

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHENG SHIN RUBBER IND. CO., LTD.

***Opinion***

We have audited the accompanying balance sheets of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

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

***Key audit matters***

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

### ***Cut-off on sales revenue***

#### Description

For the accounting policy on revenue recognition, please refer to Note 4(28). For the year ended December 31, 2016, the sales revenue was NT\$20,637,507 thousand. The operating income for the consolidated financial statements amounted to NT\$117,387,519 thousand.

The Company's main business is manufacturing and sales of various rubber products and tires. The main sources of sales revenue are from the assembly plant and dealers. Sales revenue from the assembly plant are recognised upon shipment of merchandise. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of risk and reward is completed and sales revenue is recognised. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. The aforementioned issues applied to the Company. Therefore, we indicated that the audit of timing of sales revenue recognition as one of the key areas of focus for this year.

#### How our audit addressed the matter

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

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

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

#### Description

For the accounting policy on property, plant and equipment, please refer to Note 4(14). For the details



of property, plant and equipment, please refer to Note 6(7) in the parent company only financial statements. As of December 31, 2016, the unfinished construction and equipment under acceptance was NT\$596,738 thousand. Unfinished construction and uninspected equipment amounted to NT\$9,590,929 thousand.

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

#### How our audit addressed the matter

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

1. We obtained an understanding of the Company's property, plant and equipment process cycle, reviewed internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
2. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
3. We reviewed the purchase contracts of property, plant and equipment and interviewed management in order to assess the reasonableness of the recognition of unfinished construction and uninspected equipment. We sampled unfinished construction to assess the progress of construction and check whether reclassification to finished construction or recognition of obsolete assets is required. Considering all the factors, we assess the reasonableness of the timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment

#### ***Other matter – Scope of the audit***

As described in Note 6(6), we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The balances of investments accounted

for using equity method were NT\$2,804,969 thousand and NT\$2,539,156 thousand, both representing 2% of the total assets as of December 31, 2016 and 2015, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$1,043,489 thousand and NT\$795,889 thousand, representing 13% and 7% of the total comprehensive income for the years then ended, respectively. These financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

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

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

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

Those charged with governance, including supervisors, are responsible for overseeing the Company’s financial reporting process.

### ***Auditor’s responsibilities for the audit of the financial statements***

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



basis of these financial statements.

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


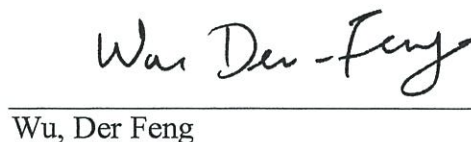
1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

  
Hung, Shu-Hua  
Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2017

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

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

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 11,754,387	10	\$ 8,933,048	7
1125	Available-for-sale financial assets	6(2)				
	- current		66,147	-	100,055	-
1150	Notes receivable, net	6(3) and 7	22,314	-	25,209	-
1170	Accounts receivable, net	6(4)	1,369,219	1	1,406,253	1
1180	Accounts receivable - related parties, net	7	1,318,036	1	934,590	1
130X	Inventories, net	6(5)	1,717,092	1	2,077,886	2
1410	Prepayments		438,764	-	198,894	-
1470	Other current assets	7	644,523	1	710,099	1
11XX	Total current assets		17,330,482	14	14,386,034	12
Non-current assets						
1523	Available-for-sale financial assets	6(2)				
	- non - current		58,187	-	58,187	-
1550	Investments accounted for using equity method	6(6)	88,625,721	72	90,614,333	74
1600	Property, plant and equipment, net	6(7)(26)	16,052,715	13	16,761,445	14
1760	Investment property, net	6(8)	291,785	-	328,252	-
1840	Deferred income tax assets	6(24)	458,853	1	286,970	-
1900	Other non-current assets	8	1,251	-	16,067	-
15XX	Total non-current assets		105,488,512	86	108,065,254	88
1XXX	Total assets		\$ 122,818,994	100	\$ 122,451,288	100

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**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 450,000	-	\$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	-	-	7,415	-
2170	Accounts payable		957,958	1	964,368	1
2180	Accounts payable - related parties	7	19,683	-	14,945	-
2200	Other payables	6(11) and 7	2,561,326	2	2,501,181	2
2230	Current income tax liabilities	6(24)	971,551	1	1,412,819	1
2300	Other current liabilities	6(12)	4,447,598	4	589,945	-
21XX	Total current liabilities		9,408,116	8	5,490,673	4
Non-current liabilities						
2530	Bonds payable	6(13)	11,700,000	10	8,600,000	7
2540	Long-term borrowings	6(14)	11,548,998	9	15,867,000	13
2570	Deferred income tax liabilities	6(24)	1,836,061	1	2,415,551	2
2600	Other non-current liabilities	6(15)	832,568	1	916,927	1
25XX	Total non-current liabilities		25,917,627	21	27,799,478	23
2XXX	Total liabilities		35,325,743	29	33,290,151	27
Equity						
Share capital						
3110	Ordinary shares	6(16)	32,414,155	26	32,414,155	27
Capital surplus						
3200	Capital surplus	6(17)	52,576	-	52,576	-
Retained earnings						
3310	Legal reserve	6(18)(25)	12,955,677	11	11,678,012	10
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		42,774,502	35	40,593,212	33
Other equity interest						
3400	Other equity interest	6(19)	( 3,307,822)	( 3)	1,819,019	1
3XXX	Total equity		87,493,251	71	89,161,137	73
Significant contingent liabilities and unrecognised commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 122,818,994	100	\$ 122,451,288	100

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

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

		Year ended December 31			
Items	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	7	\$ 20,637,507	100	\$ 21,348,480	100
5000 Operating costs	6(5)	( 13,889,311)	( 67)	( 14,063,907)	( 66)
5900 Net operating margin		6,748,196	33	7,284,573	34
5910 Unrealized loss (profit) from sales		62,625	-	( 70,193)	-
5950 Gross profit from operation		6,810,821	33	7,214,380	34
Operating expenses					
6100 Selling expenses	7	( 2,229,808)	( 11)	( 2,508,537)	( 12)
6200 General & administrative expenses		( 751,999)	( 3)	( 644,711)	( 3)
6300 Research and development expenses		( 983,970)	( 5)	( 874,677)	( 4)
6000 Total operating expenses	6(23)	( 3,965,777)	( 19)	( 4,027,925)	( 19)
6900 Operating profit		2,845,044	14	3,186,455	15
Non-operating income and expenses					
7010 Other income	6(20) and 7	1,491,751	7	1,396,912	6
7020 Other gains and losses	6(21)	( 127,257)	-	622,982	3
7050 Finance costs	6(22)	( 359,095)	( 2)	( 378,023)	( 2)
7070 Share of profit of associates and joint ventures accounted for using equity method	6(6)	11,790,290	57	10,588,102	50
7000 Total non-operating income and expenses		12,795,689	62	12,229,973	57
7900 Profit before income tax		15,640,733	76	15,416,428	72
7950 Income tax expense	6(24)	( 2,389,830)	( 12)	( 2,639,773)	( 12)
8200 Profit for the year		\$ 13,250,903	64	\$ 12,776,655	60
Other comprehensive income	6(19)(24)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(15)	( \$ 80,322)	-	( \$ 32,031)	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 1,035)	-	( 327)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	13,655	-	5,445	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		( 67,702)	-	( 26,913)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Other comprehensive income, before tax, exchange differences on translation		( 6,147,703)	( 30)	( 1,997,691)	( 9)
8362 Other comprehensive income, before tax, available-for-sale financial assets		( 31,974)	-	41,124	-
8380 Total share of other comprehensive income of associates and joint ventures accounted for using equity method		7,726	-	( 10,794)	-
8399 Income tax relating to the components of other comprehensive income	6(24)	1,045,110	5	339,608	1
8360 Components of other comprehensive income that will be reclassified to profit or loss		( 5,126,841)	( 25)	( 1,627,753)	( 8)
8300 Other comprehensive income for the year		( \$ 5,194,543)	( 25)	( \$ 1,654,666)	( 8)
8500 Total comprehensive income for the year		\$ 8,056,360	39	\$ 11,121,989	52
Basic earnings per share	6(25)				
9750 Basic earnings per share		\$ 4.09		\$ 3.94	
Diluted earnings per share	6(25)				
9850 Diluted earnings per share		\$ 4.08		\$ 3.93	

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

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Capital Surplus			Retained Earnings			Other equity interest			Total equity
	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets		
Year ended December 31, 2015										
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	
Appropriations of 2014 earnings:										
Legal reserve	-	-	-	1,601,560	-	( 1,601,560 )	-	-	-	
Cash dividends 6(18)	-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	
Profit for the year	-	-	-	-	-	12,776,655	-	-	12,776,655	
Other comprehensive (loss) income for the year 6(19)	-	-	-	-	-	( 26,913 )	( 1,638,083 )	30,330	( 1,654,666 )	
Balance at December 31, 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>\$ 40,593,212</u>	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 89,161,137</u>	
Year ended December 31, 2016										
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	
Appropriations of 2015 earnings:										
Legal reserve	-	-	-	1,277,665	-	( 1,277,665 )	-	-	-	
Cash dividends	-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	
Profit for the year	-	-	-	-	-	13,250,903	-	-	13,250,903	
Other comprehensive loss for the year	-	-	-	-	-	( 67,702 )	( 5,102,593 )	( 24,248 )	( 5,194,543 )	
Balance at December 31, 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>\$ 42,774,502</u>	<u>\$ 3,338,274</u>	<u>\$ 50,452</u>	<u>\$ 87,493,251</u>	

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



CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2016	2015
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 15,640,733	\$ 15,416,428
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (gain) loss on inter-company transactions		( 35,944 )	37,230
Depreciation	6(7)	1,624,454	1,549,388
Depreciation on investment property	6(8)	727	969
Net gain on financial assets or liabilities at fair value through profit or loss	6(10)(21)	( 7,415 )	( 14,992 )
Gain on disposal of investments		( 475 )	-
Gain on disposal of property, plant and equipment		( 206,811 )	( 238,298 )
Share of profit of associates and joint ventures accounted for using equity method	6(6)	( 11,790,290 )	( 10,588,102 )
Interest income	6(20)	( 104,899 )	( 79,485 )
Interest expense	6(22)	368,259	390,816
Unrealised foreign exchange gain		-	( 1,360 )
Effect of exchange rate changes on cash and cash equivalents		( 359,834 )	( 78,381 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,895	9,578
Accounts receivable		37,034	355,726
Accounts receivable - related parties		( 383,446 )	398,346
Inventories		360,794	( 54 )
Other current assets		( 141,507 )	78,427
Changes in operating liabilities			
Accounts payable		( 6,410 )	( 236,455 )
Accounts payable - related parties		4,738	( 3,399 )
Other payables		79,568	( 236,458 )
Accrued pension liabilities		( 164,341 )	( 4,436 )
Other current liabilities		( 2,347 )	( 19,255 )
Cash inflow generated from operations		4,915,483	6,736,233
Interest received		86,879	82,858
Dividends received		7,781,595	8,330,064
Interest paid		( 350,801 )	( 388,108 )
Income tax paid		( 2,523,708 )	( 2,978,536 )
Net cash flows from operating activities		<u>9,909,448</u>	<u>11,782,511</u>

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CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>Years ended December 31</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of available-for-sale financial assets		\$ 2,408	\$ -
Acquisition of investments accounted for using equity method		( 44,502 )	( 2,613,800 )
Proceeds from disposal of property, plant and equipment		766,139	802,781
Acquisition of property, plant and equipment	6(7)(26)	( 1,530,309 )	( 1,763,027 )
Payment for capitalized interests	6(7)(26)	( 9,141 )	( 12,793 )
Decrease in refundable deposits		<u>50</u>	<u>313,409</u>
Net cash flows used in investing activities		( <u>815,355</u> )	( <u>3,273,430</u> )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans		450,000	( 53,034 )
Decrease in long-term loans	6(13)	( 4,358,002 )	( 4,216,667 )
Increase in long-term loans		2,000,000	7,000,000
Decrease in guarantee deposits received		( 340 )	( 299 )
Proceeds from issuing bonds	6(13)	5,000,000	-
Repayments of bonds		-	( 2,000,000 )
Cash dividends paid	6(18)	( <u>9,724,246</u> )	( <u>9,724,246</u> )
Net cash flows used in financing activities		( <u>6,632,588</u> )	( <u>8,994,246</u> )
Effect of exchange rate changes on cash and cash equivalents		<u>359,834</u>	<u>78,381</u>
Net increase (decrease) in cash and cash equivalents		2,821,339	( 406,784 )
Cash and cash equivalents at beginning of year	6(1)	<u>8,933,048</u>	<u>9,339,832</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 11,754,387</u>	<u>\$ 8,933,048</u>

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

CHENG SHIN RUBBER IND. CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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

**1. HISTORY AND ORGANIZATION**

Cheng Shin Rubber Ind. Co., Ltd. (the "Company") was incorporated on December 1969 and is primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery.

The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

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

The parent company only financial statements have been authorized for issuance by the Board of Directors on March 20, 2017.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting**

None.

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

New standards, interpretations and amendments endorsed by 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
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



New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs 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
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
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company'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.

Except for the aforementioned effects, as of the financial statement issuing date, the Company 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 applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The accompanying parent company only financial statements are prepared in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

##### (2) Basis of preparation

A. Except for the following items, the 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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) Foreign currency translation

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

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are



recognized in profit or loss in the period in which they arise.

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

**B. Translation of foreign operations**

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

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

**(4) Classification of current and non-current items**

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

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

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;

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

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive.

(8) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a

financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event' ) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Lease receivables/ leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this



associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- K. According to the Rules Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
- (a) Buildings: 5 ~ 60 years
  - (b) Machinery and equipment: 15 years
  - (c) Test equipment: 5 years
  - (d) Transportation equipment: 6 years
  - (e) Office equipment: 5 years
  - (f) Other assets: 5 years

(15) Investment property

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

(16) Impairment of non-financial assets

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

(17) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Financial liabilities and equity instruments

Ordinary corporate bonds issued by the Company are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(23) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(24) Derivative financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation

at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Employees', directors' and supervisors' remuneration

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(27) Dividends

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

(28) Revenue recognition

Sales of goods

- A. The Company manufactures and sells "Tire" products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates



concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2016.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	\$ 550	\$ 550
Checking accounts	3,916	3,488
Demand deposits	2,506,718	3,994,500
Foreign currency deposit	2,770,724	3,440,737
Time deposits	6,472,479	1,094,461
Commercial Paper	-	399,312
Total	<u>\$ 11,754,387</u>	<u>\$ 8,933,048</u>
Interest rate range		
Time deposits	<u>0.95%~5.38%</u>	<u>0.56%~6.48%</u>
Commercial Paper	<u>-</u>	<u>0.42%</u>

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

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

### (2) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	\$ 8,665	\$ 10,598
Funds	<u>18,930</u>	<u>18,930</u>
	27,595	29,528
Available-for-sale financial assets		
Valuation adjustment	<u>38,552</u>	<u>70,527</u>
	<u>\$ 66,147</u>	<u>\$ 100,055</u>
Non-current items:		
Non-listed stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>

The Company recognized gain (loss) of (\$18,254) thousand and \$41,124 thousand in other comprehensive income for fair value change and reclassified loss of \$13,720 thousand and \$0 thousand from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

### (3) Notes receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	\$ 31,591	\$ 34,486
Less: allowance for bad debts	<u>( 9,277)</u>	<u>( 9,277)</u>
	<u>\$ 22,314</u>	<u>\$ 25,209</u>

A. The credit quality of notes receivable that were neither past due nor impaired was in the following

categories based on the Company's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Vehicle assembly factory	\$ 18,577	\$ 20,043
Others	13,014	14,443
	<u>\$ 31,591</u>	<u>\$ 34,486</u>

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

- (a) As of December 31, 2016 and 2015, the Company had no notes receivable that were impaired.  
(b) Movements on the Company's provision for impairments of accounts receivable were as follows:

	2016		
	Individual provision	Group provision	Total
At January 1 and December 31	\$ -	\$ 9,277	\$ 9,277

	2015		
	Individual provision	Group provision	Total
At January 1 and December 31	\$ -	\$ 9,277	\$ 11,718

(4) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 1,380,937	\$ 1,417,971
Less: allowance for bad debts	( 11,718)	( 11,718)
	<u>\$ 1,369,219</u>	<u>\$ 1,406,253</u>

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

	December 31, 2016	December 31, 2015
Dealer	\$ 474,896	\$ 528,655
Vehicle assembly factory	566,617	592,564
Others	103,219	100,221
	<u>\$ 1,144,732</u>	<u>\$ 1,221,440</u>

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

	December 31, 2016	December 31, 2015
Up to 30 days	\$ 176,844	\$ 142,439
31 to 90 days	51,019	52,336
91 to 180 days	6,968	1,756
More than 180 days	1,374	-
	<u>\$ 236,205</u>	<u>\$ 196,531</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 December 31, 2016 and 2015, the Company had no accounts receivable that were impaired.

(b) Movements on the Company provision for impairment of accounts receivable are as follows:

		2016	
		Individual provision	Group provision
		Total	
At January 1 and			
December 31	\$ -	\$ 11,718	\$ 11,718

		2015	
		Individual provision	Group provision
		Total	
At January 1 and			
December 31	\$ -	\$ 11,718	\$ 11,718

D. The Company holds real estate and certificate of deposit collateral as security for accounts receivable.

#### (5) Inventories

December 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 989,935	\$ -	\$ 989,935
Work in process	133,306	-	133,306
Finished goods	607,755	( 13,904)	593,851
Total	\$ 1,730,996	(\$ 13,904)	\$ 1,717,092

December 31, 2015			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,193,571	\$ -	\$ 1,193,571
Work in process	116,765	-	116,765
Finished goods	781,454	( 13,904)	767,550
Total	\$ 2,091,790	(\$ 13,904)	\$ 2,077,886

The cost of inventories recognized as expense for the period:

	2016	2015
Cost of goods sold	\$ 13,890,724	\$ 14,089,472
Loss on inventory retirement	-	1,526
Loss on physical inventory	17,901	225
Revenue from sale of scraps	( 19,314)	( 27,316)
	\$ 13,889,311	\$ 14,063,907

(6) Investments accounted for using equity method

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries:		
MAXXIS International Co., Ltd.	\$ 43,421,844	\$ 46,379,098
CST Trading Ltd.	26,373,039	26,467,271
MAXXIS Trading Ltd.	10,878,314	10,219,988
CHENG SHIN RUBBER USA, INC.	2,580,312	2,454,163
PT MAXXIS International Indonesia	2,347,361	2,415,339
MAXXIS Rubber India Private Limited	1,695,356	1,840,061
CHENG SHIN RUBBER CANADA, INC.	624,408	436,385
MAXXIS (Taiwan) Trading CO., LTD.	298,139	-
CIAO SHIN CO., LTD.	176,165	166,398
MAXXIS Tech Center Europe B.V.	53,470	53,961
Associates:		
NEW PACIFIC INDUSTRY COMPANY	164,767	168,508
Cheng Shin Holland B.V.	12,546	13,161
	<u>\$ 88,625,721</u>	<u>\$ 90,614,333</u>

A. Subsidiary

- (a) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2016.

B. Associates

- (a) The basic information of the associates that are material to the Company is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit or loss</u>	<u>Shareholding ratio</u>
2016/12/31	<u>\$ 668,098</u>	<u>\$ 308,980</u>	<u>\$ 1,043,043</u>	<u>\$ 57,372</u>	30%~49.99%
2015/12/31	<u>\$ 751,192</u>	<u>\$ 350,702</u>	<u>\$ 1,230,842</u>	<u>\$ 77,937</u>	30%~49.99%

(7) Property, plant and equipment

Year ended December 31, 2016

	Beginning of Period	Addition	Disposals	Transfers	End of Period
<b>Cost</b>					
Land	\$ 3,925,073	\$ 395	\$ -	\$ -	\$ 3,925,468
Buildings	5,899,713	49,078	(39,985)	128,826	6,037,632
Machinery	11,268,990	114,526	(758,360)	577,101	11,202,257
Testing equipment	704,080	3,023	(125,863)	38,386	619,626
Transportation	146,357	16,327	(29,250)	956	134,390
Office equipment	66,670	29,944	(17,162)	-	79,452
Other facilities	2,586,992	379,682	(507,606)	14,086	2,473,154
Unfinished construction and equipment under acceptance	1,016,734	909,595	(564,000)	765,591	596,738
	<u>\$ 25,614,609</u>	<u>\$ 1,502,570</u>	<u>(\$ 2,042,226)</u>	<u>(\$ 6,236)</u>	<u>\$ 25,068,717</u>
<b>Accumulated depreciation</b>					
Buildings	(\$ 1,665,915)	\$ 178,280	\$ 39,986	\$ -	\$ 1,804,209
Machinery	( 5,057,667)	847,207	757,200	-	5,147,674
Testing equipment	( 494,219)	83,413	124,349	-	453,283
Transportation	( 81,827)	17,738	13,532	-	86,033
Office equipment	( 43,083)	14,186	17,162	-	40,107
Other facilities	( 1,510,453)	483,630	503,151	6,236	1,484,696
	<u>(\$ 8,853,164)</u>	<u>\$ 1,624,454</u>	<u>\$ 1,455,380</u>	<u>\$ 6,236</u>	<u>(\$ 9,016,002)</u>
	<u>\$ 16,761,445</u>				<u>\$ 16,052,715</u>



Year ended December 31, 2015

	Beginning of Period	Addition	Disposals	Transfers	End of Period
<b>Cost</b>					
Land	\$ 3,925,073	\$ -	\$ -	-	\$ 3,925,073
Buildings	5,854,280	46,675	8,664	7,422	5,899,713
Machinery	11,382,134	97,027	776,368	566,197	11,268,990
Testing equipment	688,607	11,059	22,485	26,899	704,080
Transportation	125,127	33,724	12,494	-	146,357
Office equipment	65,972	3,815	3,117	-	66,670
Other facilities	2,319,347	382,790	210,719	95,574	2,586,992
Unfinished construction and equipment under acceptance	1,260,201	1,119,889	667,264	696,092	1,016,734
	<u>\$ 25,620,741</u>	<u>\$ 1,694,979</u>	<u>\$ 1,701,111</u>	<u>\$ -</u>	<u>\$ 25,614,609</u>
<b>Accumulated depreciation</b>					
Buildings	(\$ 1,501,116)	\$ 173,462	\$ 8,663	-	(\$ 1,665,915)
Machinery	( 5,030,341)	800,346	773,020	-	( 5,057,667)
Testing equipment	( 425,125)	91,558	22,464	-	( 494,219)
Transportation	( 75,268)	18,954	12,395	-	( 81,827)
Office equipment	( 33,050)	13,150	3,117	-	( 43,083)
Other facilities	( 1,258,950)	451,918	200,415	-	( 1,510,453)
	<u>(\$ 8,323,850)</u>	<u>\$ 1,549,388</u>	<u>\$ 1,020,074</u>	<u>\$ -</u>	<u>(\$ 8,853,164)</u>
	<u>\$ 17,296,891</u>				<u>\$ 16,761,445</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:

	2016	2015
Amount capitalised	\$ 9,141	\$ 12,793
Range of the interest rates for capitalization	1.20%~1.42%	1.43%~1.50%

(8) Investment property, net

	2016			
	At January 1, 2016	Additions	Transfer	At December 31, 2016
Cost				
Land	\$ 359,315	\$ -	(\$ 22,976)	\$ 336,339
Buildings	50,825	-	( 23,059)	27,766
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>(\$ 46,035)</u>	<u>\$ 364,105</u>
Accumulated depreciation				
Buildings	(\$ 30,850)	(\$ 727)	\$ 10,295	(\$ 21,282)
Accumulated impairment				
Land	(\$ 51,038)	\$ -	\$ -	(\$ 51,038)
	<u>\$ 328,252</u>			<u>\$ 291,785</u>

	2015			
	At January 1, 2015	Additions		At December 31, 2015
Cost				
Land	\$ 359,315	\$ -		\$ 359,315
Buildings	50,825	-		50,825
	<u>\$ 410,140</u>	<u>\$ -</u>		<u>\$ 410,140</u>
Accumulated depreciation				
Buildings	(\$ 29,881)	(\$ 969)		(\$ 30,850)
Accumulated impairment				
Land	(\$ 51,038)	\$ -		(\$ 51,038)
	<u>\$ 329,221</u>			<u>\$ 328,252</u>

A. Rental income from investment property is shown below:

	2016	2015
Rental income from investment property	\$ 8,725	\$ 8,725

B. The fair value of the investment property held by the Company as at December 31, 2016 and 2015 were \$529,829 thousand and \$624,514 thousand, respectively, which was valued by independent appraisers. Valuations were made using the comparison method which is categorised 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 category of the land is changed. Currently, the land is under the name of related party, Mr./Ms. Chiu. The land is planned to be used for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(9) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 450,000	0.84%	None

As of December 31, 2016, the Company did not hold any short-term borrowings.

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

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ -	\$ 1
Interest rate swaps	-	7,414
Total	\$ -	\$ 7,415

A. The Company recognized gain (loss) of \$ 3,313 thousand and (\$6,433) thousand on financial assets and liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

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

Type of goods	December 31, 2016		December 31, 2015	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
exchange contracts				
(USD exchange to				2015.12.29
NTD)	-		USD 831 thousand	~2016.02.04
				2011.06.03
Interest rate swaps	-		USD 40,000 thousand	~2016.06.10

(a) Forward foreign exchange contracts

The Company 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 Company 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.

(11) Other payables

Items	December 31, 2016	December 31, 2015
Employee benefits payable	\$ 646,359	\$ 610,194
Wages and salaries payable	423,738	386,222
Payable on machinery and equipment	290,468	327,348
Compensation due to directors and supervisors	257,124	357,324
Other accrued expenses	695,328	617,030
Others	248,309	203,063
	\$ 2,561,326	\$ 2,501,181

(12) Other current liabilities

	December 31, 2016	December 31, 2015
Long-term liabilities due within one year	\$ 4,380,000	\$ 520,000
Advance receipts	67,598	69,945
	<u>\$ 4,447,598</u>	<u>\$ 589,945</u>

(13) Bonds payable

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

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021	0.83%~1.38%	None	\$ 14,028,998
Less: current portion				( 2,480,000)
				<u>\$ 11,548,998</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 installments until November, 2021	0.97%~1.55%	None	\$ 16,387,000
Less: current portion				( 520,000)
				<u>\$ 15,867,000</u>

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements for the years ended December 31, 2016 and 2015.

(15) 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 the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.



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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	\$ 1,535,785	\$ 1,551,557
Fair value of plan assets	( 752,649)	( 684,402)
Net defined benefit liability	<u>\$ 783,136</u>	<u>\$ 867,155</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	\$ 1,551,557	(\$ 684,402)	\$ 867,155
Current service cost	27,965	-	27,965
Interest expense (income)	26,376	( 11,634)	14,742
	<u>1,605,898</u>	<u>( 696,036)</u>	<u>909,862</u>
Remeasurements:			
Change in financial assumptions	50,225	-	50,225
Experience adjustments	25,117	-	25,117
Return on plan assets (excluding amounts included in interest income or expense)	-	4,980	4,980
	<u>75,342</u>	<u>4,980</u>	<u>80,322</u>
Pension fund contribution	-	( 148,959)	( 148,959)
Paid pension	( 145,455)	87,366	( 58,089)
Balance at December 31	<u>\$ 1,535,785</u>	<u>(\$ 752,649)</u>	<u>\$ 783,136</u>
Year ended December 31, 2015			
Balance at January 1	\$ 1,553,019	(\$ 713,459)	\$ 839,560
Current service cost	30,533	-	30,533
Interest expense (income)	31,060	( 14,269)	16,791
	<u>1,614,612</u>	<u>( 727,728)</u>	<u>886,884</u>
Remeasurements:			
Change in financial assumptions	51,251	-	51,251
Experience adjustments	( 13,637)	-	( 13,637)
Return on plan assets (excluding amounts included in interest income or expense)	-	( 5,583)	( 5,583)
	<u>37,614</u>	<u>( 5,583)</u>	<u>32,031</u>
Pension fund contribution	-	45,568	( 45,568)
Paid pension	( 100,669)	94,477	( 6,192)
Balance at December 31	<u>\$ 1,551,557</u>	<u>(\$ 593,266)</u>	<u>\$ 867,155</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2016 and 2015, the actual return on plan assets was \$6,654 thousand and \$19,852 thousand, respectively.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 42,022)	\$ 43,760	\$ 39,325	(\$ 38,033)
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 40,395)	\$ 47,608	\$ 42,501	(\$ 37,092)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2016 amounts to \$40,844 thousand.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	128,912
2-5 year(s)		237,293
Over 6 years		411,448
	\$	<u>777,653</u>

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015, were \$115,996 thousand and \$106,882 thousand, respectively.

(16) Share capital

As of December 31, 2016 the Company's authorized capital was \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be 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 recognized dividends distributed to owners both amounting to \$9,724,246 thousand (cash dividend of \$3 per share) to shareholders for the years ended December 31, 2015 and 2014, respectively.

E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(23).

(19) Other equity items

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	\$ 1,744,319	\$ 74,700	\$ 1,819,019
Company	-	( 18,254)	( 18,254)
Revaluation adjustment – Associates	-	7,726	7,726
Revaluation transfer – The Company	-	( 13,720)	( 13,720)
Currency translation differences :			
Subsidiaries and associates – Before income tax	( 6,147,703)	-	( 6,147,703)
Subsidiaries and associates – Tax	1,045,110	-	1,045,110
At December 31	<u>(\$ 3,358,274)</u>	<u>\$ 50,452</u>	<u>(\$ 3,307,822)</u>
	2015		
	Currency translation	Available-for-sale investment	Total
At January 1	\$ 3,402,402	\$ 44,370	\$ 3,446,772
Company	-	41,124	41,124
Revaluation adjustment – Associates	-	( 10,794)	( 10,794)
Currency translation differences:			
Subsidiaries and associates – Before income tax	( 1,997,691)	-	( 1,997,691)
Subsidiaries and associates –Tax	339,608	-	339,608
At December 31	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 1,819,019</u>

(20) Other income

	2016	2015
Revenue from patent royalties	\$ 556,672	\$ 547,736
Revenue from trademark royalties	401,572	390,565
Revenue from commission	261,362	283,663
Interest income – Endorsements/guarantees	12,293	12,720
Interest income	92,606	66,765
Income from investments	19,960	15,769
Others	147,286	79,694
Total	<u>\$ 1,491,751</u>	<u>\$ 1,396,912</u>

(21) Other gains and losses

	2016	2015
Net currency exchange (losses) gains	(\$ 295,818)	\$ 369,615
Gains on disposal of property, plant and equipment	206,811	238,298
Net gains on financial assets and liabilities at fair value through profit or loss	7,415	14,992
Gains on investment	475	-
Miscellaneous (disbursements) income	( 46,140)	77
Total	(\$ 127,257)	\$ 622,982

(22) Finance costs

	2016	2015
Interest expense:		
Bank borrowings	\$ 223,302	\$ 224,891
Corporate bonds	137,933	144,500
Losses (gains) on fair value change of financial instruments:		
Interest rate swaps	7,001	21,425
	368,236	390,816
Less: capitalisation of qualifying assets	( 9,141)	( 12,793)
Finance costs	\$ 359,095	\$ 378,023

(23) Expenses by nature

	Year ended December 31, 2016		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,378,852	\$ 1,334,064	\$ 3,712,916
Labour and health insurance fees	203,651	95,135	298,786
Pension costs	107,494	51,209	158,703
Other personnel expenses	78,192	33,151	111,343
	\$ 2,768,189	\$ 1,513,559	\$ 4,281,748
Raw materials and supplies used	\$ 7,613,328	\$ -	\$ 7,613,328
Depreciation charges on property, plant and equipment	\$ 1,470,068	\$ 154,386	\$ 1,624,454
Depreciation on investment property	\$ -	\$ 727	\$ 727

	Year ended December 31, 2015		
	<u>Operating costs</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefits costs			
Wages and salaries	\$ 2,227,274	\$ 1,268,296	\$ 3,495,570
Labour and health insurance fees	199,497	85,549	285,046
Pension costs	107,053	47,154	154,207
Other personnel expenses	84,566	33,345	117,911
	<u>\$ 2,618,390</u>	<u>\$ 1,434,344</u>	<u>\$ 4,052,734</u>
Raw materials and supplies used	<u>\$ 8,639,553</u>	<u>\$ -</u>	<u>\$ 8,639,553</u>
Depreciation charges on property, plant and equipment	<u>\$ 1,384,000</u>	<u>\$ 165,388</u>	<u>\$ 1,549,388</u>
Depreciation on investment property	<u>\$ -</u>	<u>\$ 969</u>	<u>\$ 969</u>

As of December 31, 2016 and 2015, the Company had 5,716 and 5,361 employees, respectively.

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$324,446 and \$321,913, respectively; while directors' and supervisors' remuneration was accrued at \$257,124 and \$357,324, respectively. The amounts were recognized in salary expenses.

For the years ended December 31, 2016, the employees' compensation and directors' and supervisors' remuneration was estimated and accrued based on 2% and 1.585% of distributable profit of current year as of the end of reporting period.

For 2015, the employees' compensation of 2015 as resolved by the meeting of Board of Directors amounting to \$321,913 was in agreement with those amounts recognised in the 2016 financial statements. The Board of Directors during its meeting resolved to distribute 1.585% of retained earnings as supervisors' remuneration for the year ended December 31, 2015 while the amounts recognized in the financial statements based on 2.22% of retained earnings was \$357,324 for directors' and supervisors' remuneration. The difference of the 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. For the year ended December 31, 2016, the employees' compensation for 2015 has not yet been distributed.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the period	\$ 1,583,640	\$ 1,774,883
Prior year income tax understimation	324,015	405,527
10% tax on undistributed surplus earnings	<u>174,783</u>	<u>466,786</u>
Total current tax	2,082,438	2,647,196
Deferred tax:		
Origination and reversal of temporary differences	<u>307,392</u>	<u>( 7,423)</u>
Income tax expense	<u>\$ 2,389,830</u>	<u>\$ 2,639,773</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Currency translation differences	\$ 1,045,110	\$ 339,608
Remeasurement of defined benefit obligations	<u>13,655</u>	<u>5,445</u>
Income tax from other comprehensive income	<u>\$ 1,058,765</u>	<u>\$ 345,053</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 2,658,925	\$ 2,620,793
Effects from items disallowed by tax regulation	68,363	65,277
Temporary difference not recognized as deferred tax liabilities	( 740,235)	( 804,947)
Effect from five-year tax exemption	( 96,021)	( 113,663)
Prior year income tax (over) understimation	324,015	405,527
10% Tax on undistributed surplus earnings	<u>174,783</u>	<u>466,786</u>
Income tax expense	<u>\$ 2,389,830</u>	<u>\$ 2,639,773</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 136,448	(\$ 7,430)	\$ -	\$ 129,018
Remeasurement of defined benefit obligations	136,442	-	13,655	150,097
Unrealized evaluation losses on financial assets and liabilities	1,261	( 1,261)	-	-
Exchange differences on translation of foreign financial statements	-	-	166,481	166,481
Others	12,819	438	-	13,257
Subtotal	<u>\$ 286,970</u>	<u>(\$ 8,253)</u>	<u>\$ 180,136</u>	<u>\$ 458,853</u>
— Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 994,514)	(\$ 292,627)	\$ -	(\$ 1,287,141)
Adjustment of land value increment tax	( 514,733)	-	-	( 514,733)
Exchange differences on translation of foreign financial statements	( 878,629)	-	878,629	-
Unrealised exchange gain	( 10,684)	2,908	-	( 7,776)
Others	( 16,991)	( 9,420)	-	( 26,411)
Subtotal	<u>(\$ 2,415,551)</u>	<u>(\$ 299,139)</u>	<u>\$ 878,629</u>	<u>(\$ 1,836,061)</u>
Total	<u>(\$ 2,128,581)</u>	<u>(\$ 307,392)</u>	<u>\$ 1,058,765</u>	<u>(\$ 1,377,208)</u>



	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 149,851	(\$ 13,403)	\$ -	\$ 136,448
Remeasurement of defined benefit obligations	130,997	-	5,445	136,442
Unrealized evaluation losses on financial assets and liabilities	3,810	( 2,549)	-	1,261
Others	12,489	330	-	12,819
Subtotal	<u>\$ 297,147</u>	<u>(\$ 15,622)</u>	<u>\$ 5,445</u>	<u>\$ 286,970</u>
— Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 986,433)	(\$ 8,081)	\$ -	(\$ 994,514)
Adjustment of land value increment tax	( 514,733)	-	-	( 514,733)
Exchange differences on translation of foreign financial statements	( 1,218,237)	-	339,608	( 878,629)
Unrealised exchange gain	( 19,969)	9,285	-	( 10,684)
Others	( 38,832)	21,841	-	( 16,991)
Subtotal	<u>(\$ 2,778,204)</u>	<u>\$ 23,045</u>	<u>\$ 339,608</u>	<u>(\$ 2,415,551)</u>
Total	<u>(\$ 2,481,057)</u>	<u>\$ 7,423</u>	<u>\$ 345,053</u>	<u>(\$ 2,128,581)</u>

- D. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for “Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009”. The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.
- E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2016 and 2015 were \$43,481,764 thousand and \$44,546,032 thousand, respectively.
- F. The Company’s income tax returns through 2013 have been assessed and approved by the Tax Authority.
- G. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	42,748,287	40,566,997
Total	<u>\$ 42,774,502</u>	<u>\$ 40,593,212</u>

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was \$3,370,734 thousand and \$3,759,530 thousand, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2015 and is estimated to be 7.89% for year ended December 31, 2016.

(25) Earnings per share

2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 13,250,903	3,241,416	\$ 4.09
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	13,250,903	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	7,908	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 13,250,903	3,249,324	\$ 4.08
2015			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 12,776,655	3,241,416	\$ 3.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	12,776,655	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	8,323	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 12,776,655	3,249,739	\$ 3.93

(26) Supplemental cash flow information

Investing activities with partial cash payments

	2016	2015
Purchase of property, plant and equipment	\$ 1,502,570	\$ 1,694,979
Add: opening balance of payable on equipment	327,348	408,189
Less: ending balance of payable on equipment	( 290,468)	( 327,348)
Cash paid during the period	\$ 1,539,450	\$ 1,775,820

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Company

Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions and balances

A. Operating revenue:

	2016	2015
Sales of goods:		
-Subsidiaries	\$ 6,129,333	\$ 4,734,685
-Associates	196,986	251,600
Total	\$ 6,326,319	\$ 4,986,285

The Company's sales price to related parties is approximately the same as third parties. Credit term for export sales is the same as third parties, which is collected after 60 days ~ 90 days.

B. Purchases:

	2016	2015
Sales of goods:		
-Subsidiaries	\$ 156,770	\$ 165,564
-Associates	222	281
Total	\$ 156,992	\$ 165,845

The credit term for purchases from related parties is the same with third parties. Except for Maxxis (Thailand) is paid 30 days after the purchase, other payments are the same with third parties, which are 90 days after the purchase.

C. Property transactions:

(a) Proceeds from sales of property and gain (loss) on disposal:

	2016		2015	
	Sales amount	Gain (loss) on disposal	Sales amount	Gain (loss) on disposal
Subsidiaries	\$ 766,139	\$ 201,725	\$ 800,797	\$ 122,711

(b) Ending balance of receivables from sales of property:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 154,324	\$ 3,360

Abovementioned payments from sales of fixed property to related parties are collected 60~90 days after the sales of equipment.

D. Revenue from patent royalties (listed other income) and other receivables:

(a) Revenue from patent royalties:

	2016	2015
Subsidiaries	\$ 556,672	\$ 547,736

(b) Ending balance of royalty receivables from technology:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 152,019	\$ 154,099

Abovementioned royalty revenue for technology was calculated by applying the agreed upon ratio to net sales amounts, and payment was originally collected yearly and was changed to quarterly since 2014.

E. Interest income – endorsements/guarantees (listed as other income) and other receivables:

(a) Interest income – endorsements/guarantees:

	2016	2015
Subsidiaries	\$ 12,293	\$ 12,720

(b) Ending balance of interest receivables from endorsements and guarantees:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 4,640	\$ 2,884

Abovementioned interest income from endorsements and guarantees was calculated by applying the agreed ratio to the amount guaranteed and payment was originally collected yearly but was changed to quarterly since 2014.

F. Revenue from commission ( listed other income) and other receivables:

(a) Revenue from commission:

	2016	2015
Subsidiaries	\$ 261,362	\$ 283,663

(b) Ending balance of receivables from commission:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 53,407	\$ 62,377

Abovementioned commission revenue was determined at certain rate of sales amounts and payment was originally collected yearly but was changed to quarterly since 2014.

G. Revenue from trademark royalties (listed other income) and other receivables:

(a) Revenue from trademark royalties:

	2016	2015
Subsidiaries	\$ 400,740	\$ 390,222

(b) Ending balance of receivables from trademark royalties:

	December 31, 2016	December 31, 2015
Associates	\$ 88,639	\$ 90,573

Abovementioned revenue from trademark royalties was determined at certain rate of sales and was originally collected yearly but was changed to quarterly since 2014.

H. Revenue from per diem ( listed other income) and other receivables:

(1) Revenue from per diem:

	2016	2015
Subsidiaries	\$ 25,882	\$ 20,017

(2) Ending balance of receivables from per diem:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 5,738	\$ 5,879

The aforementioned per diem income is based on agreed per diem rate multiplied by travelling days. Collection terms have been revised from yearly to quarterly since year 2014.

I. Accounts receivable:

	December 31, 2016	December 31, 2015
Accounts receivable		
-Subsidiaries	\$ 1,284,204	\$ 886,492
-Associates	33,832	48,098
	<u>\$ 1,318,036</u>	<u>\$ 934,590</u>

J. Notes receivable:

	December 31, 2016	December 31, 2015
Associates	\$ 865	\$ 433

K. Accounts payable:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 19,683	\$ 14,945

L. Other payables:

	December 31, 2016	December 31, 2015
Subsidiaries	\$ 78,781	\$ 38,606

Abovementioned payments are advertisement expense and sponsorship to racing drivers paid by related parties on behalf of the Company.

M. Information about guarantees

As of December 31, 2016 and 2015, the Company and certain financial institutions agreed that the Company's subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details are as follows:

		Used amounts as of December 31,	
Warrantee	Guaranteed line of credit	2016	
Subsidiaries	USD 755,000 thousand	USD	434,131 thousand
	THB 2,000,000 thousand	THB	1,400,000 thousand
	JPY -	JPY	581,750 thousand
	EUR -	EUR	4,424 thousand
	RMB 550,000 thousand	RMB	41,601 thousand
		Used amounts as of December 31,	
Warrantee	Guaranteed line of credit	2015	
Subsidiaries	USD 545,000 thousand	USD	338,373 thousand

As of December 31, 2016 and 2015, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	2016	2015
Salaries and other short-term employee benefits	\$ 395,674	\$ 503,055
Post-employment benefits	4,472	4,864
Total	<u>\$ 400,146</u>	<u>\$ 507,919</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2016	December 31, 2015	
Time deposits (shown as Other current assets)	\$ 14,530	\$ -	Product liability insurance
Time deposits (shown as Other non-current assets)	-	14,766	Maintenance bond and product liability insurance
	<u>\$ 14,530</u>	<u>\$ 14,766</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

Information about related parties' guarantees is provided in Note 7.

(2) Commitments

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

	December 31, 2016	December 31, 2015
Property, plant and equipment	\$ 59,927	\$ 122,790

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

	December 31, 2016	December 31, 2015
Amount of letter of credit that has been issued but not yet used	\$ -	\$ 22,877

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital structure by using debt-equity ratio. The ratio is calculated as total liability divided by tangible equity. Total liability is calculated as 'total liability' as shown in the consolidated balance sheet. Tangible equity is calculated as 'total shareholders' equity' less 'intangible assets'.

During the year ended December 31, 2016, the Company's strategy, which was unchanged from 2015, was to maintain the debt-equity ratio under 2 times. As of December 31, 2016 and 2015, the Company's debt-equity ratios were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	\$ 35,325,743	\$ 33,290,151
Total equity	\$ 87,493,251	\$ 89,161,137
Less : Intangible assets	-	-
Tangible equity	\$ 87,493,251	\$ 89,161,137
Debt-equity ratio	40.38%	37.34%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company'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 assets) refundable deposits (shown as other non-current assets), short-term loans, accounts payable, other payables, long-term borrowings, bonds payable and guarantee deposits received (Other non-current liabilities) are 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 Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from 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 Company 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 Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: TWD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2016

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Sensitivity Analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 214,030	32.260	\$ 6,904,608	1%	\$ 69,046	\$ -
EUR:TWD	19,539	33.999	664,306	1%	6,643	-
THB:TWD	133,109	0.901	119,931	1%	1,199	-
JPY:TWD	759,802	0.275	208,946	1%	2,089	-
RMB:TWD	861,015	4.617	3,975,306	1%	39,753	-
GBP:TWD	4,582	39.706	181,933	1%	1,819	-
<u>Investment using the equity method</u>						
USD:TWD	\$ 79,985	32.260	\$ 2,580,316	1%	\$ -	\$ 25,803
CAD:TWD	26,225	23.810	624,417	1%	-	6,244
IDR:TWD	967,983,901	0.00243	2,352,201	1%	-	23,522
INR:TWD	3,392,748	0.49970	1,695,356	1%	-	16,954
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 13,419	32.260	\$ 432,897	1%	\$ 4,329	\$ -



December 31, 2015

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	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	\$ 166,302	33.058	\$ 5,497,612	1%	\$ 54,976	\$ -
EUR:TWD	13,564	35.680	483,964	1%	4,840	-
THB:TWD	156,431	0.911	142,509	1%	1,425	-
RMB:TWD	207,177	5.074	1,051,216	1%	10,512	-
<u>Investment using the equity method</u>						
USD:TWD	\$ 73,064	33.058	\$ 2,415,350	1%	\$ -	\$ 24,154
CAD:TWD	18,302	23.844	436,393	1%	-	4,364
IDR:TWD	1,012,026,181	0.00243	2,459,224	1%	-	24,592
INR:TWD	3,682,332	0.49970	1,840,061	1%	-	18,401
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 15,500	33.058	\$ 512,399	1%	\$ 5,124	\$ -

F. The exchange gain (loss) (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to \$295,818 thousand and \$369,615 thousand, respectively.

Price risk

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

The Company'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, other components of equity would have increased/decreased by \$1,243 thousand and \$1,582 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

A. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. In addition, long-term ordinary corporate bonds issued at fixed rates are not influenced by variations in interest rates. During the years ended December 31, 2016 and 2015, the Company's borrowings at variable rate were denominated in the TWD.

B. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Limit on hedge is basically one-third of the corresponding currency in borrowing positions. 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.

C. At December 31, 2016 and 2015, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been \$11,644 thousand and \$13,601 thousand 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 Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to

the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions.

- ii. For the years ended December 31, 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 as follows Note 6(3) and 6(4):
- iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6(3) and 6(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative  
financial liabilities:

December 31, 2016	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings:	\$ 450,945	\$ -	\$ -	\$ -	\$ 450,945
Accounts payable (including related parties)	977,641	-	-	-	977,641
Other payables	1,909,782	-	327,098	324,446	2,561,326
Guarantee deposits received	-	-	-	7,860	7,860
Long-term borrowings	208,190	206,229	2,199,271	11,735,464	14,349,154
Bonds payable	-	-	2,061,600	11,988,100	14,049,700

Non-derivative  
financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Accounts payable (including related parties)	\$ 979,313	\$ -	\$ -	\$ -	\$ 979,313
Other payables	1,475,521	288,281	415,465	321,914	2,501,181
Guarantee deposits received	-	-	-	8,200	8,200
Long-term borrowings	-	-	635,807	16,217,078	16,852,885
Bonds payable	-	-	126,100	8,889,950	9,016,050

Derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Interest rate swaps	\$ -	\$ 7,414	\$ -	\$ -	\$ 7,414
Forward exchange contracts	1	-	-	-	\$ 1

(3) Fair value information

A. Details of the fair value of the Company'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 Company's investment property measured at cost are provided in Note 6(8).

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 Company's investment in listed stocks or beneficiary certificates is included in Level 1

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

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

C. The related information of 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 December 31, 2016 and 2015 is as follows:

		December 31, 2016		
		Level 1	Level 2	Level 3
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 66,148	\$ -	\$ 58,187
		December 31, 2015		
		Level 1	Level 2	Level 3
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 100,055	\$ -	\$ 58,187
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Interest rate swaps		\$ -	\$ 7,414	\$ -
-Forward foreign exchange contracts		-	1	-
		\$ -	\$ 7,415	\$ -

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

(a) The Level 1 the Company used market quoted prices as their fair values, according to the characteristics of instruments, listed shares and balanced mutual fund used closing price as their fair values.

(b) 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.

(c) Level 2: When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

### 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 NT\$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT\$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(10), 6(21) 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: Please refer to table 12.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2016: Please refer to table 6, 7 and 8.

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

Loans to others

For the year ended December 31, 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 year ended December 31, 2016	Balance at December 31, 2016 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote (Note 6)
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 4,138,390	\$ 4,015,880	\$ 3,554,220	2.75%-4.75%	Note 4	\$ -	Operating capital	\$ -	None	\$ -	4,808,881	\$ 8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes	336,370	322,600	32,260	2.1414%-2.88261%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,537,454	1,245,920	1,015,090	2.6276%-4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	153,564	138,498	110,798	4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,982,640	923,320	789,439	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	495,660	461,660	92,332	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,494,600	2,491,840	586,252	2.88261%-4.75%	Note 4	-	Operating capital	-	None	-	14,503,107	24,171,844	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. 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  
For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 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 to the party in Mainland China	Footnote
		Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor							Y	N		
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary		\$ 43,746,626	\$ 8,912,259	\$ 4,793,705	\$ -	9.62	\$ 61,245,276	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub- subsidiary		43,746,626	3,901,892	800,048	-	1.62	61,245,276	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub- subsidiary		43,746,626	4,709,180	1,787,741	-	5.16	61,245,276	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary		43,746,626	1,513,665	967,800	-	1.66	61,245,276	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary		43,746,626	6,129,400	5,813,207	-	7.01	61,245,276	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary		43,746,626	4,226,060	1,471,462	-	4.83	61,245,276	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)		19,337,475	2,726,130	192,055	-	10.50	24,171,844	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 and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed subsidiary.

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2016.

\$ 61,245,276  
\$ 17,498,650  
\$ 43,746,626



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)

December 31, 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 December 31, 2016			
				Number of shares/ units	Book value	Ownership (%)	Fair value
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	\$ 30,036	-	\$ 30,036
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	36,111	-	36,111
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	75,257	-	75,257

Footnote  
Note 2  
Note 2  
Note 2  
Note 2

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

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

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

For the year ended December 31, 2016

Table 4

Expressed in thousands of NT\$  
(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
PT MAXXIS International Indonesia	Construction projects	2015/11/27	\$ 3,219,528	\$ 1,499,354	PT.SMCC UTAMA INDONESIA	Third party	-	-	-	-	Contracts		None

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

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
				Amount	Percentage of total purchases (sales)		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$ 3,195,456	( 15.48)	Collect within 90 days after shipment of goods	Same	Same	\$ 552,093	20.22	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	( 1,340,737)	( 6.50)	Collect within 90 days after shipment of goods	Same	Same	348,748	12.77	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	( 260,033)	( 1.26)	Collect within 90 days after shipment of goods	Same	Same	32,569	1.19	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	( 1,485,040)	( 7.20)	Collect within 30 days	Same	Same	316,081	11.58	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MERIDA INDUSTRY CO., LTD.	Associates	(sales)	( 130,269)	( 0.63)	Collect within 76 days after shipment of goods	Same	Same	34,692	1.27	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	( 323,061)	( 1.57)	Collect within 60-90 days after shipment of goods	Same	Same	126,033	5.87	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	( 373,492)	( 1.82)	Collect within 60-90 days after shipment of goods	Same	Same	97,470	4.54	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	( 186,159)	( 0.91)	Collect within 60-90 days after shipment of goods	Same	Same	53,013	2.47	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	( 1,996,261)	( 43.98)	Collect within 60-90 days after shipment of goods	Same	Same	358,854	36.95	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	( 525,202)	( 11.57)	Collect within 60-90 days after shipment of goods	Same	Same	97,704	10.06	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	( 181,157)	( 3.99)	Collect within 60-90 days after shipment of goods	Same	Same	32,840	3.38	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	( 193,250)	( 4.26)	Collect within 60-90 days after shipment of goods	Same	Same	37,936	3.91	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	( 178,612)	( 3.93)	Collect within 60-90 days after shipment of goods	Same	Same	29,258	3.01	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	( 368,598)	( 5.08)	Collect within 60-90 days after shipment of goods	Same	Same	74,823	89.02	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	( 503,877)	( 1.98)	Collect within 60-90 days after shipment of goods	Same	Same	106,923	2.72	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	( 144,492)	( 0.57)	Collect within 60-90 days after shipment of goods	Same	Same	34,221	0.87	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	( 240,218)	( 49.42)	Collect within 60-90 days after shipment of goods	Same	Same	76,112	71.18	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	( 831,596)	( 9.93)	Collect within 60-90 days after shipment of goods	Same	Same	127,765	20.50	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	( 227,454)	( 4.24)	Collect within 60-90 days after shipment of goods	Same	Same	9,826	1.45	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	( 880,421)	( 5.99)	Collect within 60-90 days after shipment of goods	Same	Same	227,581	12.53	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	( 192,247)	( 1.31)	Collect within 60-90 days after shipment of goods	Same	Same	56,718	3.12	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

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(\$ 207,539)	( 1.41)	Collect within 60-90 days after shipment of goods	Same	\$ 37,346	2.06
									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

December 31, 2016

Table 6

Expressed in thousands of NTDT (Except as otherwise indicated)									
	Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
						Amount	Action taken		
	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 552,354	Note 4	\$ -	-	\$ 485,120	-
	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	348,978	Note 4	-	-	209,119	-
	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsiidiary (Note 5)	248,743	Note 3	-	-	91,476	-
	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsiidiary (Note 5)	116,969	Note 3	-	-	36,340	-
	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	316,392	Note 4	-	-	316,112	-
	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	126,033	2.66	-	-	5,001	-
	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	302,720	Note 4	-	-	188,414	-
	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	359,937	Note 4	-	-	166,109	-
	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	106,923	4.34	-	-	7,201	-
	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	127,765	5.15	-	-	117,563	-
	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	227,581	5.60	-	-	158,646	-

Note 1: Subsequent collection is the amount collected as of March 13, 2017.

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  
For the year ended December 31, 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	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 3,195,456	Collect within 90 days after shipment of goods	2.72%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	552,093	Collect within 90 days after shipment of goods	0.33%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,340,737	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	348,748	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	260,033	Collect within 90 days after shipment of goods	0.22%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Other receivables	211,439	Collected every quarter	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	525,364	Collect within 60-90 days after sales of equipment	0.45%
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	1	Sales of fixed assets and other assets	215,127	Collect within 60-90 days after sales of equipment	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	1,485,040	The term is 30 days after monthly billing.	1.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	316,081	The term is 30 days after monthly billing.	0.19%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	3	Sales	323,061	Collect within 60-90 days after shipment of goods	0.28%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	373,492	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	586,252	Pay interest quarterly	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales of fixed assets and other assets	416,438	Collect within 45 days after sales of equipment	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	205,250	Collect within 45 days after sales of equipment	0.12%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,996,261	Collect within 60-90 days after shipment of goods	1.70%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	358,854	Collect within 60-90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	525,202	Collect within 60-90 days after shipment of goods	0.45%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,554,220	Pay interest quarterly	2.11%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,015,090	Pay interest quarterly	0.60%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	789,439	Pay interest quarterly	0.47%

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 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 RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	\$ 368,598	Collect within 60–90 days after shipment of goods	0.31%
5	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	240,218	Collect within 60–90 days after shipment of goods	0.20%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	503,877	Collect within 60–90 days after shipment of goods	0.43%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	831,596	Collect within 60–90 days after shipment of goods	0.71%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	880,421	Collect within 60–90 days after shipment of goods	0.75%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	227,581	Collect within 60–90 days after shipment of goods	0.14%
8	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	3	Sales	207,559	Collect within 60–90 days after shipment of goods	0.18%
9	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	227,454	Collect within 60–90 days after shipment of goods	0.19%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

For the year ended December 31, 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 December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
				Balance as at December 31, 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	\$ 43,421,844	\$ 3,810,311	\$ 3,822,312	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	26,373,039	5,717,105	5,726,831	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	10,878,314	1,649,350	1,641,324	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	2,580,312	336,706	336,650	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	624,408	194,837	194,837	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	176,165	2,103	2,040	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	164,767	39,585	19,793	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260		1,000,000	100.00	53,470	2,619	2,619	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	12,546	17,787	5,336	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	2,347,361	( 107,242)	( 107,242)	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	1,695,356	( 52,349)	( 52,349)	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	298,139	198,139	198,139	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-		226,801,983	100.00	34,073,591	3,693,283	3,693,283	Subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-		246,767,840	100.00	26,229,256	5,719,594	5,719,594	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	11,359,050	1,649,350	1,649,350	Subsidiary Note 3



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

Information on investees

For the year ended December 31, 2016

Table 8

		Initial investment amount		Shares held as at December 31, 2016				Expressed in thousands of NT\$ (Except as otherwise indicated)			
Investor	Investee	Location	Main business activities	Balance	Balance	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
				as at December 31, 2016	as at December 31, 2015						
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	8,550,738	598,253	597,880	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,804,969	1,051,141	1,043,489	Sub-subsidiary Note 3

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

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

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

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

Information on investments in Mainland China

For the year ended December 31, 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 year ended December 31, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 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	\$ 5,643,750	2	\$ 910,834	- \$	\$ 910,834	\$ 2,690,831	\$ 100	\$ 2,696,084	\$ 24,171,844	\$ 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	7,256,250	2	2,385,506	-	2,385,506	5,110,652	100	5,131,573	24,245,118	13,617,999	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	274,125	2	68,602	-	68,602	151,918	50	75,959	356,138	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	3,225,000	2	-	-	-	1,738,865	100	1,739,375	5,662,583	360,728	(Note 2, 4, 6, 8)
KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	23,085	2	-	-	-	( 276)	100	( 276)	22,822	-	(Note 6, 8)
TIANJIIN 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	580,500	2	-	-	-	22,512	100	22,512	1,853,740	740,433	(Note 6, 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,192,500	2	-	-	-	160,482	100	160,557	12,619,138	3,524,680	(Note 2, 3, 6, 7)

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

Information on investments in Mainland China

For the year ended December 31, 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 year ended December 31, 2016		Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 1,451,250	2	\$ -	\$ -	\$ -	\$ 858,943	100	\$ 864,563	\$ 8,014,802	\$ 4,055,472	(Note 2, 6, 7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	645,000	2	-	-	-	( 54,274)	100	( 54,274)	472,878	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	161,595	2	-	-	-	( 14,301)	95	( 13,586)	151,368	-	(Note 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	66,540	2	-	-	-	-	49	18,861	199,843	-	(Note 6, 7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,386,150	2	-	-	-	-	100	792,077	5,656,186	303,610	(Note 2, 5, 6, 7)
CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	92,340	2	-	-	-	1,279	50	639	78,339	-	(Note 6, 7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES  
Information on investments in Mainland China  
For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Investment method (Note 1)	Paid-in capital	2	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 year ended December 31, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote	
Investee in Mainland China	Main business activities	Investment method (Note 1)	Paid-in capital	2	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 year ended December 31, 2016	Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote	
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing		\$	1,523,610	\$	-	\$	-	(\$	577)	\$	1,500,637	\$	(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 32.25: USD 1 and NTD 4.617: RMB 1 prevailing on December 31, 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

For the year ended December 31, 2016

Table 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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)	
Cheng Shin Rubber Ind. Co., Ltd.	\$		3,963,525	\$	21,701,025	\$

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 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.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description				Amount
Cash on hand and petty cash					\$ 550
Bank deposits					
Check deposits					3,916
Demand deposits					2506,718
Foreign currency deposits	USD	62,832	thousand	Exchange rate 32.26	2,770,724
	EUR	13,350	thousand	Exchange rate 33.999	
	JPY	578,054	thousand	Exchange rate 0.275	
	THB	58	thousand	Exchange rate 0.901	
	GBP	2,740	thousand	Exchange rate 39.706	
	RMB	4,800	thousand	Exchange rate 4.617	
Time deposits	USD	82,000	thousand	Exchange rate 32.26	6,472,479
	Period	2016.10.03~2017.03.29			
	Interest rate	0.95% ~ 1.75%			
	RMB	829,000	thousand	Exchange rate 4.617	
	Period	2016.10.28~2017.03.06			
	Interest rate	3.28% ~ 5.38%			
					<u>\$ 11,754,387</u>

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Name of Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Nissan North America, Inc.		\$ 224,135	
Maxxis International GMBH		112,024	
Ford Espana S.L		98,142	
Others		946,636	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>1,380,937</u>	
Less: allowance for bad debts		( 11,718)	
		<u>\$ 1,369,219</u>	

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount		Remark
		Cost	Market price	Method for determining market price
Raw materials		\$ 989,935	\$ 1,000,554	Net realisable value
Work in process		133,306	129,220	Net realisable value
Finished goods		<u>607,755</u>	<u>727,118</u>	Net realisable value
		1,730,996	<u>\$ 1,856,962</u>	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		( <u>13,904</u> )		
		<u>\$ 1,717,092</u>		

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**CHENG SHIN RUBBER IND. CO., LTD.**  
**MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2016**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Investee	As of January 1, 2016			Additions			Deductions			As of December 31, 2016			Market price or net in equity		Guarantee or pledge as collaterals
	No. of shares	Amount		No. of shares	Amount		No. of shares	Amount		No. of shares	Amount		Unit price	Total	
MAXXIS International Co., Ltd.	35,005,000	\$ 46,379,098	-	\$ 212,326	-	(\$ 3,169,580)	Note 1	35,005,000	\$ 43,421,844	\$ 1,239	\$ 43,421,844	None			None
CST Trading Ltd.	72,900,000	26,467,271	-	3,613,455	-	( 3,707,687)	Note 1	72,900,000	26,373,039	362	26,373,039	None			None
MAXXIS Trading Ltd.	237,811,720	10,219,988	-	1,344,296	-	( 685,970)	Note 1	237,811,720	10,878,314	46	10,878,314	None			None
PT MAXXIS International Indonesia	79,997,000	2,454,163	-	-	-	( 106,802)		79,997,000	2,347,361	40	2,347,361	None			None
Cheng Shin Rubber USA, Inc.	1,800,000	2,415,339	-	325,978	-	( 161,005)	Note 1	1,800,000	2,580,312	1,434	2,580,312	None			None
MAXXIS Rubber India Private Limited	369,997,000	1,840,061	-	-	-	( 144,705)		369,997,000	1,695,356	5	1,695,356	None			None
Cheng Shin Rubber Canada, Inc.	1,000,000	436,385	-	220,224	-	( 32,201)	Note 1	1,000,000	624,408	624	624,408	None			None
NEW PACIFIC INDUSTRY COMPANY LIMITED	4,999,960	168,508	-	18,759	-	( 22,500)	Note 1	4,999,960	164,767	33	164,767	None			None
Ciao Shin Co., Ltd.	9,700,000	166,398	-	9,767	-	-		9,700,000	176,165	18	176,165	None			None
MAXXIS Tech Center Europe B.V.	1,000,000	53,961	-	-	-	( 491)		1,000,000	53,470	53	53,470	None			None
Cheng Shin Holland B.V.	9,708	13,161	-	2,037	-	( 2,652)	Note 1	9,708	12,546	1,292	12,546	None			None
MAXXIS (Taiwan) Trading Co., Ltd.	-	-	-	10,000,000	298,139	-		10,000,000	298	298,139	298,139	298,139			None
		<u>\$ 90,614,333</u>		<u>\$ 6,044,981</u>		<u>(\$ 8,033,593)</u>			<u>\$ 88,625,721</u>						

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2016

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Creditor	Amount of borrowings	Contract period	Interest rate	Pledges or collaterals	Remark
CHANG HWA COMMERCIAL BANK, LTD.	\$ 3,540,000	2011.09.09~ 2021.10.06	Note	None	
FIRST COMMERCIAL BANK CO., LTD.	3,234,000	2011.04.29~ 2021.10.06	Note	None	
HUA NAN COMMERCIAL BANK LTD.	2,275,000	2011.09.08~ 2019.01.12	Note	None	
Taiwan Cooperative Bank CO., LTD.	1,083,333	2013.12.20~ 2020.05.28	Note	None	
Mizuho Bank, LTD.	1,000,000	2014.08.28~ 2017.08.28	Note	None	
HSBC Bank (Taiwan) Limited	1,000,000	2015.08.27~ 2017.08.25	Note	None	
The Shanghai Commercial & Savings Bank, LTD.	500,000	2014.10.08~ 2020.10.08	Note	None	
Bangkok Bank Public Company Limited	500,000	2015.08.20~ 2020.08.20	Note	None	
China Development Industrial Bank	480,000	2014.09.30~ 2017.09.30	Note	None	
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	416,665	2014.05.15~ 2020.05.15	Note	None	
	<u>14,028,998</u>				
Less: maturity at one year	<u>( 2,480,000)</u>				
	<u>\$ 11,548,998</u>				

Note: For the year ended December 31, 2016, interest rate of borrowing ranged between 0.83%~1.38%.

CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF SALES REVENUE, NET  
YEAR ENDED DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	7,899	\$ 10,661,362	
Cover tires for motorcycles	6,086	3,775,579	
Cover tires for automobiles	2,767	3,019,957	
Cover tires for bicycles	6,990	1,662,691	
Cover tires for industrial use	145	426,900	
Tubes for bicycles	8,414	408,919	
Cover tires for rickshaw	599	162,412	
Others		616,496	None of the balances of each remaining accounts is greater than NT\$100 million.
		<u>20,734,316</u>	
Less: sales returns and discounts		( 96,809)	
		<u>\$ 20,637,507</u>	

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF COST OF GOODS SOLD  
YEAR ENDED DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount
Direct material	
Opening balance of materials	\$ 1,193,571
Add: Purchases in the period	7,629,947
Less: Differences in raw material cost	3,016
Materials sold	225,377
transferred to expenses	99,323
Ending balance of raw materials	<u>989,935</u>
Materials used during the period	7,505,867
Direct labour	1,501,148
Manufacturing overhead	<u>4,435,986</u>
Manufacturing costs	13,443,001
Add: Opening balance of work in process	116,765
Less: Work in process sold	62,603
Transferred to expenses	937
Loss on physical inventory for work in process	17,901
Ending balance of work in progress	<u>133,306</u>
Cost of finished goods	13,345,019
Add: Opening balance of finished goods	781,454
Finished goods purchased	192,404
Less: Transferred to manufacturing expenses	139,488
Ending balance of finished goods	<u>607,755</u>
Cost of manufacturing and sales of goods for the period	13,571,634
Cost of materials sold	225,377
Cost of work in process sold	62,603
Cost of merchandise sold	31,083
Cost of packaged materials sold	<u>27</u>
Cost of production and sales of goods	13,890,724
Add: Loss on physical inventory	17,901
Less: Revenue from sale of scraps	( 19,314)
Total cost of sales	<u>\$ 13,889,311</u>

CHENG SHIN RUBBER IND. CO., LTD.  
SUMMARY OF MANUFACTURING OVERHEAD  
YEAR ENDED DECEMBER 31, 2016  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Depreciation	\$ 1,470,068	
Wages and salaries	910,863	
Utilities expense	577,322	
Repairs and maintenance expense	375,603	
Fuel expense	335,152	
Other expenses	766,978	None of the balances of each remaining accounts is greater than 5% of this account balance.
	<u>\$ 4,435,986</u>	

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF SELLING EXPENSE  
YEAR ENDED DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Taxes	\$ 572,366	
Expense for brand perception	565,972	
Wages and salaries	319,968	
Advertisement expense	206,271	
Freight	128,331	
Other expenses	436,900	None of the balances of each remaining accounts is greater than 5% of this account balance.
	<u>\$ 2,229,808</u>	

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CHENG SHIN RUBBER IND. CO., LTD.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
YEAR ENDED DECEMBER 31, 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Wages and salaries	\$ 439,449	
Professional expenses	105,831	
Repairs and maintenance expense	74,192	
Other expenses	132,527	None of the balances of each remaining accounts is greater than 5% of this account balance.
	<u>\$ 751,999</u>	

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