\$ 1,934,038	\$ 3,950,310	\$ 809,298	\$ 4,211,824	\$ 13,946,977

Nine-month period ended September 30, 2015						
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 12,678,672	\$ 17,319,111	\$ 26,282,745	\$ 10,596,713	\$ 16,252,153	\$ 83,129,394
Revenue from inter-segment revenue	3,641,832	354,371	397,271	699,178	3,555,227	8,647,879
Total segment revenue	\$ 16,320,504	\$ 17,673,482	\$ 26,680,016	\$ 11,295,891	\$ 19,807,380	\$ 91,777,273
Segment income (loss)	\$ 3,702,642	\$ 2,204,212	\$ 3,127,884	\$ 194,176	\$ 3,380,728	\$ 12,609,642

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

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

	Nine-month periods ended September 30	
	2016	2015
Adjusted revenue from reportable segments	\$ 92,536,850	\$ 91,777,273
Adjusted revenue from other operating segments	7,837,046	6,881,146
Total operating segments	100,373,896	98,658,419
Elimination of inter-segment revenue	( 10,714,098)	( 9,415,207)
Total consolidated operating revenue	<u>\$ 89,659,798</u>	<u>\$ 89,243,212</u>

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

	Nine-month periods ended September 30	
	2016	2015
Adjusted income from reportable segments before income tax	\$ 13,946,977	\$ 12,609,642
Adjusted income from other operating segments before income tax	734,152	676,307
Total operating segments	14,681,129	13,285,949
Income (loss) from elimination of inter-segment revenue	21,217	30,802
Income (loss) from continuing operations before income tax	<u>\$ 14,702,346</u>	<u>\$ 13,316,751</u>

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

Loans to others

Nine-month period ended September 30, 2016

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 nine-month period ended September 30, 2016		Balance at September 30, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Collateral		Limit on loans granted to a single party ( Note 2 )	Ceiling on total loans granted (Note 3 )	Footnote			
					2016	\$							2016	\$	Operating capital	Financing				Item	Value	\$
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$	4,138,390	\$	4,042,320	\$	3,185,523	4.75%-5.00%	-	Operating capital	\$	-	-	None	\$	4,775,358	\$	7,958,930	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes		336,370		313,600		94,080	2.14%	-	Operating capital		-	-	None		4,775,358		7,958,930	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes		2,537,454		1,559,380		1,206,471	1.9957%-4.75%	-	Operating capital		-	-	None		4,775,358		7,958,930	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes		153,564		139,827		111,862	4.75%	-	Operating capital		-	-	None		4,775,358		7,958,930	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes		1,982,640		1,864,360		1,123,277	4.75%	-	Operating capital		-	-	None		7,732,634		12,887,723	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes		495,660		466,090		-	4.75%	-	Operating capital		-	-	None		7,732,634		12,887,723	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes		1,909,600		1,864,360		978,789	4.75%	-	Operating capital		-	-	None		14,469,662		24,116,103	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. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of the net assets of CHENG SHIN RUBBER (XIAMEN) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

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

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. AND SUBSIDIARIES

Provision of endorsements and guarantees to others  
Nine-month period ended September 30, 2016

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	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 September 30, 2016	Outstanding endorsement/ guarantee amount at September 30, 2016	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	\$ 43,085,056	\$ 8,912,259	\$ 7,957,500	\$ 4,748,024	\$ -	9.23	\$ 60,319,078	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub- subsidiary	43,085,056	3,901,892	2,414,720	1,005,651	-	2.80	60,319,078	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub- subsidiary	43,085,056	4,709,180	4,390,400	1,920,800	-	5.10	60,319,078	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	43,085,056	1,513,665	1,411,200	940,800	-	1.64	60,319,078	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	43,085,056	3,588,200	3,449,600	3,449,600	-	4.00	60,319,078	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	43,085,056	3,679,520	3,637,760	815,360	-	4.22	60,319,078	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	19,292,882	2,726,130	2,563,495	203,220	-	10.63	24,116,103	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

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

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

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

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

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

(2) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at September 30, 2016.

\$ 60,319,078  
\$ 17,234,022  
\$ 43,085,056

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

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

September 30, 2016

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 September 30, 2016			Footnote
				Number of shares/ units	Book value	Fair value	
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	\$ 31,773	\$ 31,773	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	39,547	39,547	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	58,187	Note 2
CIAO SHEN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	74,087	74,087	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., L.TD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Nine-month period ended September 30, 2016

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate		
												Operational needs	Other commitments	None
PT MAXXIS International Indonesia	Construction projects	2015/11/27	\$3,219,528.00	\$1,185,129.00	PT.SMCC UTAMA INDONESIA	Third party	-	-	-	-	Contracts			

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

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

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
Nine-month period ended September 30, 2016

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Percentage of total purchases (sales)		Credit term	Unit price	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)	Footnote (Note 2)
				Amount	(sales)			Same	Same		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$	2,456,446	( 15.5)	Collect within 90 days after shipment of goods	Same	Same	\$ 576,916	19.7 Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(	1,025,835	( 6.5)	Collect within 90 days after shipment of goods	Same	Same	342,367	11.7 Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(	210,105	( 1.3)	Collect within 90 days after shipment of goods	Same	Same	66,968	2.3 Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(	526,030	( 3.3)	Collect within 90 days after shipment of goods	Same	Same	296,728	10.1 Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD. CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.		Same ultimate parent	(sales)	(	228,513	( 1.4)	Collect within 60-90 days after shipment of goods	Same	Same	107,714	6.5 Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD. CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.		Same ultimate parent	(sales)	(	290,274	( 1.8)	Collect within 60-90 days after shipment of goods	Same	Same	2,289	0.1 Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD. Cheng Shin Holland B.V.		Associates	(sales)	(	134,059	( 0.8)	Collect within 60-90 days after shipment of goods	Same	Same	42,832	2.6 Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(	1,548,866	( 44.1)	Collect within 60-90 days after shipment of goods	Same	Same	470,944	53.1 Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(	411,643	( 11.7)	Collect within 60-90 days after shipment of goods	Same	Same	117,915	13.3 Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(	142,828	( 4.1)	Collect within 60-90 days after shipment of goods	Same	Same	34,003	3.8 Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(	147,680	( 4.2)	Collect within 60-90 days after shipment of goods	Same	Same	48,333	5.4 Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	146,509	( 4.2)	Collect within 60-90 days after shipment of goods	Same	Same	35,882	4.0 Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(	275,047	( 5.2)	Collect within 60-90 days after shipment of goods	Same	Same	75,503	68.9 Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(	398,973	( 2.0)	Collect within 60-90 days after shipment of goods	Same	Same	147,448	3.9 Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(	110,743	( 0.6)	Collect within 60-90 days after shipment of goods	Same	Same	37,495	1.0 Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	174,338	( 47.4)	Collect within 60-90 days after shipment of goods	Same	Same	53,396	63.4 Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	612,058	( 9.9)	Collect within 60-90 days after shipment of goods	Same	Same	143,800	21.0 Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(	230,875	( 5.7)	Collect within 60-90 days after shipment of goods	Same	Same	18,684	2.4 Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(	646,932	( 5.6)	Collect within 60-90 days after shipment of goods	Same	Same	304,791	12.3 Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	115,499	( 1.0)	Collect within 60-90 days after shipment of goods	Same	Same	11,105	0.4 Note 4

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

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Nine-month period ended September 30, 2016

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
						Unit price	Credit term	Balance			
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(\$ 128,055)	( 1.1)	Collect within 60-90 days after shipment of goods	Same	Same	\$ 16,704	0.7	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. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
September 30, 2016

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2016	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)	\$ 577,877	-	-	\$ 244,864	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	342,593	-	-	106,103	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	436,846	-	-	112,877	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES	Sub-subsidiary (Note 5)	206,949	-	-	14,459	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	296,731	-	-	296,728	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	107,714	-	-	36,000	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	473,839	-	-	199,207	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	476,635	-	-	238,053	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent (Note 5)	117,969	-	-	58,362	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	147,448	-	-	42,735	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	143,800	-	-	73,457	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	304,791	-	-	53,103	-

Note 1: Subsequent collection is the amount collected as of November 2, 2016.

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. AND SUBSIDIARIES**  
Significant inter-company transactions during the reporting periods  
Nine-month period ended September 30, 2016

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Transaction							
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	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	\$ 2,456,446	Collect within 90 days after shipment of goods	2.74%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	576,916	Collect within 90 days after shipment of goods	0.35%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,025,835	Collect within 90 days after shipment of goods	1.14%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	342,367	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	210,105	Collect within 90 days after shipment of goods	0.23%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	469,102	Collect within 60-90 days after sales of equipment	0.52%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Other receivables	201,594	Collect within 60-90 days after sales of equipment	0.12%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	526,030	Collect within 90 days after shipment of goods	0.59%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	296,728	Collect within 90 days after shipment of goods	0.18%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	228,513	Collect within 60-90 days after shipment of goods	0.25%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	290,274	Collect within 60-90 days after shipment of goods	0.32%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	978,789	Pay interest quarterly	0.60%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales of fixed assets and other assets	279,656	Collect within 45 days after sales of equipment	0.31%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	471,549	Collect within 45 days after sales of equipment	0.29%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,548,866	Collect within 60-90 days after shipment of goods	1.73%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	470,944	Collect within 60-90 days after shipment of goods	0.29%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	411,643	Collect within 60-90 days after shipment of goods	0.46%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,185,523	Pay interest quarterly	1.94%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,206,471	Pay interest quarterly	0.73%
3	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	275,047	Collect within 60-90 days after shipment of goods	0.31%

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

Significant inter-company transactions during the reporting periods

Nine-month period ended September 30, 2016

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
4	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	\$ 398,973	Collect within 60-90 days after shipment of goods	0.44%
5	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	612,058	Collect within 60-90 days after shipment of goods	0.68%
6	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	646,932	Collect within 60-90 days after shipment of goods	0.72%
6	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	304,791	Collect within 60-90 days after shipment of goods	0.19%
7	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	230,875	Collect within 60-90 days after shipment of goods	0.26%
8	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,123,277	Pay interest quarterly	0.68%

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 period 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. AND SUBSIDIARIES

Information on investees

Nine-month period ended September 30, 2016

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine-month period ended September 30, 2016	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2016 (Note 1)	Footnote
				Balance as at September 30, 2016	Balance as at December 31, 2015		Number of shares	Ownership (%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218		35,050,000	100.00	\$ 43,544,301	\$ 3,237,955	\$ 3,248,331	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073		72,900,000	100.00	25,593,793	4,545,532	4,548,037	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	10,871,426	1,688,458	1,673,295	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	2,402,763	251,570	251,512	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	574,413	137,497	137,497	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	97,000	97,000		9,700,000	97.00	175,552	2,642	2,563	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	50,000		5,000,000	50.00	160,787	29,555	14,777	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXISTech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260		1,000,000	100.00	51,494	( 1,303)	( 1,303)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	23,162	23,162		9,708	30.00	12,872	-	-	Note 2
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	2,402,879	( 51,706)	( 51,706)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	1,826,095	1,826,095		369,997,000	100.00	1,702,234	( 33,948)	( 33,948)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	-		10,000,000	100.00	182,911	82,911	82,911	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-		226,801,983	100.00	33,982,364	3,062,394	3,062,394	Subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-		246,767,840	100.00	25,470,787	4,552,370	4,552,370	Subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Import and export of tires	7,669,780	7,669,780		237,811,720	100.00	11,397,184	1,688,458	1,688,458	Subsidiary Note 3

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

Information on investees

Nine-month period ended September 30, 2016

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine-month period ended September 30, 2016	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2016 (Note 1)	Footnote
				Balance as at September 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
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	8,788,629	809,298	801,498	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,605,309	879,302	871,938	Subsidiary Note 3

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

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

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

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

Information on investments in Mainland China

Nine-month period ended September 30, 2016

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, 2016	Amount remitted from Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the nine-month period ended September 30, 2016	Net income of investee as of September 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended September 30, 2016	Book value of investments in Mainland China as of September 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2016	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	\$ 5,488,000	2	\$ 910,834	\$ -	\$ 910,834	\$ 2,253,688	\$ 100	\$ 2,258,465	\$ 24,116,103	\$ 14,924,957	(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	7,056,000	2	2,385,506	-	2,385,506	4,077,751	100	4,086,343	23,589,265	13,617,999	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	266,560	2	68,602	-	68,602	111,960	50	55,980	341,905	321,234	(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	3,136,000	2	-	-	-	1,369,252	100	1,371,943	5,379,511	360,728	(Note 2, 4, 6, 8)
TIANJIN TAFENG RUBBER IND 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	23,465	2	-	-	-	( 166)	100 (	166)	23,307	-	(Note 6, 8)
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	564,480	2	-	-	-	36,908	100	36,908	1,897,686	740,433	(Note 6, 7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
Information on investments in Mainland China  
Nine-month period ended September 30, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the nine-month period ended September 30, 2016	Net income of investee as of September 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended September 30, 2016	Book value of investments in Mainland China as of September 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2016	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	\$ 4,076,800	2	\$ -	\$ -	\$ -	\$ 238,891	100	\$ 238,946	\$ 12,899,318	\$ 3,524,680	(Note 2、3、 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	1,411,200	2	-	-	-	674,343	100	678,834	7,958,930	4,055,472	(Note 2、6、 7)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	627,200	2	-	-	-	( 35,739)	100 (	( 35,739)	499,086	-	(Note 6)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	164,255	2	-	-	-	( 10,723)	95 (	( 10,186)	157,288	-	(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	67,635	2	-	-	-	30,397	49	14,894	199,091	-	(Note 6、7)
CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	4,458,350	2	-	-	-	680,407	100	681,461	5,633,011	303,610	(Note 2、5、 6、7)

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

Information on investments in Mainland China

Nine-month period ended September 30, 2016

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, 2016	Amount remitted from Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the nine-month period ended September 30, 2016	Net income of investee as of September 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended September 30, 2016	Book value of investments in Mainland China as of September 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2016	Footnote
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	\$ 93,860	2	\$ -	\$ -	\$ -	\$ 597	\$ 50	\$ 299	\$ 79,295	\$ -	(Note 6 - 7)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	1,548,690	2	-	-	-	( 243)	100	( 243)	1,525,665	-	(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 31.36: USD 1 and NTD 4.693: RMB 1 prevailing on September 30, 2016.

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. AND SUBSIDIARIES

Ceiling on investments in Mainland China

Nine-month period ended September 30, 2016

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2016 (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)	
	China		Economic Affairs (MOEA)		Investment Commission of MOEA	

Cheng Shin Rubber Ind. Co., Ltd.	\$	3,854,144	\$	21,102,144	\$	-
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Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2016 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.