

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2017 AND 2016**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR 17000423

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

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

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

We did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method, which statements reflect total assets (including investments accounted for under equity method) of \$24,248,685 thousand and \$15,738,970 thousand, constituting 14% and 9% of the consolidated total assets, and total liabilities of \$13,355,164 thousand and \$5,170,913 thousand, constituting 16% and 7% of the consolidated total liabilities as of March 31, 2017 and 2016, respectively, and total comprehensive loss of \$17,861 thousand and gain of \$240,988 thousand, constituting 1% and 7% of the consolidated total comprehensive income for the three months ended March 31, 2017 and 2016, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of March 31, 2017 and 2016.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting

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Standard 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

Hung, Shu-Hua

Hung, Shu-Hua

Wu, Der-Feng

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

May 10, 2017

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

Assets		Notes	March 31, 2017		December 31, 2016		March 31, 2016		
			AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets									
1100	Cash and cash equivalents	6(1)	\$ 30,578,697	18	\$ 28,893,546	17	\$ 27,774,221	16	
1125	Available-for-sale financial	6(2)							
	assets - current		150,760	-	141,404	-	177,175	-	
1150	Notes receivable, net	6(3)	1,217,198	1	1,445,339	1	2,260,473	1	
1170	Accounts receivable, net	6(4)	10,812,065	6	10,330,385	6	11,553,516	7	
1180	Accounts receivable - related	7							
	parties		141,130	-	129,733	-	124,891	-	
130X	Inventories, net	6(5)	15,558,765	9	13,850,002	9	11,785,901	7	
1410	Prepayments		2,690,029	2	1,900,089	1	1,387,697	1	
1470	Other current assets	8	1,626,162	1	1,463,436	1	1,397,909	1	
11XX	Total current assets		62,774,806	37	58,153,934	35	56,461,783	33	
Non-current assets									
1523	Available-for-sale financial	6(2)							
	assets - noncurrent		58,187	-	58,187	-	58,187	-	
1550	Investments accounted for	6(6)(20)							
	under equity method		179,025	-	177,313	-	188,906	-	
1600	Property, plant and equipment,	6(7)							
	net		100,706,952	59	103,156,284	61	105,693,048	63	
1760	Investment property - net	6(8)	291,632	-	291,785	-	328,010	-	
1840	Deferred income tax assets	6(25)	1,541,801	1	831,631	1	707,388	-	
1900	Other non-current assets	6(9) and 8	5,258,270	3	5,495,592	3	5,800,019	4	
15XX	Total non-current assets		108,035,867	63	110,010,792	65	112,775,558	67	
1XXX	Total assets		\$ 170,810,673	100	\$ 168,164,726	100	\$ 169,237,341	100	

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2017		December 31, 2016		March 31, 2016	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)	\$ 15,685,137	9	\$ 12,656,467	8	\$ 13,170,534	8
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	-	-	11,376	-
2150	Notes payable		314,544	-	483,645	-	218,026	-
2170	Accounts payable		9,227,979	6	8,260,392	5	7,103,235	4
2200	Other payables	6(12)	6,394,260	4	7,003,144	4	6,255,994	4
2230	Current income tax liabilities	6(25)	1,484,276	1	1,377,757	1	2,085,116	1
2300	Other current liabilities	6(13)(14)(15)	9,148,554	5	10,005,293	6	6,596,746	4
21XX	Total current liabilities		<u>42,254,750</u>	<u>25</u>	<u>39,786,698</u>	<u>24</u>	<u>35,441,027</u>	<u>21</u>
	Non-current liabilities							
2530	Bonds payable	6(14)	11,700,000	7	11,700,000	7	8,600,000	5
2540	Long-term borrowings	6(15) and 7	24,282,344	14	22,888,990	14	24,920,535	15
2550	Provisions - non-current		115,659	-	120,299	-	113,864	-
2570	Deferred income tax liabilities	6(25)	2,117,558	1	1,836,061	1	2,787,179	2
2600	Other non-current liabilities	6(16)	3,396,096	2	3,563,290	2	3,870,012	2
25XX	Total non-current liabilities		<u>41,611,657</u>	<u>24</u>	<u>40,108,640</u>	<u>24</u>	<u>40,291,590</u>	<u>24</u>
2XXX	Total Liabilities		<u>83,866,407</u>	<u>49</u>	<u>79,895,338</u>	<u>48</u>	<u>75,732,617</u>	<u>45</u>
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Ordinary shares		32,414,155	19	32,414,155	19	32,414,155	19
	Capital surplus	6(18)						
3200	Capital surplus		52,576	-	52,576	-	52,576	-
	Retained earnings	6(19)						
3310	Legal reserve		12,955,677	8	12,955,677	8	11,678,012	7
3320	Special reserve		2,604,163	2	2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		44,695,058	26	42,774,502	25	44,622,481	26
	Other equity interest	6(20)						
3400	Other equity interest		(6,538,228)	(4)	(3,307,822)	(2)	1,331,102	1
31XX	Total equity attributable to owners of the parent		<u>86,183,401</u>	<u>51</u>	<u>87,493,251</u>	<u>52</u>	<u>92,702,489</u>	<u>55</u>
36XX	Non-controlling interest		<u>760,865</u>	<u>-</u>	<u>776,137</u>	<u>-</u>	<u>802,235</u>	<u>-</u>
3XXX	Total equity		<u>86,944,266</u>	<u>51</u>	<u>88,269,388</u>	<u>52</u>	<u>93,504,724</u>	<u>55</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 170,810,673</u>	<u>100</u>	<u>\$ 168,164,726</u>	<u>100</u>	<u>\$ 169,237,341</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 10, 2017.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

Items		Notes	Three months periods ended March 31			
			2017		2016	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	7	\$ 28,641,252	100	\$ 29,345,194	100
5000	Operating costs	6(5)	(21,290,672)	(74)	(19,933,335)	(68)
5900	Gross profit		<u>7,350,580</u>	<u>26</u>	<u>9,411,859</u>	<u>32</u>
	Operating expenses	7				
6100	Selling expenses		(2,158,146)	(8)	(2,113,074)	(7)
6200	General & administrative expenses		(812,383)	(3)	(743,980)	(3)
6300	Research and development expenses		(1,188,097)	(4)	(1,162,213)	(4)
6000	Total operating expenses		(4,158,626)	(15)	(4,019,267)	(14)
6900	Operating profit		<u>3,191,954</u>	<u>11</u>	<u>5,392,592</u>	<u>18</u>
	Non-operating income and expenses					
7010	Other income	6(21)	259,434	1	149,497	1
7020	Other gains and losses	6(22)	(544,081)	(2)	(40,512)	-
7050	Finance costs	6(23)	(229,491)	(1)	(221,521)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	<u>2,246</u>	<u>-</u>	<u>7,010</u>	<u>-</u>
7000	Total non-operating income and expenses		(511,892)	(2)	(105,526)	-
7900	Profit before income tax		2,680,062	9	5,287,066	18
7950	Income tax expense	6(25)	(735,785)	(2)	(1,243,135)	(4)
8200	Profit for the period		<u>\$ 1,944,277</u>	<u>7</u>	<u>\$ 4,043,931</u>	<u>14</u>

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

Items	Notes	Three months periods ended March 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		(\$ 3,941,755)	(14)	(\$ 603,788)	(2)
8362 Unrealized loss on valuation of available-for-sale financial assets	6(2)	9,356	-	9,828	-
8370 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(534)	-	227	-
8399 Income tax relating to the components of other comprehensive income	6(25)	663,534	2	101,942	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		(3,269,399)	(12)	(491,791)	(2)
8300 Other comprehensive loss for the period		(\$ 3,269,399)	(12)	(\$ 491,791)	(2)
8500 Total comprehensive (loss) income for the period		(\$ 1,325,122)	(5)	\$ 3,552,140	12
Profit, attributable to:					
8610 Owners of the parent		\$ 1,920,556	7	\$ 4,029,269	14
8620 Non-controlling interest		23,721	-	14,662	-
		<u>\$ 1,944,277</u>	<u>7</u>	<u>\$ 4,043,931</u>	<u>14</u>
Comprehensive (loss) income attributable to:					
8710 Owners of the parent		(\$ 1,309,850)	(5)	\$ 3,541,352	12
8720 Non-controlling interest		(15,272)	-	10,788	-
		<u>(\$ 1,325,122)</u>	<u>(5)</u>	<u>\$ 3,552,140</u>	<u>12</u>
Earnings per share (in dollars) 6(26)					
9750 Basic earnings per share		<u>\$</u>	<u>0.59</u>	<u>\$</u>	<u>1.24</u>
9850 Diluted earnings per share	6(26)	<u>\$</u>	<u>0.59</u>	<u>\$</u>	<u>1.24</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 10, 2017.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent								Non-controlling interest	Total equity		
	Notes	Capital Surplus			Retained Earnings		Other equity interest					
		Share capital – ordinary shares	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	
<u>Three-month period ended March 31, 2016</u>												
Balance at January 1, 2016		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 11,678,012	\$ 2,604,163	\$ 40,593,212	\$ 1,744,319	\$ 74,700	\$ 89,161,137	\$ 791,447	\$ 89,952,584
Profit for the period		-	-	-	-	-	4,029,269	-	-	4,029,269	14,662	4,043,931
Other comprehensive (loss) income for the period	6(20)	-	-	-	-	-	-	(497,719)	9,802	(487,917)	(3,874)	(491,791)
Balance at March 31, 2016		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 11,678,012</u>	<u>\$ 2,604,163</u>	<u>\$ 44,622,481</u>	<u>\$ 1,246,600</u>	<u>\$ 84,502</u>	<u>\$ 92,702,489</u>	<u>\$ 802,235</u>	<u>\$ 93,504,724</u>
<u>Three-month period ended March 31, 2017</u>												
Balance at January 1, 2017		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 12,955,677	\$ 2,604,163	\$ 42,774,502	(\$ 3,358,274)	\$ 50,452	\$ 87,493,251	\$ 776,137	\$ 88,269,388
Profit for the period		-	-	-	-	-	1,920,556	-	-	1,920,556	23,721	1,944,277
Other comprehensive (loss) income for the period	6(20)	-	-	-	-	-	-	(3,239,605)	9,199	(3,230,406)	(38,993)	(3,269,399)
Balance at March 31, 2017		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 12,955,677</u>	<u>\$ 2,604,163</u>	<u>\$ 44,695,058</u>	<u>(\$ 6,597,879)</u>	<u>\$ 59,651</u>	<u>\$ 86,183,401</u>	<u>\$ 760,865</u>	<u>\$ 86,944,266</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 10, 2017.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	<u>Three-month periods ended March 31</u>	
		<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,680,062	\$ 5,287,066
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(24)	2,892,680	2,898,372
Depreciation on investment property	6(8)(24)	153	242
Rental expenses for land use right	6(9)	21,368	24,631
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(2,246)	(7,010)
Net gain on financial assets or liabilities at fair value through profit or loss	6(22)	-	(7,810)
Loss on disposal of property, plant and equipment	6(7)(22)	5,044	12,535
Provision (reversal of provision) for bad debt expense	6(4)	93	(99)
Interest expense	6(7)(23)	229,491	221,521
Interest income	6(21)	(80,329)	(25,958)
Deferred government grants revenue		(36,782)	(35,182)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		228,141	(17,537)
Accounts receivable - related parties		(11,397)	36,598
Accounts receivable		(481,697)	(859,258)
Inventories		(1,598,559)	1,427,252
Prepayments		(789,940)	(261,651)
Other current assets		(168,509)	211,015
Other non-current assets		(7,500)	(1,279)
Changes in operating liabilities			
Notes payable		(169,101)	11,015
Accounts payable		967,587	358,603
Other payables		(672,019)	(105,548)
Other current liabilities		43,904	81,470
Accrued pension liabilities		(2,014)	(109,632)
Cash inflow generated from operations		3,048,430	9,139,356
Interest received		85,819	27,900
Interest paid		(198,806)	(194,319)
Income tax paid		(452,543)	(457,068)
Net cash flows from operating activities		<u>2,482,900</u>	<u>8,515,869</u>

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three-month periods ended March 31	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of property, plant and equipment		\$ 16,359	\$ 40,198
Payment for capitalized interests	6(7)(23)(27)	(3,846)	(12,245)
Acquisition of property, plant and equipment	6(7)(27)	(3,647,138)	(2,733,328)
Decrease in refundable deposits		11,974	659
Net cash flows used in investing activities		(3,622,651)	(2,704,716)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		12,146,052	3,089,861
Decrease in short-term loans		(8,502,615)	(5,175,044)
Increase in long-term loans		2,416,490	3,699,355
Decrease in long-term loans		(1,133,275)	(1,669,389)
Decrease in guarantee deposits received		(17,563)	5,108
Increase in other payables to related parties	7	47,556	14,916
Decrease in other non-current liabilities		(2,432)	(579)
Net cash flows from (used in) financing activities		4,954,213	(35,772)
Effect of exchange rate changes on cash and cash equivalents		(2,129,311)	(322,327)
Net increase in cash and cash equivalents		1,685,151	5,453,054
Cash and cash equivalents at beginning of period	6(1)	28,893,546	22,321,167
Cash and cash equivalents at end of period	6(1)	\$ 30,578,697	\$ 27,774,221

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 10, 2017.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

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

(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were reported to the Board of Directors on May 10, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs 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	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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 recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature,

amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

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

D. Amendments to IAS 7, 'Disclosure initiative'

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

E. Amendments to IAS 40, 'Transfers of investment property'

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

F. IFRIC 22, 'Foreign currency transactions and advance consideration'

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

Group continuously evaluates effects on financial conditions and operating results due to other standards and interpretations. Results of the evaluation will be disclosed once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation described below, the other significant accounting policies of the Group are in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2016. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, "Interim financial reporting" as endorsed by the FSC.

- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2016.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2016.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	97	97	97	Notes 7 and 8

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	100	Notes 6 and 8
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	—	Note 4
MAXXIS Trading Ltd.	MAXXIS Holding (BVI) Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation	49	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	50	50	50	Note 5
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holding (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	
MAXXIS Holding (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 8

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

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

Note 3: Maxxis International Co., Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively

hold 100% equity interest in Cheng Shin Petrel Tire (Xiamen) Co., Ltd.

Note 4: In September 2015, the Group established a subsidiary, Kunshan Maxxis Tire Co., Ltd., in China. The registered capital is RMB 5 million and paid-in capital was collected on April 1, 2016

Note 5: On January 1, 2016, the shareholders during their meeting resolved for the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of May 10, 2017, the liquidation was not completed.

Note 6: In January 2016, the Group established a subsidiary, MAXXIS (Taiwan) Trading Co., Ltd., which was included in the consolidated financial statements since establishment.

Note 7: On December 21, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CIAO SHIN CO., LTD. As of May 10, 2017, the liquidation was not yet completed.

Note 8: The financial statements of the entity as of March 31, 2017 and 2016, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

None.

(4) Employee benefits

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

(5) Income tax

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

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

There have been no significant changes as of March 31, 2017. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand and petty cash (revolving funds)	\$ 3,197	\$ 2,101	\$ 3,738
Checking deposit	2,031,499	2,171,362	3,881,135
Demand deposits	18,017,347	17,717,029	19,538,672
Time deposits	10,279,212	9,003,054	2,553,905
Bonds sold under repurchase agreement	247,442	-	1,796,771
	<u>\$ 30,578,697</u>	<u>\$ 28,893,546</u>	<u>\$ 27,774,221</u>
Interest rate range			
Time deposits	<u>0.60%~4.28%</u>	<u>0.60%~5.38%</u>	<u>0.23%~3.80%</u>
Bonds sold under repurchase agreement	<u>1.15%~1.25%</u>	<u>-</u>	<u>0.40%</u>

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

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

(2) Available-for-sale financial assets

Items	March 31, 2017	December 31, 2016	March 31, 2016
Current items:			
Listed stocks	\$ 71,655	\$ 71,655	\$ 73,588
Funds	18,930	18,930	18,930
	90,585	90,585	92,518
Valuation adjustment	60,175	50,819	84,657
	<u>\$ 150,760</u>	<u>\$ 141,404</u>	<u>\$ 177,175</u>
Non-current items:			
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>	<u>\$ 58,187</u>

The Group recognized \$9,356 and \$9,828 in other comprehensive income for fair value change for the three-month periods ended March 31, 2017 and 2016, respectively.

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

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable	\$ 1,226,475	\$ 1,454,616	\$ 2,269,750
Less: allowance for bad	(9,277)	(9,277)	(9,277)
	<u>\$ 1,217,198</u>	<u>\$ 1,445,339</u>	<u>\$ 2,260,473</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Dealer	\$ 778,829	\$ 751,054	\$ 1,550,820
Vehicle assembly factory	302,309	548,403	694,196
Others	145,337	155,159	24,734
	<u>\$ 1,226,475</u>	<u>\$ 1,454,616</u>	<u>\$ 2,269,750</u>

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

As of March 31, 2017, December 31, 2016 and March 31, 2016, the Group does not hold any notes receivable that were impaired.

	2017		
	Individual provision	Group provision	Total
At January 1 and March 31	\$ -	\$ 9,277	\$ 9,277
	2016		
	Individual provision	Group provision	Total
At January 1 and March 31	\$ -	\$ 9,277	\$ 9,277

(4) Accounts receivable, net

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable	\$ 10,825,026	\$ 10,343,329	\$ 11,566,361
Less: allowance for bad debts	(12,961)	(12,944)	(12,845)
	<u>\$ 10,812,065</u>	<u>\$ 10,330,385</u>	<u>\$ 11,553,516</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Dealer	\$ 5,338,853	\$ 4,213,454	\$ 5,572,045
Vehicle assembly factory	3,891,603	4,214,700	4,149,972
Others	310,329	338,464	331,368
	<u>\$ 9,540,785</u>	<u>\$ 8,766,618</u>	<u>\$ 10,053,385</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Up to 30 days	\$ 803,433	\$ 1,035,698	\$ 1,022,636
31 to 90 days	331,541	370,853	392,958
91 to 180 days	134,335	148,444	60,530
Over 181 days	14,932	21,716	36,852
	<u>\$ 1,284,241</u>	<u>\$ 1,576,711</u>	<u>\$ 1,512,976</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 March 31, 2017, December 31, 2016 and March 31 2016, the Group had no accounts receivable that were impaired.

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

2017			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 12,944	\$ 12,944
Provision for impairment	-	93	93
Effects of foreign exchange	-	(76)	(76)
At March 31	<u>\$ -</u>	<u>\$ 12,961</u>	<u>\$ 12,961</u>

2016			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 12,966	\$ 12,966
Reversal of impairment	-	(99)	(99)
Effects of foreign exchange	-	(22)	(22)
At March 31	<u>\$ -</u>	<u>\$ 12,845</u>	<u>\$ 12,845</u>

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

(5) Inventories, net

March 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,581,078	\$ -	\$ 5,581,078
Work in process	2,314,049	-	2,314,049
Finished goods	5,232,796	(36,419)	5,196,377
Land in progress	792,298	-	792,298
Construction in progress	793,636	-	793,636
Inventory in transit	881,327	-	881,327
	<u>\$ 15,595,184</u>	<u>(\$ 36,419)</u>	<u>\$ 15,558,765</u>

December 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,754,618	\$ -	\$ 4,754,618
Work in process	1,567,454	-	1,567,454
Finished goods	5,234,031	(37,592)	5,196,439
Land in progress	830,052	-	830,052
Construction in progress	615,238	-	615,238
Inventory in transit	886,201	-	886,201
	<u>\$ 13,887,594</u>	<u>(\$ 37,592)</u>	<u>\$ 13,850,002</u>
March 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,768,193	\$ -	\$ 3,768,193
Work in process	1,434,908	-	1,434,908
Finished goods	4,751,221	(40,055)	4,711,166
Land in progress	893,874	-	893,874
Construction in progress	269,057	-	269,057
Inventory in transit	708,703	-	708,703
	<u>\$ 11,825,956</u>	<u>(\$ 40,055)</u>	<u>\$ 11,785,901</u>

The cost of inventories recognized as expense for the period:

Three-month periods ended March 31			
	2017	2016	
Cost of goods sold	\$ 21,331,029	\$ 19,971,821	
Loss on inventory retirement	2	8	
Loss on physical inventory	(753)	166	
Revenue from sale of scraps	(38,433)	(36,970)	
Gain on reversal of decline in market value	(1,173)	(1,690)	
	<u>\$ 21,290,672</u>	<u>\$ 19,933,335</u>	

For the three-month periods ended March 31, 2017 and 2016, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using equity method

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

As of March 31, 2017, December 31, 2016 and March 31, 2016, the carrying amount of the Group's individually immaterial joint ventures amounted to \$179,025, \$177,313 and \$188,906, respectively.

		Three-month periods ended March 31	
		2017	2016
Share of profit of associates and joint ventures accounted for using equity method	\$	2,246	\$ 7,010
Other comprehensive (loss) income-net of tax	(443)	188
Total comprehensive income	\$	<u>1,803</u>	<u>\$ 7,198</u>

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

(7) Property, plant and equipment, net

Three-month period ended March 31, 2017

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,563,758	\$ -	\$ -	\$ -	\$ 17,963	\$ 4,545,795
Buildings	43,974,977	19,551	-	26,221	(1,668,771)	42,299,536
Machinery	92,000,594	178,015	(30,954)	1,651,377	(2,748,511)	91,050,521
Testing equipment	3,376,518	4,523	(5,505)	80,590	(104,189)	3,351,937
Transportation equipment	1,230,488	23,540	(5,909)	4,578	(48,908)	1,203,789
Office equipment	658,072	6,492	(864)	33,636	(27,165)	670,171
Other facilities	24,829,823	458,151	(57,298)	302,591	(928,154)	24,605,113
Unfinished construction and equipment under	9,590,929	2,997,573	-	(2,156,753)	(326,314)	10,105,435
	<u>\$ 180,225,159</u>	<u>\$ 3,687,845</u>	<u>\$ 100,530</u>	<u>\$ 110,202</u>	<u>\$ 5,869,975</u>	<u>\$ 177,832,297</u>
Accumulated depreciation						
Buildings	(\$ 13,721,288)	\$ 489,224	\$ -	\$ -	\$ 538,562	(\$ 13,671,950)
Machinery	(42,652,343)	(1,481,704)	24,241	-	1,439,555	(42,670,251)
Testing equipment	(2,331,843)	(75,529)	4,875	-	72,259	(2,330,238)
Transportation equipment	(846,860)	(29,018)	4,724	-	34,354	(836,800)
Office equipment	(402,920)	(20,152)	742	-	16,984	(405,346)
Other facilities	(17,099,044)	(797,053)	44,545	-	655,369	(17,196,183)
	<u>(\$ 77,054,298)</u>	<u>\$ 2,892,680</u>	<u>\$ 79,127</u>	<u>\$ -</u>	<u>\$ 2,757,083</u>	<u>(\$ 77,110,768)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ -	\$ -	\$ -	\$ -	(\$ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	<u>(\$ 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,577)</u>
	<u>\$ 103,156,284</u>					<u>\$ 100,706,952</u>

Three-month period ended March 31, 2016

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,547,849	\$ 395	\$ -	\$ -	\$ 477	\$ 4,547,767
Buildings	43,820,285	426,731	(51,060)	1,126,826	(238,935)	45,083,847
Machinery	93,834,228	193,148	(186,068)	1,246,498	(288,759)	94,799,047
Testing equipment	3,457,987	4,872	(72,001)	15,141	(14,343)	3,391,656
Transportation equipment	1,247,921	12,437	(4,020)	6,469	(6,503)	1,256,304
Office equipment	580,037	15,721	(7,810)	32,424	(4,333)	616,039
Other facilities	23,493,044	495,313	(270,100)	877,892	(89,107)	24,507,042
Unfinished construction and equipment under	8,190,036	1,618,976	-	(3,305,250)	(21,988)	6,481,774
	<u>\$ 179,171,387</u>	<u>\$ 2,767,593</u>	<u>(\$ 591,059)</u>	<u>\$ -</u>	<u>(\$ 664,445)</u>	<u>\$ 180,683,476</u>
Accumulated depreciation						
Buildings	(\$ 12,677,650)	\$ 496,895	\$ 45,701	\$ -	\$ 63,383	(\$ 13,065,461)
Machinery	(40,820,160)	(1,505,956)	147,787	195,699	(79,440)	(42,062,070)
Testing equipment	(2,283,765)	(75,916)	70,779	-	10,603	(2,278,299)
Transportation equipment	(830,507)	(27,623)	3,784	-	4,596	(849,750)
Office equipment	(367,399)	(18,468)	7,733	(1,652)	2,579	(377,207)
Other facilities	(15,700,525)	(773,514)	262,542	(194,047)	62,480	(16,343,064)
	<u>(\$ 72,680,006)</u>	<u>(\$ 2,898,372)</u>	<u>\$ 538,326</u>	<u>\$ -</u>	<u>\$ 64,201</u>	<u>(\$ 74,975,851)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ -	\$ -	\$ -	\$ -	(\$ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	<u>(\$ 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,577)</u>
	<u>\$ 106,476,804</u>					<u>\$ 105,693,048</u>

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

	Three-month periods ended March 31	
	2017	2016
Amount capitalized	\$ 3,846	\$ 12,245
Range of the interest rates for capitalization	0.35%~4.60%	1.41%~5.00%

(8) Investment property, net

	Three-month period ended March 31, 2017		
	Opening net book amount as at January 1	Additions	amount as at March 31
Cost			
Land	\$ 336,339	\$ -	\$ 336,339
Buildings and structures	27,766	-	27,766
	<u>\$ 364,105</u>	<u>\$ -</u>	<u>\$ 364,105</u>
Accumulated depreciation			
Buildings and structures	(\$ 21,282)	(\$ 153)	(\$ 21,435)
Accumulated impairment			
Land	(\$ 51,038)	\$ -	(\$ 51,038)
	<u>\$ 291,785</u>		<u>\$ 291,632</u>
	Three-month period ended March 31, 2016		
	Opening net book amount as at January 1	Additions	amount as at March 31
Cost			
Land	\$ 359,315	\$ -	\$ 359,315
Buildings and structures	50,825	-	50,825
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>\$ 410,140</u>
Accumulated depreciation			
Buildings and structures	(\$ 30,850)	(\$ 242)	(\$ 31,092)
Accumulated impairment			
Land	(\$ 51,038)	\$ -	(\$ 51,038)
	<u>\$ 328,252</u>		<u>\$ 328,010</u>

A. Rental income from investment property is shown below:

	Three-month periods ended March 31	
	2017	2016
Rental income from investment property	\$ 2,181	\$ 2,181

B. The fair value of the investment property held by the Group as at March 31, 2017, December 31, 2016 and March 31, 2016 was \$529,829, \$529,829 and \$624,514, respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

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

(9) Other non-current assets

	March 31, 2017	December 31, 2016	March 31, 2016
Land use right	\$ 5,038,160	\$ 5,271,301	\$ 5,587,286
Others	220,110	224,291	212,733
	<u>\$ 5,258,270</u>	<u>\$ 5,495,592</u>	<u>\$ 5,800,019</u>

The Group signed a contract of land use right with a term of 40 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of \$21,368 and \$24,631 for the three-month periods ended March 31, 2017 and 2016, respectively.

(10) Short-term borrowings

Type of borrowings	March 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 15,685,137</u>	0.59%~8.10%	None
Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 12,656,467</u>	0.70%~3.92%	None
Type of borrowings	March 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowing	<u>\$ 13,170,534</u>	0.95%~4.35%	None

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

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

Items	March 31, 2017	December 31, 2016	March 31, 2016
Current items:			
Financial liabilities held for			
Interest rate swaps	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,376</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,376</u>

- A. The Group recognized net loss of \$1,450 on financial liabilities held for trading for the three-month period ended March 31, 2016.

- B. The non-hedging derivative instruments transaction and contract information are as follows:
As of March 31, 2017 and December 31, 2016, there were no related transaction.

	March 31, 2016	
Types of goods	Contract amount (Notional principal)	Contract period
Current items:		2011.06.03-
Interest rate swaps	<u>USD 80 million</u>	2016.07.29

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

hedge accounting.

(12) Other payables

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Wages and salaries payable	\$ 999,844	\$ 1,516,360	\$ 1,055,036
Payable on machinery and equipment	1,086,248	1,049,387	806,212
Employee bonus payable	378,289	651,385	419,042
Compensation due to directors and supervisors	314,481	264,662	332,091
Other accrued expenses	2,282,271	1,963,569	1,973,941
Others	1,333,127	1,557,781	1,669,672
	<u>\$ 6,394,260</u>	<u>\$ 7,003,144</u>	<u>\$ 6,255,994</u>

(13) Other current liabilities

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Long-term liabilities due within one year	\$ 7,738,165	\$ 8,638,808	\$ 5,465,317
Advance receipts	1,065,921	999,270	946,550
Others	344,468	367,215	184,879
	<u>\$ 9,148,554</u>	<u>\$ 10,005,293</u>	<u>\$ 6,596,746</u>

(14) Bonds payable

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Bonds payable			
-issued on 2013	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000
Bonds payable			
-issued on 2014	4,800,000	4,800,000	4,800,000
Bonds payable			
-issued on 2016	5,000,000	5,000,000	-
	<u>13,600,000</u>	<u>13,600,000</u>	<u>8,600,000</u>
Less: current portion	(1,900,000)	(1,900,000)	-
	<u>\$ 11,700,000</u>	<u>\$ 11,700,000</u>	<u>\$ 8,600,000</u>

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by FSCon 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 issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was \$4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds 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 bonds 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 issuance has been approved by FSC on August 24, 2010 and completed on September 3, 2010. The bonds were fully issued and total issuance amount was \$3.8 billion with a coupon rate of 1.55%. The issuance period of the bonds was 5 years, which is from August 19, 2013 to August 19, 2018. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2017
Installment-repayment				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.84%~2.85%	None	\$ 30,021,351
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 and January, 2019 at the maturity.	4.75%	None	99,158
				30,120,509
Less: current portion				(5,838,165)
				\$ 24,282,344
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Installment-repayment				
Unsecured borrowings	Principal is repayable in installment until December, 2023.	0.83%~2.89%	None	\$ 29,572,394
Other borrowings				
Unsecured borrowings	Principal is repayable in January, 2019 at the maturity.	4.75%	None	55,404
				29,627,798
Less: current portion				(6,738,808)
				\$ 22,888,990

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2016
Installment-repayment				
Unsecured borrowings	Principal is repayable in installment until November, 2021.	0.85%~2.79%	None	\$ 30,370,936
Other borrowings				
Unsecured borrowings	Principal is repayable in January, 2019 at the maturity.	4.75%	None	14,916
				30,385,852
Less: current portion				(5,465,317)
				\$ 24,920,535

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

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

Currency	March 31, 2017	December 31, 2016	March 31, 2016
USD	\$ 13,897,787	\$ 14,112,654	\$ 11,697,472
JPY	-	-	89,469
RMB	99,158	55,404	-
THB	1,771,800	1,267,000	918,500
EUR	252,954	271,200	313,986

(16) Pensions

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

(b) For the aforementioned pension plan, the Group recognized pension costs of \$9,203 and \$10,677 for the three-month periods ended March 31, 2017 and 2016, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$40,844.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiary MAXXIS (Taiwan) Trading CO., LTD have established a defined contribution pension plan (the "New Plan") under the

Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading CO., LTD for the three months ended March 31, 2017 and 2016 were \$30,741 and \$28,268, respectively.

C. (a) The Company’s mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. The contribution percentage for the three-month periods ended March 31, 2017 and 2016 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2017 and 2016 were \$100,589 and \$96,001, respectively.

- (b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc. and Maxxis Tech Center Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2017 and 2016 were \$3,338 and \$3,036, respectively.

- (c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has recognized provision for employees’ pensions based on the actuarial reports. As of March 31, 2017, December 31, 2016 and March 31, 2016 the net liabilities recognised in the balance sheets were \$31,038, \$30,216 and \$26,619, respectively. The subsidiary established a provident fund in accordance with the Provident Fund Act of B.E. 2530 (1987) and has been approved by Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdraw the fund. The pension costs under the defined contribution pension plans for the three-month periods ended March 31, 2017 and 2016 were \$3,183 and \$3,090, respectively.

- (d) According to Indonesian’s local government regulation “2015 PP Nomor 60” and “2015 PP Nomor 45”, since March 2016, the Group’s subsidiary, PT MAXXIS International Indonesia, contributes monthly an amount equal to 3.7% and 2% of the employees’ monthly salaries and wages to the retirement insurance; contributes monthly an amount equal to 2% and 1% to pension, respectively. For the three-month periods ended March 31, 2017 and 2016, the pension expense accrued in accordance to the aforementioned regulation amounted to \$170 thousand and \$14 thousand, respectively.

- (e) According to Indonesian’s local government regulation “Employees Provident Fund and Miscellaneous Provisions Act, 1952”, since June 2015, the Group’s subsidiary, Maxxis Rubber India Private LTD., established employees’ provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the three-month periods ended March 31, 2017 and 2016, the pension cost accrued in accordance to the aforementioned regulation amounted to \$558 thousand and \$46 thousand, respectively.

(17) Share capital

As of March 31, 2017, both of the Company’s authorized capital and paid-in capital was \$32,414,155, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of share or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed 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.
- E. The Company has distributed dividends in the amount of \$9,724,246 (\$3 (in dollars) per share) to shareholders for the years ended December 31, 2016 and 2015, respectively. On April 26, 2017, the Board of Directors proposed for the distribution of earnings for 2016 of \$9,724,246, constituting \$3 (in dollars) per share. The financial statements did not reflect such dividends payable.
As of May 10, 2017, the above distribution of earnings for 2016 has not yet been resolved by the shareholders during their meeting.
- F. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(24).

(20) Other equity items

	2017		
	Currency translation	Available-for-sale investment	Total
At January 1	(\$ 3,358,274)	\$ 50,452	(\$ 3,307,822)
Valuation adjustment – Group	-	9,199	9,199
Currency translation differences:			
– Group	(3,902,605)	-	(3,902,605)
– Tax on group	663,443	-	663,443
– Associates	(534)	-	(534)
– Tax on associates	91	-	91
At March 31	(\$ 6,597,879)	\$ 59,651	(\$ 6,538,228)

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	\$ 1,744,319	\$ 74,700	\$ 1,819,019
Valuation adjustment – Group	-	9,802	9,802
Currency translation differences:			
– Group	(599,888)	-	(599,888)
– Tax on Group	101,981	-	101,981
– Associates	227	-	227
– Tax on associates	(39)	-	(39)
At March 31	\$ 1,246,600	\$ 84,502	\$ 1,331,102

(21) Other income

	Three-month periods ended March 31	
	2017	2016
Interest income	\$ 80,329	\$ 25,958
Grant revenue	58,046	42,778
Other income	121,059	80,761
	<u>\$ 259,434</u>	<u>\$ 149,497</u>

(22) Other gains and losses

	Three-month periods ended March 31	
	2017	2016
Net currency exchange loss	(\$ 505,746)	(\$ 17,474)
Loss on disposal of property, plant and equipment	(5,044)	(12,535)
Net gain on financial liabilities at fair value through profit or loss	-	7,810
Other expenses	(33,291)	(18,313)
	<u>(\$ 544,081)</u>	<u>(\$ 40,512)</u>

(23) Finance costs

	Three-month periods ended March 31	
	2017	2016
Interest expense:		
Bank borrowings	\$ 198,586	\$ 189,670
Corporate bonds	31,837	31,525
Provisions-discount	2,914	3,311
Loss on fair value change of financial instruments:		
Interest rate swaps	-	9,260
	<u>233,337</u>	<u>233,766</u>
Less: capitalisation of qualifying assets	(3,846)	(12,245)
Finance costs	<u>\$ 229,491</u>	<u>\$ 221,521</u>

(24) Expenses by nature

	Three-month periods ended March 31	
	2017	2016
Employee benefit expense		
Wages and salaries	\$ 2,765,142	\$ 2,711,383
Labour and health insurance fees	174,960	163,112
Pension costs	147,782	141,132
Other personel expenses	232,195	188,508
	<u>\$ 3,320,079</u>	<u>\$ 3,204,135</u>
Raw materials and supplies used	<u>\$ 14,738,867</u>	<u>\$ 11,957,072</u>
Depreciation charges on property, plant and equipment	<u>\$ 2,892,680</u>	<u>\$ 2,898,372</u>
Depreciation charges on property	<u>\$ 153</u>	<u>\$ 242</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month periods ended March 31, 2017 and 2016, employees' compensation was accrued at \$46,317 and \$97,129, respectively; while directors' and supervisors' remuneration was accrued at \$37,795 and \$76,974, respectively. The amounts were recognized in salary

expenses.

For the three-month period ended March 31, 2017, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.632% of distributable profit of current year as of the end of reporting period.

For 2016, the employees' compensation of 2016 as resolved by the meeting of Board of Directors amounting to \$324,446 was in agreement with those amounts recognized in the 2016 financial statements. The Board of Directors during its meeting resolved to distribute 1.632% of retained earnings as supervisors' remuneration for the year ended December 31, 2016 while the amounts recognized in the financial statements based on 1.585% of retained earnings was \$257,124 for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for the year ended 2016 was \$7,624 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2017. The employees' compensation for 2016 will be distributed in the form of cash. As of May 10, 2017, the employees' compensation for 2016 has not yet been distributed.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month periods ended March 31	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 405,523	\$ 695,809
Prior year income tax understatement	95,401	80,018
Total current tax	500,924	775,827
Deferred tax:		
Origination and reversal of temporary differences	234,861	467,308
Income tax expense	\$ 735,785	\$ 1,243,135

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

	Three-month periods ended March 31	
	2017	2016
Currency translation differences	\$ 663,534	\$ 101,942

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

C. Unappropriated retained earnings:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Earnings generated in and before 1997	\$ 26,215	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	<u>44,668,843</u>	<u>42,748,287</u>	<u>44,596,266</u>
	<u>\$ 44,695,058</u>	<u>\$ 42,774,502</u>	<u>\$ 44,622,481</u>

D. As of March 31, 2017, December 31, 2016 and March 31, 2016, the balance of the imputation tax credit account was \$3,370,734, \$3,370,734 and \$3,795,530, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2015 and is estimated to be 7.55% for the year ended December 31, 2016.

(26) Earnings per share

	<u>Three-month period ended March 31, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,920,556</u>	<u>3,241,416</u>	<u>\$ 0.59</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,920,556	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>5,179</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,920,556</u>	<u>3,246,595</u>	<u>\$ 0.59</u>

Three-month period ended March 31, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,029,269	3,241,416	\$ 1.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	4,029,269	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	6,433	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,029,269	3,247,849	\$ 1.24

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

	Three-month periods ended March 31	
	2017	2016
Purchase of property, plant and equipment	\$ 3,687,845	\$ 2,767,593
Add: opening balance of payable on equipment	1,049,387	784,192
Less: ending balance of payable on equipment	(1,086,248)	(806,212)
Cash paid during the period	\$ 3,650,984	\$ 2,745,573

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Toyo Tire & Rubber Co., Ltd.	The investor company whose subsidiaries are accounted for using equity method
Cheng Shin Holland B.V.	Investee accounted for using equity method
New Pacific IND. CD., LTD.	Investee accounted for using equity method
MERIDA INDUSTRY CO., LTD.	The Company's supervisor is the chairperson of the investee
Maxxis (XiaMen) Trading CO., LTD.	The Company's chairperson is the responsible person of the investee

(2) Significant related party transactions

A. Operating revenue

Three-month periods ended March 31			
	2017		2016
Sales of goods:			
Associates	\$ 157,806	\$	157,257

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

B. Receivables from related parties

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable:			
Associates	\$ 141,130	\$ 129,733	\$ 124,891

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

	March 31, 2017	December 31, 2016	March 31, 2016
Payables due to related parties			
-Associates	\$ 99,158	\$ 55,404	\$ 14,916

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

(3) Key management compensation

Three-month periods ended March 31			
	2017		2016
Short-term employee benefits	\$ 77,917	\$	119,575
Post-employment benefits	965		1,118
	\$ 78,882	\$	120,693

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2017	December 31, 2016	March 31, 2016	
Time deposits (Other current assets)	\$ 15,153	\$ 14,823	\$ 293	Maintenance bond, merchandise delivery guarantee deposit and product liability insurance
Time deposits (Other non-current assets)	460	185	14,766	Maintenance bond and product liability insurance
	\$ 15,613	\$ 15,008	\$ 15,059	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	\$ 9,361,168	\$ 10,248,341	\$ 9,211,994

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

	March 31, 2017	December 31, 2016	March 31, 2016
Amount of letter of credit that has been issued but not yet used	\$ 90,494	\$ 156,982	\$ 493,742

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the three-month period ended March 31, 2017, the Group's strategy was unchanged from 2016. The gearing ratios at March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Total liabilities	\$ 83,866,407	\$ 79,895,338	\$ 75,732,617
Total equity	\$ 86,944,266	\$ 88,269,388	\$ 93,504,724
Less : Intangible assets	-	-	-
Tangible equity	\$ 86,944,266	\$ 88,269,388	\$ 93,504,724
Debt-equity Ratio	96.46%	90.51%	80.99%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables (shown as other current assets), refundable deposits (shown as other non-current assets), short-term loans, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and guarantee deposits) 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 Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2017

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 292,933	30.330	\$ 8,884,658	1%	\$ 88,847	\$ -
RMB:TWD	664,081	4.407	2,926,605	1%	29,266	-
EUR:TWD	13,521	32.430	438,486	1%	4,385	-
THB:TWD	167,235	0.886	148,170	1%	1,482	-
JPY:TWD	1,025,148	0.271	277,815	1%	2,778	-
GBP:TWD	3,443	37.820	130,214	1%	1,302	-
USD:RMB	115,747	6.882	3,510,488	1%	35,105	-
JPY:RMB	472,939	0.062	129,223	1%	1,292	-
GBP:RMB	3,885	8.582	146,934	1%	1,469	-
EUR:RMB	14,133	7.359	458,349	1%	4,583	-
RUB:RMB	242,735	0.122	130,507	1%	1,305	-
USD:THB	61,781	34.236	1,874,009	1%	18,740	-
EUR:THB	11,873	36.607	385,087	1%	3,851	-
GBP:THB	3,209	42.691	121,378	1%	1,214	-
USD:VND	24,286	25,066.116	736,594	1%	7,366	-
USD:IDR	23,126	13,017.167	701,412	1%	7,014	-

March 31, 2017

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 36,436	30.330	\$ 1,105,104	1%	\$ 11,051	\$ -
USD:RMB	161,177	6.882	4,888,333	1%	48,883	-
EUR:RMB	34,879	7.359	1,131,165	1%	11,312	-
USD:THB	218,988	34.236	6,642,584	1%	66,426	-
USD:VND	41,625	25,066.116	1,262,486	1%	12,625	-
USD:IDR	111,382	13,017.167	3,378,216	1%	33,782	-
USD:INR	180,000	64.988	5,459,382	1%	54,594	-

December 31, 2016

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 214,030	32.250	\$ 6,902,468	1%	\$ 69,025	\$ -
RMB:TWD	861,038	4.617	3,975,412	1%	39,754	-
EUR:TWD	19,540	33.900	662,406	1%	6,624	-
THB:TWD	133,109	0.905	120,464	1%	1,205	-
JPY:TWD	759,802	0.276	209,705	1%	2,097	-
GBP:TWD	4,582	39.610	181,493	1%	1,815	-
USD:RMB	97,185	6.985	3,134,191	1%	31,342	-
JPY:RMB	447,703	0.060	124,023	1%	1,240	-
GBP:RMB	2,599	8.579	102,944	1%	1,029	-
EUR:RMB	17,735	7.342	601,181	1%	6,012	-
USD:THB	35,146	35.635	1,133,447	1%	11,334	-
EUR:THB	16,565	37.459	561,560	1%	5,616	-
USD:VND	21,641	25,000.000	697,922	1%	6,979	-
USD:CAD	22,952	1.349	740,153	1%	7,402	-

December 31, 2016

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,419	32.250	\$ 432,763	1%	\$ 4,328	\$ -
USD:RMB	212,748	6.985	6,861,069	1%	68,611	-
EUR:RMB	34,632	7.342	1,173,956	1%	11,740	-
USD:THB	133,299	35.635	4,298,849	1%	42,988	-
USD:VND	44,393	25,000.000	1,431,674	1%	14,317	-
USD:IDR	36,000	13,271.605	1,161,000	1%	11,610	-
USD:CAD	14,645	1.349	472,270	1%	4,723	-
USD:INR	180,000	67.923	5,804,971	1%	58,050	-

March 31, 2016

	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:TWD	\$ 155,720	32.185	\$ 5,011,848	1%	\$ 50,118	\$ -
RMB:TWD	77,284	4.972	384,256	1%	3,843	-
EUR:TWD	11,618	36.510	424,173	1%	4,242	-
THB:TWD	171,020	0.919	157,167	1%	1,572	-
GBP:TWD	2,846	46.170	131,400	1%	1,314	-
USD:RMB	98,940	6.473	3,184,261	1%	31,843	-
EUR:RMB	11,548	7.343	421,611	1%	4,216	-
USD:THB	80,055	35.041	2,577,985	1%	25,780	-
EUR:THB	4,484	39.750	163,802	1%	1,638	-
USD:VND	20,576	24,382.576	662,239	1%	6,622	-
Financial liabilities						
Monetary items						
USD:TWD	\$ 13,078	32.185	\$ 420,915	1%	\$ 4,209	\$ -
JPY:RMB	603,563	0.058	174,053	1%	1,741	-
USD:RMB	357,788	6.473	11,514,962	1%	115,150	-
EUR:RMB	39,379	7.343	1,437,704	1%	14,377	-
USD:THB	176,489	35.041	5,683,419	1%	56,834	-
USD:VND	58,924	24,382.576	1,896,469	1%	18,965	-

- iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2017 and 2016 amounted to \$505,746 and \$17,474, respectively.

Price risk

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

The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity for the three-month periods ended March 31, 2017 and 2016 would have increased/decreased by \$2,090 and \$2,354, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates do not expose the Group to fair value interest rate risk. During the three-month periods ended March 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in TWD, USD, JPY, THB, RMB, EUR and INR.
- ii. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.
- iii. At March 31, 2017 and 2016, if interest rates on USD, THB, JPY, RMB, EUR and INR-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2017 and 2016 would have been \$31,432 and \$34,746 lower / higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients

or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

- ii. For the three-month periods ended March 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The ageing analysis of financial assets that were past due but not impaired is shown on Notes 6(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 asset in Notes 6(3) and 6(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>March 31, 2017</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$ 7,739,108	\$ 3,558,134	\$ 5,140,469	\$ -	\$16,437,711
Notes and bills payable	9,542,524	-	-	-	9,542,524
Other payables	5,589,060	374,729	329,168	101,303	6,394,260
Guarantee deposits	647	-	-	243,036	243,683
Long-term borrowings	1,364,467	3,530,731	2,475,027	24,794,616	32,164,841
Bonds payable	-	2,061,600	-	11,988,100	14,049,700

<u>December 31, 2016</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$ 7,507,968	\$ 3,745,464	\$ 1,649,469	\$ -	\$12,902,901
Notes and bills payable	8,653,636	90,401	-	-	8,744,037
Other payables	6,331,174	1,872	335,395	334,703	7,003,144
Guarantee deposits	554	736	-	259,955	261,245
Long-term borrowings	1,390,654	1,255,837	5,337,829	23,054,427	31,038,747
Bonds payable	-	-	2,061,600	11,988,100	14,049,700

<u>March 31, 2016</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Short-term borrowings	\$11,428,050	\$ 3,837,979	\$ 922,296	\$ -	\$16,188,325
Notes and bills payable	7,321,261	-	-	-	7,321,261
Other payables	5,636,097	107,853	330,522	181,522	6,255,994
Guarantee deposits	-	659	-	289,473	290,132
Long-term borrowings	823,647	1,951,550	3,167,037	25,460,206	31,402,440
Bonds payable	-	126,100	-	8,889,950	9,016,050

Derivative financial liabilities:

As of March 31, 2017 and December 31, 2016, there was no related transaction.

<u>March 31, 2016</u>	<u>Less than 90 days</u>	<u>Between 91 and 180 days</u>	<u>Between 181 and 365 days</u>	<u>Over 1 year</u>	<u>Total</u>
Interest rate swaps	\$ 3,933	\$ 7,443	\$ -	\$ -	\$ 11,376

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(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 Group's investment in listed stocks, beneficiary certificates, is included in Level 1.

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

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

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2017, December 31, 2016 and March 31, 2016 is as follows:

		March 31, 2017		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 150,760	\$ -	\$ 58,187
		December 31, 2016		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 141,404	\$ -	\$ 58,187
		March 31, 2016		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 177,175	\$ -	\$ 58,187
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Interest rate swaps		\$ -	\$ 11,376	\$ -

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

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

their fair values.

(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, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the three-month periods ended March 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the three-month periods ended March 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6(11), 6(22) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: please refer to table 8.

B. Ceiling on investments in Mainland China: please refer to table 8.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three-month period ended March 31, 2017: please refer to tables 4, 5 and 6.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the three-month periods ended March 31, 2017 and 2016 is as follows:

	Three-month period ended March 31, 2017					
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO.,	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 3,105,407	\$ 4,630,360	\$ 8,835,840	\$ 3,655,504	\$ 6,257,691	\$ 26,484,802
revenue	2,193,772	373,532	160,392	354,564	1,076,486	4,158,746
Total segment revenue	\$ 5,299,179	\$ 5,003,892	\$ 8,996,232	\$ 4,010,068	\$ 7,334,177	\$ 30,643,548
Segment income	\$ 444,264	\$ 262,952	\$ 574,012	\$ 107,321	\$ 1,087,913	\$ 2,476,462
	Three-month period ended March 31, 2016					
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO.,	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 4,096,365	\$ 4,949,184	\$ 8,908,457	\$ 3,446,114	\$ 5,795,154	\$ 27,195,274
revenue	1,273,802	279,434	174,361	265,787	1,145,466	3,138,850
Total segment revenue	\$ 5,370,167	\$ 5,228,618	\$ 9,082,818	\$ 3,711,901	\$ 6,940,620	\$ 30,334,124
Segment income	\$ 1,194,258	\$ 616,953	\$ 1,358,338	\$ 391,393	\$ 1,504,376	\$ 5,065,318

(4) Reconciliation for segment income (loss)

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

	Three-month periods ended March 31	
	2017	2016
Adjusted revenue from reportable segments	\$ 30,643,548	\$ 30,334,124
Adjusted revenue from other operating segments	2,317,714	2,329,996
Total operating segments	32,961,262	32,664,120
Elimination of inter-segment revenue	(4,320,010)	(3,318,926)
Total consolidated operating revenue	\$ 28,641,252	\$ 29,345,194

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

	Three-month periods ended March 31	
	2017	2016
Adjusted income from reportable segments before income tax	\$ 2,476,462	\$ 5,065,318
Adjusted income from other operating segments before income tax	180,934	211,811
Total operating segments	2,657,396	5,277,129
Income from elimination of inter-segment revenue	22,666	9,937
Income from continuing operations before income tax	\$ 2,680,062	\$ 5,287,066

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

Loans to others

Three-month period ended March 31, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2017	Balance at March 31, 2017 (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		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,980,350	\$ 3,823,450	\$ 2,900,820	2.75%-4.75%	Note 4	\$ -	- Operating capital	\$ -	- None	\$ -	4,696,703	\$ 7,827,838	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,229,950	880,600	638,435	2.6276%-4.75%	Note 4	-	- Operating capital	-	- None	-	4,696,703	7,827,838	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	137,520	132,090	105,672	4.75%	Note 4	-	- Operating capital	-	- None	-	4,696,703	7,827,838	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	916,800	880,600	620,823	4.75%	Note 4	-	- Operating capital	-	- None	-	7,178,026	11,963,377	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	Other receivables	Yes	458,400	440,300	215,747	4.75%	Note 4	-	- Operating capital	-	- None	-	7,178,026	11,963,377	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,459,900	2,367,300	1,410,388	2.88261%-4.75%	Note 4	-	- Operating capital	-	- None	-	13,987,316	23,312,193	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. to a single party is 60% of CHENG SHIN RUBBER (XIAMEN) IND., LTD.'s net assets.

Limit on loans granted by CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. to a single party is 60% of CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.'s net assets.

Note 3: Limit on loans granted by XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of XIAMEN CHENG SHIN ENTERPRISE CO., LTD.'s net assets.

Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. to others is 100% of CHENG SHIN RUBBER (XIAMEN) IND., LTD.'s net assets.

Limit on loans granted by CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. to others is 100% of CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.'s net assets.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

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

Provision of endorsements and guarantees to others
Three-month period ended March 31, 2017

Table 2

Expressed in thousands of NT\$ (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 March 31, 2017	Outstanding endorsement/ guarantee amount at March 31, 2017	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	Provision of	Footnote	
		Company name	Relationship with the endorser/ guarantor								endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company		Provision of endorsements/ guarantees to the party in Mainland China
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 43,091,701	\$ 8,306,175	\$ 7,980,525	\$ 4,597,048	\$ -	9.26	\$ 60,328,381	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub- subsidiary	43,091,701	1,377,860	1,333,420	622,263	-	1.55	60,328,381	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub- subsidiary	43,091,701	4,384,100	4,242,700	1,313,217	-	4.92	60,328,381	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	43,091,701	1,409,175	1,363,725	757,625	-	1.58	60,328,381	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	43,091,701	5,949,850	5,757,950	5,567,080	-	6.68	60,328,381	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	43,091,701	5,041,715	4,879,105	2,913,110	-	5.66	60,328,381	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Note 3 (1)	18,649,754	2,521,200	2,421,650	183,169	-	10.39	23,312,193	N	N	Y	Note 4, Note 5

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

(1) The Company is '0'.

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

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

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

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

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

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

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at March 31, 2017.

\$ 60,328,381
\$ 17,236,680
\$ 43,091,701

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)

Three-month period ended March 31, 2017

Table 3

				Expressed in thousands of NTD (Except as otherwise indicated)			
				As of March 31, 2017			
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares/units	Ownership		Footnote
					Book value	Fair value	
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	\$ 33,989	\$ 33,989	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	36,324	36,324	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	58,187	Note 2
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	80,447	80,447	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
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Three-month period ended March 31, 2017

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Expressed in thousands of NT\$ (Except as otherwise indicated)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Notes/accounts receivable (payable)	Footnote (Note 2)	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 717,558)	(16.94)	Collect within 90 days after shipment of goods	Same	Same	\$ 416,769	15.30	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(403,321)	(9.52)	Collect within 90 days after shipment of goods	Same	Same	417,773	15.33	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(130,172)	(3.07)	Collect within 90 days after shipment of goods	Same	Same	252,511	9.27	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(870,268)	(20.54)	Collect within 30 days	Same	Same	405,954	14.90	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(129,103)	(2.38)	Collect within 60-90 days after shipment of goods	Same	Same	158,501	7.41	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(146,115)	(2.92)	Collect within 60-90 days after shipment of goods	Same	Same	163,405	7.64	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(501,675)	(43.60)	Collect within 60-90 days after shipment of goods	Same	Same	410,732	44.39	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(125,557)	(10.91)	Collect within 60-90 days after shipment of goods	Same	Same	89,875	9.71	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(114,150)	(1.99)	Collect within 60-90 days after shipment of goods	Same	Same	112,602	3.21	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(122,885)	(5.86)	Collect within 60-90 days after shipment of goods	Same	Same	99,129	17.72	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(235,971)	(5.88)	Collect within 60-90 days after shipment of goods	Same	Same	229,016	8.04	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 on 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

Three-month period ended March 31, 2017

Table 5

Expressed in thousands of NTD								
(Except as otherwise indicated)								
Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2017	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)	\$ 416,832	Note 4	-	-	\$ 187,287	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	417,789	Note 4	-	-	118,121	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	405,959	Note 3	-	-	50,287	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	136,939	Note 3	-	-	43,736	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	405,992	Note 4	-	-	405,954	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	158,501	0.91	-	-	39,308	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	305,593	Note 4	-	-	22,894	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	411,528	Note 4	-	-	173,370	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	112,602	1.04	-	-	37,279	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	229,016	1.03	-	-	88,108	-

Note 1: Subsequent collection is the amount collected as of May 4, 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, endorsement/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three-month period ended March 31, 2017

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Transaction												
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account		Amount (Note 4)		Transaction terms		Percentage of consolidated total operating revenues or total assets (Note 3)		
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$	717,558	Collect within 90 days after shipment of goods		2.51%			
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable		416,769	Collect within 90 days after shipment of goods		0.24%			
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales		403,321	Collect within 90 days after shipment of goods		1.41%			
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable		417,773	Collect within 90 days after shipment of goods		0.24%			
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Accounts receivable		252,511	Collect within 90 days after shipment of goods		0.15%			
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets		208,566	Collect within 60-90 days after sales of equipment		0.73%			
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales		870,268	Collect within 30 days		3.04%			
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable		405,954	Collect within 30 days		0.24%			
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables		1,410,388	Pay interest quarterly		0.83%			
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales		501,675	Collect within 60-90 days after shipment of goods		1.75%			
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable		410,732	Collect within 60-90 days after shipment of goods		0.24%			
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables		2,900,820	Pay interest quarterly		1.70%			
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables		638,435	Pay interest quarterly		0.37%			
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables		620,823	Pay interest quarterly		0.36%			
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables		215,747	Pay interest quarterly		0.13%			
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales		235,971	Collect within 60-90 days after shipment of goods		0.82%			
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable		229,016	Collect within 60-90 days after shipment of goods		0.13%			

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Three-month period ended March 31, 2017

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2017		Net profit (loss) of the investee for the three-month period ended March 31, 2017	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2017	Footnote
				Balance as at March 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)			
				\$	\$					
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	912,218	912,218	35,050,000	100.00	\$ 41,771,742	\$ 352,890	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	26,204,612	1,050,234	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	10,826,838	328,945	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	2,435,571	59,674	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	633,797	54,932	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	181,027	(177)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,001	5,000,000	50.00	167,013	4,492	Subsidiary 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	50,613	(550)	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	12,012	-	Subsidiary 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	2,229,939	(22,925)	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	1,635,745	(31,475)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS (Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	100,000	10,000,000	100.00	414,409	116,270	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	32,940,489	428,255	Subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,063,901	1,059,404	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	11,326,035	328,985	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	8,477,111	107,321	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	2,845,805	221,888	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

Three-month period ended March 31, 2017

Table 8

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, 2017	Amount remitted from Mainland China/ Amount remitted back to Taiwan for the three- month period ended March 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the three-month period ended March 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2017 (Note 2)	Book value of investments in Mainland China as of March 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2017	Footnote
		\$	2	\$	\$	\$	\$		\$	\$	\$	(Notes 2, 3, 5, 6, 7)
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	5,307,750	2	910,834	-	910,834	246,430	100.00	243,368	23,312,193	14,924,957	
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,824,250	2	2,385,506	-	2,385,506	892,337	100.00	894,677	24,010,620	13,617,999	(Notes 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	257,805	2	68,602	-	68,602	37,591	50.00	18,795	358,228	321,234	(Notes 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	3,033,000	2	-	-	-	488,393	100.00	490,590	5,880,246	360,728	(Notes 2, 4, 6, 8)
KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	22,035	2	-	-	-	236	100.00	236	21,555	-	(Notes 6, 8)
TIANTIN TAFENG RUBBER IND. CO., LTD./TIANJIN TAFENG RUBBER IND. CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	545,940	2	-	-	-	25,540	100.00	25,540	1,744,574	740,433	(Notes 6, 7)

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

Information on investments in Mainland China

Three-month period ended March 31, 2017

Table 8

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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three- month period ended March 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the three-month period ended March 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2017 (Note 2)	Book value of investments in Mainland China as of March 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
		\$	2	\$	\$	\$		(\$	100.00	\$	\$	\$	
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,942,900						72,684	100.00	72,618	11,974,972	3,524,680	(Notes 2, 3, 6, 7)
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	1,364,850	2					182,504	100.00	187,352	7,827,838	4,055,472	(Notes 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	606,600	2					17,780	100.00	17,780	434,069	-	(Notes 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	154,245	2					1,823	95.00	1,732	142,798	-	(Notes 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	63,513	2					9,044	49.00	4,432	195,066	-	(Notes 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	4,186,650	2					68,409	100.00	68,409	5,465,484	303,610	(Notes 5, 6, 7)

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

Information on investments in Mainland China

Three-month period ended March 31, 2017

Table 8

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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three- month period ended March 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the three-month period ended March 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2017 (Note 2)	Book value of investments in Mainland China as of March 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2017	Footnote
CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	\$ 88,140	2	\$ -	\$ -	\$ -	\$ 819	50.00	\$ 409	\$ 75,174	\$ -	(Notes 6, 7)
XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	1,454,310	2	-	-	-	(2,422)	100 (2,422)	1,430,025	-	(Notes 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 Petrol Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd. respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 30.33: USD 1 and NTD 4.407: RMB 1 prevailing on March 31, 2017.

Note 7: Investment income (loss) was recognized 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 recognized 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

Three-month period ended March 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2017 (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)
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Cheng Shin Rubber Ind. Co., Ltd.	\$	3,727,557	\$
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Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2017 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.